Halifax Food Hub Project
Final Report

Submitted on
6 January 2023 by:

Flourish
COMMUNITY DEVELOPMENT
CO-OPERATIVE

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Executive Summary

Project Objective & Funding

Flourish Community Development Co-operative Ltd. (Flourish) was contracted in December of 2021 by a working group of nonprofits (all with a mission of supporting food security and food sovereignty), to assist with researching and developing a business plan for a Halifax-based, regional food hub. Funding for this project was generously provided by the Nova Scotia Department of Communities, Culture, Tourism and Heritage.

Project Work Plan

Flourish and the working group (collectively referred to as the project team) worked collaboratively through the following work plan between March and December of 2022:

1. Primary Research – Consulted with key informants and representatives from priority communities and stakeholder groups
2. Secondary Research – Profiled leading edge examples of food hubs from around the world
3. Design – Developed a draft social business model canvas for the food hub, a list of key design specifications and principles, and proposed organizational structure
4. Testing – Shared the emerging food hub concept, soliciting feedback, and inviting involvement and support
5. Business Case – Explored the business case for the Halifax Food Hub, considering governance and organizational structure, and operational and financial requirements.

Summary of Key Findings

1. There is a clearly-identifiable demand and need for a wholesale food hub in halifax
2. Producer commitment and engagement will be key
3. There is strong potential for a commercial kitchen operation
4. Delivery service to wholesale customers will be essential to the value proposition
5. Stakeholders are strongly interested in engaging in next steps of hub's development
6. Community programs will complement enterprise activities
7. Scale matters - On average, larger food hubs were more profitable than their smaller counterparts.
8. Achieving profitability may take as long as five years
9. Retail sales enhance profitability, but... The project team has made the strategic decision to focus on wholesale trade, to avoid duplication and competition with existing local food retailers. This will present a special but not insurmountable challenge for the Halifax Food Hub.
10. A hybrid corporate structure makes sense
11. A successful food hub needs an employee team

12. Product sales will be the key revenue stream
13. Distribution will likely win out over brokering
14. A critical mass of vendors is crucial for success

Summary of Recommendations

Guiding Principles

- Recruit and employ at least one highly-capable person with connections to local producers and/or wholesale buyers to lead the development and startup of the Food Hub
- Seek diversified social and enterprise revenue streams
- Promote cooperation and build trust
- Clearly communicate the value proposition – to buyers and sellers
- Invest in scalable infrastructure
- Commit to a focused value proposition (i.e. don't try to be all things for all parties)
- Engage producers as key partners
- Focus on small to medium producers and buyers in startup phase

Key Elements of the "Minimal Viable Food Hub"

The project team have identified the essential elements of the Halifax Food Hub's initial value proposition:

- Recruitment of producers and wholesale buyers
- Aggregation
- Storage – dry, cold, and frozen
- Online ordering and payment processing
- Order fulfillment and delivery
- Rentable commercial kitchen

Proposed Corporate Structure

While there are myriad options for the legal structure and governance of the Halifax Food Hub, the project team is, on the basis of the best current information, recommending the following hybrid structure:

- A Federally-Incorporated Not-For-Profit Corporation – This entity would own (or lease) and manage the property and oversee the delivery of any food-focused community programming that might fall outside the Hub's business model, including renting space to organizations that promote food security and/or food sovereignty – most notably the operational arm of the Food Hub (a for-profit co-operative).

- Provincially-Incorporated For-Profit Co-Operative – As the primary tenant of the facility, this entity would be the operating arm of the Halifax Food Hub, which would undertake the food hub functions outlined in the "Minimal Viable Food Hub" section above. The co-op would also be responsible for recruiting and managing relationships with, and subletting to, any enterprise seeking to use the commercial kitchen facilities, and any enterprise seeking to provide value-added services (e.g. co-packing, processing) to the co-op.

Action Plan

The following action plan outlines the steps necessary to prepare for the successful launch of the first phase of the Halifax Food Hub. Flourish is prepared to work with the working group to complete action steps 1-5 under the current contract.

Action Steps	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
1. Develop "Halifax Food Hub" website, to share reports and provide a forum for stakeholder engagement	X					
2. Recruit additional members to the Working Group (to ensure representation from customers, producers, and other key stakeholder groups) / create Working Group Charter	X					
3. Research location options – Amend the business model as necessary.	X					
4. Begin engagement with potential funders and sponsors – amend the business model as necessary	X					
5. Develop separate-but-linked financial models – one for the not-for-profit corporation, one for the for-profit co-operative. Amend the business model as necessary.	X					
6. Recruit and hire the founding executive director / manager to lead the development of key relationships and business plans, securing financing, project managing all construction and procurement, and recruitment of wholesale buyers and vendors. This position will initially be shared between the not-for-profit and for-profit arms of the Food Hub, and then split into two as the Hub prepares to become operational.	X					
7. Develop two separate-but-linked operational business plans – one for the not-for-profit corporation, one for the for-profit co-operative. Develop two separate-but-linked operational business plans – one for the not-for-profit corporation, one for the for-profit co-operative. These plans will include details for: governance and management, sales and marketing, staffing, operations, finances, and risk management.		X				
8. Present not-for-profit corporation business plan to potential funders / amend as necessary / secure financing for building, renovations, and property (see "Capital Financing Requirements and Potential Sources")		X				
9. Incorporate non-profit corporation / form founding board of directors		X				
10. Acquire building and undertake renovations			X	X		
11. Present for-profit co-operative business plan to potential funders / amend as necessary / secure financing for leaseholds, commercial kitchens, equipment, and vehicles (see "Capital Financing Requirements and Potential Sources")			X			
12. Incorporate for-profit co-operative / form founding board of directors			X			
13. Hire and train the remaining core employee team			X	X		
14. Undertake leasehold improvements, purchase necessary equipment and vehicles, set up and text necessary systems				X	X	
15. Recruit core primary and secondary producers				X	X	
16. Recruit wholesale customers					X	X
17. Launch phase one of Halifax Food Hub						X

Flourish COMMUNITY DEVELOPMENT CO-OPERATIVE

Background

Project Objective

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The Project Team

The team for this project included a working group composed of organisations with a mission of supporting food security and food sovereignty, and a consulting team composed of community economic development experts.

The Working Group

The founding members of the project working group include:

- Justin Cantafio (working group lead) - representing Farmers' Markets of Nova Scotia,
- Mandy Chapman - representing the Mobile Food Market,
- Lisa Roberts - representing Nourish Nova Scotia, and
- Leticia Smillie - representing the Halifax Food Policy Alliance and Halifax Regional Municipality

Additional members joined the working group:

- Sue Kelleher - representing Feed Nova Scotia (joined in August 2022)
- Ghita Rammaz - representing the Novalea Kitchen and Market (joined in November 2022)

The Consulting Team

Flourish is a co-operative of independent consultants with extensive expertise in community and economic development. The team assigned to this project included:

- Andy Horsnell (team lead)
- Leslie Brown
- Peter Hough
- Chantal Pelham-Edwards
- Chris Pelham
- Melissa Grandberg

See www.flourishcoop.ca for more information about Flourish.

Project Work Plan

Flourish and the working group worked collaboratively on the following phases of the work plan between March and December of 2022:

1. Primary Research – Consulting with key informants and representatives from priority communities and stakeholder groups
2. Secondary Research – Profiling leading edge examples of food hubs from around the world
3. Design – Developing a draft social business model canvas for the food hub, a list of key design specifications and principles, and proposed organizational structure
4. Testing – Sharing the emerging food hub concept, soliciting feedback, and inviting involvement and support
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This report presents highlights from all five phases of this project, and outlines the key next steps to keep the emerging concept for the Halifax Food Hub moving forward.

Framing the Project

The project team's first task was to define the strategic framework for the project and the food hub. This section presents the highlights of that early discussion, which were updated throughout the life of the project.

Desired Long-term Impacts

At the project launch meeting on 29 March 2022, the working group members identified the following desired long-term impacts that the Halifax Food Hub might ultimately have for its two primary stakeholder groups:

Desired Long-term Impacts for Local Food Buyers & Consumers	Desired Long-term Impacts for Local Food Producers

• Food Insecurity decreases
• Employment increases
• Nova Scotians feel empowered to their own decisions regarding food:
  ○ Food prices are manageable and predictable – building a resilient system that is insulated from external influences
  ○ Increase in food literacy – connections and celebrating local food
  ○ Local food is accessible to all
• Capacity in local organizations increases, as they are no longer scrambling to find the food they require
• Gain a better sense of the benefits of local food systems (and associated returns on investing in local food systems)
• Social determinants of health increase
• Negative environmental impacts are decreased
• Increased access and pervasiveness of local food in communities across Nova Scotia
	• Stimulus in local communities – huge redistribution to families and communities
	• Regional job creation
	• Decreased food waste
	• Technological and other spin off opportunities
	• Price to producers increases as capacity goes up
	• Producers have greater say in the price they receive for their products
	• Better work/life balance for producers
	• Fewer steps will reduce fluctuation of prices – regional supply lets us set the price
	• Volume predictability
	• Shorten supply chain between producers and buyers
	• Branding/shared marketing
	• Shared services and cost reduction
	• Increased on-farm income for primary producers

Beliefs

What the Working Group believes to be true about the local food system in Nova Scotia:

Support is needed for efficient movement of food and localization of our food system

With close to half the population of the Province living in HRM, the demand for food is significant, while the majority of the supply (especially primary products) is from outside the

Region. Transporting supplies to places of demand and the opportunity for satellite hubs will be a crucial component of a more resilient food system.

Increased efficiency is needed as many organizations are spending precious time securing food

Much time - which has real value in terms of wages - is spent now to secure food for non-profit organizations, schools, restaurants; likewise, producers spend a great deal of time - which comes with a significant opportunity cost (because they could be farming!) - delivering their products to many locations in HRM. The Hub can do this work.

The time is now

A Halifax Regional Food Hub will enable the Province to meet and exceed its buy local objectives (the percentage of dollars spent on food that is locally produced in Nova Scotia).

The need is real

There is a real and quantifiable demand for local food infrastructure in Nova Scotia, including aggregation, processing, cold storage, and distribution.

We need to work together

The needs of buyers can be met by leveraging economies of scale through cooperative, collaborative, and scale-appropriate operations.

Core Values

The Working Group values and seeks to embrace the following concepts:

- Local food as key to resilience and community economic development
- Collaboration and cooperation between stakeholders in the food system
- Adaptability, continuous learning, and responsiveness
- Food accessibility for local consumers
- Price fairness for producers

Guiding Principles

The Working Group is guided by the following principles in its planning and deliberations:

1. Seek to provide affordable, healthy food for nonprofits and schools, while increasing revenues for small and medium producers
2. Be nimble, adaptable and flexible to act on opportunities in the best interests of Nova Scotians
3. Support smaller hubs in rural areas

Primary Research Highlights

Background

This section presents the results of the primary engagement activities undertaken in support of the overall project. The engagement phase consisted of two activities: key informant interviews and an online stakeholder survey. The details of how each activity was undertaken, and the results of those activities, are explained in their respective sections. See Appendix D for a copy of the full Primary Research Report.

Who We Heard From

We interviewed 16 key informants, and surveyed 74 respondents, representing a variety of contexts and perspectives. We heard from farmers/primary producers, processors/secondary producers, government and other support organizations, not-for-profits with a focus and interest on food security, and institutions with an interest in supporting, and purchasing, local food.

Interviewees included a range of agriculture and food leaders:

1. Linda Best, Managing Director and Founder, FarmWorks Investment Co-operative Ltd.
2. Dr. Sylvain Charlebois, Director and Professor, Dalhousie University Agri-food Analytics Lab
3. Jocelyn Durston, Owner, Seven Acres Farm and Ferments
4. Greg Gerrits, Owner, Elmridge Farm
5. David Greenburg, Co-Owner, Abundant Acres
6. Brianna Hagell, Owner, Vessel Meats
7. Nick Jennery, Executive Director, FEED NS
8. Maxine McLean, Policy Analyst, Nova Scotia Federation of Agriculture
9. Amy Melmock, Director of Sector Development and Innovation, NS Department of Agriculture
10. Kelly Marie Redcliffe, Manager, Wolfville Farmers Market
11. Mara Shaw, Executive Director, National Farmers Union
12. Kelly Sherwood, School Nutritionist, Halifax Regional Centre for Education
13. Rebecca Sooksom, Manager of Regional Programming, NS Department of Agriculture
14. Andrew Stevens, Manager, NSCC School of Business and Creative Industries, Tourism and Culinary Programs
15. Rebecca Tran and Heather Lunan, Owners, The Station Food Hub

Technical and Transformational Challenges and Opportunities

The growth of the local food movement will be impacted by numerous challenges and sets the stage to realize various opportunities. For the use of this report, those opportunities and challenges have been consolidated under those that are technical in nature, and those that are transformational. Technical elements speak to tangible pieces such as infrastructure (processing), regulations and profit margins. Transformational elements speak to societal concepts and understanding such as consumer confidence in, and support for, local foods, as well producer collaboration, economic resilience and food insecurity

Among those that we spoke to and heard from, there is a high level of excitement and interest in the potential of the Halifax Food Hub. There were many comments indicating that the time is right to focus energy and effort on this project- both from the perspective of the need to support local farmers, but also because the political context in the province seems to be developing a better sense of the benefits of supporting and encouraging local production.

Government representatives, institutions with procurement budgets, and connected organizations are in support of furthering the local food movement. Many people believe NS has great potential for increased collaboration across all sectors of the food system. The idea that we are stronger together was expressed by many.

However, there are numerous challenges that need to be overcome before Nova Scotia can say it strongly supports farmers and the local food system, including: lack of processing facilities and distribution systems; irrelevant and inappropriate regulations; and the lack of consistent and wide-reaching consumer support. Finally, and perhaps most fundamentally, is that many farmers and producers are operating on very thin profit margins and some have difficulty supporting themselves and their families, resulting in some farmers leaving the industry, further exacerbating the challenge of accessing local food. On the consumer side, the main challenges identified are access to affordable, nutritious, and culturally relevant food, especially for vulnerable and isolated communities.

The table below provides an at-a-glance view of the challenges and opportunities that were identified during the engagement activities. (Details on these challenges and opportunities can be seen starting on page 9 of the full primary research report for the key informant results, and 19 for the survey results.)

Technical Challenges	Technical Opportunities
• Shrinking profit margins for producers • Rising costs of production for producers • Irrelevant or inappropriate regulations • Lack of infrastructure • Lack of distribution	• Distribution • Storage and processing infrastructure • Market space to connect producers with retail and wholesale customers • Regulation and certification support • Marketing
Transformational Challenges	**Transformational Opportunities**
• Food insecurity • Lack of consumers who are committed to buying local food • Challenge to access affordable, health, and culturally-appropriate food • Lack of scale-appropriate government support for small-to-medium producers • Education • Producers working in isolation	• Collaboration and networking • Consumer literacy and education • Food sovereignty • Food equity • Economic resilience

Guiding Principles That Emerged from the Primary Research

- A consistent theme provided by the participants in both the interviews and the online survey was that to be successful the food hub needs to identify the priority / objective, and then focus on that area. Trying to do too many things at one time, or to support various objectives, will not set-up the food hub for success.
- Another important principle is that farmers/producers must be seen as partners (if not founding members), and the overall local food system must be enhanced in such a way that enables farmers to support themselves and their families.

Next Steps to Follow Up on the Primary Research

Participants in our engagement activities were clear about the need for ongoing communication and engagement with farmers/producers, and others, especially during the design phase. While most respondents appreciated and enjoyed the opportunity to participate at the beginning/visionary level, the next level, with designs for people to react to, will be a critical time to hear from more people involved in the sector.

Additionally, there are some key informants who may be able to provide additional context and support as the project moves into the next phase (although it is important to note that all informants were keen to continue to be engaged):

- Nick Jennery from FEED NS was clear about his interest in ongoing discussions and potential collaborative opportunities.
- Dr. Sylvain Charlebois, Dalhousie Agri-Food Lab, has offered to discuss how metrics can be utilized to better understand the local context.
- Maxine McLean, NS Federation of Agriculture, can connect with approximately 1800 farms in the province.
- Andrew Stevens, NSCC, has spoken to other people who have been discussing this possibility and would be keen to continue the discussion.
- Kelly Sherwood, HRCE, is keen to collaborate on procurement for schools, and offered to connect us with their colleague who could speak to the financial piece.

Secondary Research Highlights

Background

This section presents a synopsis of the most relevant ideas from the investigation of seven food hubs, highlighting what common themes and best practices can be gleaned from them. It is intended that this information will help inform discussion as the Food Hub Project moves toward the business design phase. See appendix E for the full secondary research report.

There are hundreds of food hubs in North America, and many reports that profile selected examples of food hubs.[1] The difficult decision about the choice of which hubs to profile was informed by four criteria:

1. The hub broadly aligns with a description given to the informants and survey respondents in the primary research phase.
2. The commitment to offering examples of a range of organizational forms, missions, member control and ownership, and business models.
3. The hub is currently sustainable, or offers the potential to become so.
4. A detailed website and / or other reasonably comprehensive materials are available

[1] Some examples of these reports are on Basecamp: Yellowknife Infrastructure Report https://yellowknifecity-icreate5.esolutionsgroup.ca/en/doing-business/resources/Yellowknife-Food-Hub-Report-Oct-2021.pdf ; Breaking New Ground: Richmond Food Hub Discussion Paper https://www.urbanbounty.ca/wp-content/uploads/2017/04/Richmond-Food-Hub-Discussion-Paper-Final.pdf; and Scaling Up: Meeting the demand for local food https://cias.wisc.edu/wp-content/uploads/sites/194/2010/01/cover_toc1.pdf

Flourish also sought examples that emphasized the importance of collaboration, collective action, and solidarity as part of the work of contributing to making changes in the food system. Lastly, we included examples that, taken together, could open up a range of imaginings about what a food hub could be, how it can be organized, and what might work best in Halifax.

As seen from the table below, three of the hubs reported on are independent nonprofits, three are embedded within a nonprofit, and one is embedded in a for-profit consumer retail co-op. Three hubs have ties to co-operatives. One hub uses a direct-to-consumer model, two use a wholesale model, and three use a hybrid model. These models are explained below. Four of the hubs are located in Canada; three are in the United States. The newest hubs were founded two years ago; the oldest was founded twenty-three years ago.

Organisations Profiled

Name	Date Founded	Legal Structure	Business Model	Country
The Good Acre Food Hub	2014	Nonprofit & independent	Wholesale and retail	USA
Le Marché de Proximité de Québec	2007	Nonprofit & independent	Retail	Canada
Cape Breton Food Hub	2015	Nonprofit & independent (multi-stakeholder co-op)	Wholesale and retail	Canada
Fireweed Food Hub	2020	Embedded in a nonprofit (multi-stakeholder co-op)	Wholesale	Canada
Intervale Food Hub	2007	Embedded in a nonprofit	Wholesale and retail	USA
West Island Logistical Food Hub	2020	Embedded in a nonprofit	To be determined	Canada
Co-operative Partners Warehouse	1999	Embedded in a for-profit consumer co-operative	Wholesale	USA

Common Themes Emerging From the Cases Considered[2]

1. Preparation to start a hub begins with learning, listening, planning, and seeking start-up support.
2. Choice of incorporation and governance models is fundamental in its impacts on future processes, actions and decisions.
3. All hubs indicated that they face a value chain conundrum – balancing priorities of providing good prices for farmers, better wages for workers, and affordable food for consumers.
4. Relationship building and nurturing is vital – in all phases.

[2] This section draws on both the case studies and on feasibility studies, evaluations, and reports prepared by the hubs themselves, by consultants that they hired, or by other third parties.

5. All hubs face the challenge of ensuring a balance of quality and consistency of supplies, and stability and adequacy of demand.
6. All hubs can benefit from knowledge of the broader context in which they operate, and how that context might affect the hub.

Best Practices[3]

This research also revealed a number of best practices for successful food hubs:

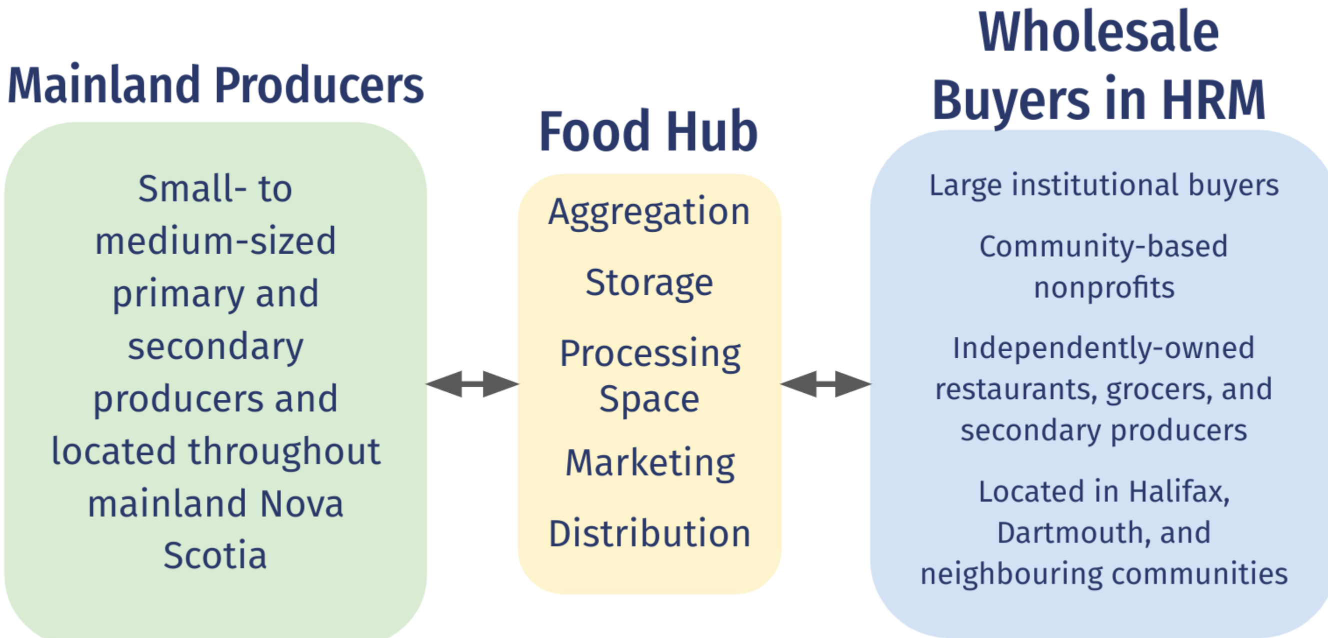
1. Determine an appropriate governance and ownership model – Who owns or is a member of the hub – questions of ownership, membership, and control?
2. Diversity of revenues to cover operational and programme costs – Grants, donations, fees, sales revenue are all among the options creatively combined. How self-sufficient is the hub to be, and how will that be achieved?
3. Establish a clear vision and purpose; identify the central stakeholders – Why establish and sustain the hub?
4. A broadly supported phased-in approach to developing the hub – This speaks to designing for manageable levels of complexity at each phase
5. Allocation of the work of the hub – Who does the work? Delineation and balance of paid and volunteer work?
6. Successful community programs and activities – These are related to the mission and vision, and thus to the hub's identity and appeal
7. Facilitate cooperation rather than competition within the hub and in the hub's roles in the community – Work to address the different interests and issues internally, find ways to complement and possible collaborate with other local food initiatives
8. Ongoing attention to building relationships with and among the stakeholders. Opportunities and practices of relationship building undergird a culture of trust and rapport. Employees, volunteers, farmers, processors, individual or household consumers, wholesale purchasers, donors, granting organizations, alternative food and service organizations may all be part of the mix
9. Clear communication of the value proposition offered to small and medium-sized farmers. What will establish buy-in? How does a farmer benefit by taking part in the hub? What operational and other services do farmers want? What do they cost? Can the hub provide them?
10. Clear communication of the value proposition offered to consumers (whether retail or wholesale). What are the priorities of customers in relation to the quality and consistency of supply? Is there flexibility for seasonality? Must everything be local? Is traceability important? What about organics?
11. Adequate (not just minimal) physical, technological infrastructure; a location that works.

[3] See the "Secondary Research" report in Appendix for full details regarding these best practices.

Design and Testing Highlights

The High-Level Design Concept

The Halifax Food Hub concept may be defined as an enterprise that connects food producers (farmers and value-added processors) in mainland Nova Scotia to wholesale buyers located in the HRM. The following graphic provides a useful reference:



Design Tools and Principles

Flourish and the working group used two valuable tools in the design of the Halifax Food Hub:

Social Business Model Canvas[4]

The social business model canvas is a one-page enterprise design tool, originally developed by Alexander Osterwalder and Yves Pigneur for regular business use, and then refined by Ingrid Burkett for use with social enterprises. It provides a high-level view of the enterprise, breaking it down into nine key elements: customers, value propositions, revenue streams, customer relationships, customer channels, key activities, partnerships, resource requirements, and major costs. Each of these elements are further broken down into "social" considerations (focusing on the potential beneficiaries) and "enterprise" considerations (focusing on paying customers).

[4] For more information about the standard business model canvas, go to:https://www.strategyzer.com/business-model-canvas/building-blocks
For more information about the social business model canvas, go to: https://www.griffith.edu.au/__data/assets/pdf_file/0042/996684/BMC-for-SE-2nd-Edition-Web.pdf

See Appendix A for the 9 December 2022 version of the Halifax Food Hub's social business model canvas.

Lean Startup[5]

Lean startup is a methodology popularized by Eric Ries, in his book of the same name. This approach is based upon the design, testing, and ongoing refinement of a "minimum viable product", which is "a version of a product with just enough features to be usable by early customers who can then provide feedback for future product development."[6] Given the diversity of stakeholders, and potential complexity and novelty of this enterprise, Flourish has advocated for a lean startup approach from the outset of this project. The guiding principle is start as simply and as small as you can (but no smaller), respond nimbly to the actual demands of the market, and be prepared to scale up quickly. While the project team is advocating to start up with a "minimum viable" version of the Halifax Food Hub, its scale will nonetheless be significant, to give it the capacity to grow to a scale that is necessary to achieve profitability (i.e. at least $1.5 million in annual product sales, or approximately 8-10 wholesale customers who are buying the bulk of their food from the Hub).

Stakeholders We Consulted

Flourish tested the emerging business model (see appendix A) with five different stakeholder groups, including 35 local food leaders, primarily through a combination of of online focus groups and interviews:

1. Primary and secondary producers based throughout mainland Nova Scotia (two focus groups)
2. Halifax-based community groups who purchase food (one focus group)
3. Halifax-based, independently-owned restaurant (interview)
4. Halifax-based, large institutional food buyers (one focus group), and
5. Other food hubs and related enterprises (one focus group).

See Appendix B for a complete listing of the focus group and interview participants.

The first four stakeholder groups consistently expressed their enthusiastic support for a Halifax-based food hub that would connect rural producers with wholesale buyers in the HRM. They all offered ideas to enhance the emerging concept and expressed a desire to be involved in practical steps to help realise the implementation of the Hub.

The fifth group (other food hubs) expressed some concerns about the potential duplication of services (especially regarding co-packing and value-added processing) in which the Halifax Food Hub might engage, and the potential competition for financing and customers. Flourish and the working group feel confident that these concerns can be addressed by the Hub seeking to be a channel

[5] For more information about the Lean Startup methodology, go to: https://theleanstartup.com/principles
[6] Source: https://en.wikipedia.org/wiki/Minimum_viable_product

partner for existing co-packers and processors (e.g. The Station Food Hub and the Flower Cart Group).

Key Themes and Principles

A number of themes and design principles emerged from the focus groups and interviews that were conducted as part of the testing phase.

There is a Clearly-Identifiable Demand for the Hub

Restaurant owners, and representatives from the Halifax Regional Centre for Education, NSCC, food-based nonprofits, the Halifax Library System, and Feed Nova Scotia all were able to articulate specific needs which the Halifax Food Hub could help fill.

Producer Commitment and Engagement Will be Key

A strong case can be made that producers, especially primary producers, have the most at stake in the Halifax Food Hub, given the immense impact that accessing new wholesale customers could have on their core livelihoods. For this reason, we see that producer commitment and engagement is essential. At the second of two focus groups that were held with producers, the consensus was that producers should hold at least 50% of the seats on the board.

Start-up Should Focus on Small to Medium Producers and Buyers

It became clear through our consultations that, in the short term, small to medium-sized producers would be best able to satisfy the needs of small to medium-sized buyers, such as independently-owned restaurants and local nonprofits. Meeting the needs of these small to medium-sized wholesale buyers would require an intentional but manageable investment on the part of the producers, which would help them to develop the capacity to respond to the much larger ordering requirements of large institutional buyers. This said, the large institutions we engaged expressed strong support for the Halifax Food Hub and could be important sponsors and partners during the start-up period, and as potential customers as the Hub evolves.

There is Strong Potential for a Commercial Kitchen Operation

One user group that emerged from our discussions was that of small, value-added producers who were looking to make the move out of their own kitchens into purpose-built commercial kitchens. The Halifax Food Hub could play an important role in providing access to these kinds of facilities, which do not presently exist. One focus group participant, after conducting an extensive search for a rentable commercial kitchen facility, had to set up her own at considerable cost.

Delivery Service will be Essential to the Value Proposition

Wholesale buyers with whom we consulted clearly expressed that delivery to their place of business would be an essential part of the Halifax Food Hub's value proposition. Food suppliers such as Sysco and Gordon Food Services provide convenient delivery, and most local food supply alternatives do not; combining local with delivery will make for a powerful value proposition.

This is also attractive to producers some of whom currently spend significant time making direct deliveries to HRM.

Stakeholders Strongly Interested in Engaging in Next Steps of Hub's Development

Representatives from all five stakeholder groups expressed a strong interest in engaging in the next phase of development for the Halifax Food Hub. This group of individuals and the organizations they represent provide a ready prospect list to build the working group that will carry the Hub through to startup and beyond.

The "Minimal Viable Food Hub" – Key Elements

The project team have identified the essential elements of the Halifax Food Hub's initial value proposition:

Recruitment of Producers and Wholesale Buyers

A core element of the Halifax Food Hub will be the recruitment of a critical mass of small- to medium-sized producers (at least 50) and wholesale buyers (at least 10), and the ongoing, personal management of these key relationships. The Hub cannot rely on "if you build it, they will come (and stay)"; it will require the dedicated attention of Hub personnel to animate the space.

Aggregation

The Halifax Food Hub will need to be able to aggregate food from a variety of producers to be able to meet the scale and timing of demand from HRM-based wholesale buyers.

Storage

High-quality dry, cold, and frozen storage will smooth out and extend the availability of local food products, especially those which are prone to spoilage (e.g. peaches, greens, meat, and dairy). It will allow the Halifax Food Hub to mediate between the weekly demands of wholesale buyers and the seasonal and/or weather-dependent supply from producers.

Online Ordering and Payment Processing

An easy-to-use, online ordering and payment processing platform, of the kind used by WFM2Go and the Cape Breton Food Hub (https://home.localfoodmarketplace.com), will be an essential part of the Halifax Food Hub's value proposition.

Order Fulfillment and Delivery

As already mentioned, the Hub will need to take responsibility for assembling and delivering food orders to wholesale customers.

Commercial Kitchen

Our consultations revealed a significant unmet demand for commercial kitchen space that meets municipal, provincial, and ideally federal health regulations – where small value-added processors can scale up from their smaller, often home-based, kitchens. The Halifax Food Hub would focus on making these facilities available for a fee to independent processors on a scheduled basis.

What's *Not* Included in the Minimum Viable Food Hub

Other than assembling orders (e.g. picking produce from a variety of producers and boxing them for delivery), the Halifax Food Hub would not engage, at least in the short term, in co-packing (i.e. breaking down bulk food deliveries into packaged foods for retail purchase/consumption) or value-added processing (i.e. preparing, cooking, packaging). The Hub may refer primary producers or wholesale customers to existing co-packers and processors (such as The Station Food Company or Flower Cart Group) or, depending upon demand, seek out a co-packer / processor as a tenant.

The business model for the minimum viable food hub is presented in Appendix A.

Corporate Structure

Corporate Requirements

1. The corporate form needs to:
    a. Build long term *commitment* from Hub stakeholders
    b. Provide a *stable* structure
    c. Ensure *transparent* operations, governance, and finances
    d. Be able *grow and evolve* as the Hub activities do
    e. Articulate the *long term commitment* to the Hub's original vision and mission
2. The corporate form needs to provide genuine opportunities for *participation* and *leadership* by key stakeholder groups:
    a. Customers segments – Restaurants, Schools/NSCC/Libraries, Non-profits, and large Institutions
    b. Producers Segments – Primary producers, processors, small secondary producers and commercial kitchen users, harvesters (fishers, wild)
    c. Partners – Other Food Hubs, Agricultural Associations, levels of government
3. Finally, the corporate form needs to provide *effective opportunities for capitalization*, including equity, grants and incentives to accumulate financial reserves (retained surplus/earnings) to support its operations and ongoing development.

A Proposed Corporate Structure

While there are myriad options for the legal structure and governance of the Halifax Food Hub, the project team is, on the basis of the best current information, recommending the following hybrid structure:

A Federally-Incorporated Not-For-Profit Corporation

This entity would own (or lease) and manage the property and oversee the delivery of any food-focused community programming that might fall outside the Hub's business model, including renting space to organizations that promote food security and/or food sovereignty, most notably the operational arm of the Food Hub (a for-profit co-operative). This entity, and the board that governs it, would set intention and tone for all activities that would happen within the space, including the Food Hub. See Appendix B for details about the benefits of federal incorporation.

A Provincially-Incorporated For-Profit Co-Operative

As the primary tenant of the facility, this entity would be the operating arm of the Halifax Food Hub, which would undertake the food hub functions outlined in the "Minimal Viable Food Hub" section above. The co-op would also be responsible for recruiting and managing relationships with, and subletting to, any enterprise seeking to use the commercial kitchen facilities, and any enterprise seeking to provide value-added services (e.g. co-packing, processing) to the co-op.

Rationale and Discussion

The project team feels that this hybrid structure would enable the Halifax Food Hub to engage effectively and appropriately with the diverse stakeholders (producers, buyers, partners, funders, the community at large) in the local food system, and to fulfil the various functions required to make the overall enterprise successful. Moreover, this structure would allow for the development of distinct though complementary organizational cultures and capacities. While each entity would have its own board of directors, we would recommend that each organization would have ex-officio positions on the other's board. The working relationship between the two entities would be codified in a lease and operating agreement, the initial term of which would be four to five years.

Exploration of the Business Case

Operational Considerations

As part of our research, Flourish located and reviewed a 2015 study, entitled *Counting Values: Food Hub Financial Benchmarking Study*[7]. This study provides several valuable insights into the operational finances of 48 food hubs operating in the USA that complement our own research, and provide an invaluable reference point for our strategy and planning assumptions. The highlights are presented below, along with how they relate to the project team's assumptions for the Halifax Food Hub.

The Average Food Hub

The average metrics of the 48 hubs included in the study provide a useful snapshot of the survey sample:

Scope of Operations	2013 (48 hubs)
Age of Hub	7 years
Total Revenue	$2.83 million
Product Sales	$2.53 million
Enterprise Income*	$108,241
Annual Operations (Days Open)	276
Facilities	
Square Footage	6,936
Number of Loading Docks	2
Mileage Driven by Delivery Fleet	40,315
*** Enterprise Income includes all business ventures other than the sale of products, including but not limited to delivery charges, brokerage fees, membership fees, event fees, equipment rentals.**	

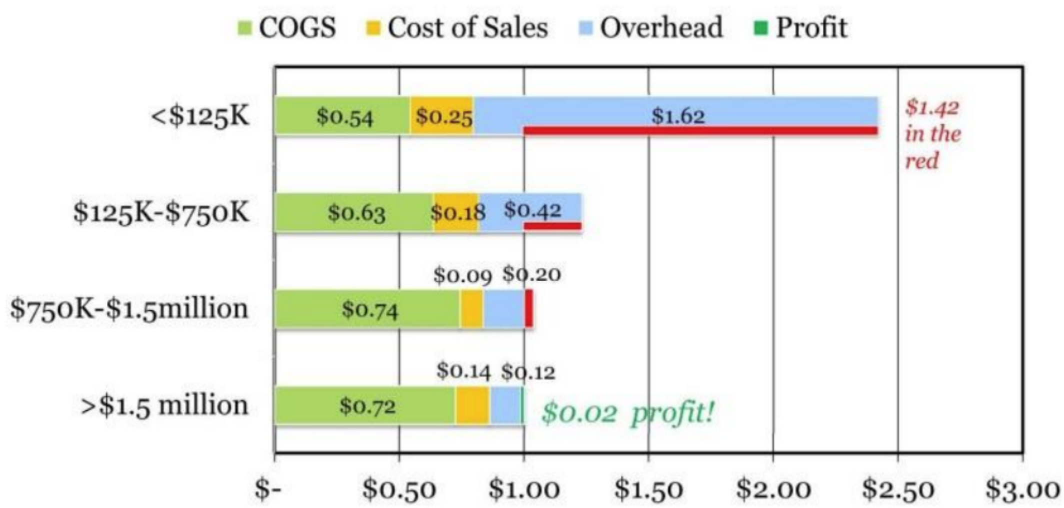
[7] Source: https://nesawg.org/sites/default/files/Food%20Hub%20Benchmarking%20Study.pdf

Key Drivers for Profitability

"The typical food hub operates at a close to break-even level. The highest performing 25 percent posted a 4 percent profit, compared with the average of -2 percent. Within this relatively narrow spectrum, the most profitable food hubs were larger, older, for-profit operations. Those with sales greater than $1.5 million averaged profits of 2 percent, while food hubs 5 to 10 years in operation averaged a 1 percent profit. On average, for-profit food hubs earned a 1 percent profit compared with not-for-profit food hubs, which posted -7 percent before taking into account grant income or contributions." (page 2) Details of these key drivers are presented below.

Scale Matters

On average, larger food hubs were more profitable than their smaller counterparts. So, while the project team is advocating for a "minimum viable" version of the Food Hub at start-up, we are cognizant that it will need the capacity to scale up quickly to achieve break-even and financial sustainability.

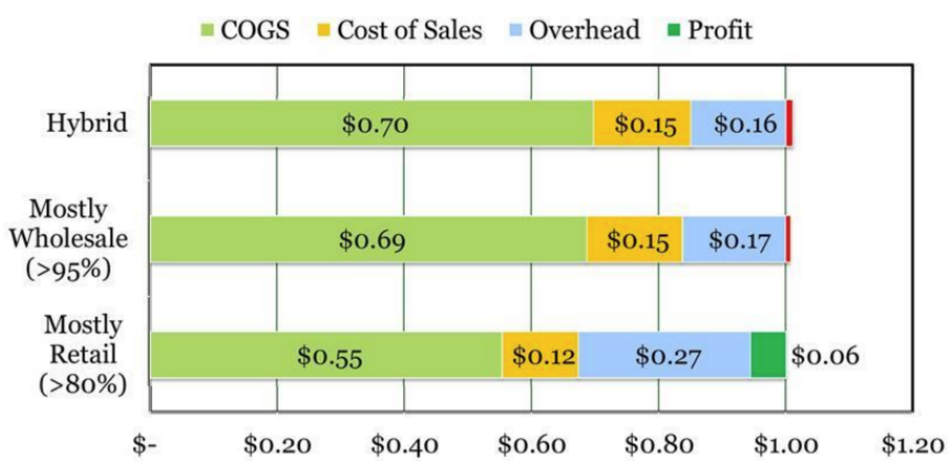


Achieving Profitability Takes Time

"Hubs were stratified by age of business. Start-ups of any kind have a steep learning curve; performance tends to improve as the business matures. This held true for hubs in the 5- to 10-year range, showing profit at 1 percent of sales. However, the oldest hubs, on average, broke even." (page 15) With this in mind, the Halifax Food Hub should plan on securing sufficient working capital to cover projected modest operating losses for the first five years of operation.

Profitability by Sales Channel

"For 2013, retail hubs were solidly profitable, earning a profit of 6 percent of sales after depreciation. By contrast, wholesale and hybrid hubs lost 1 percent of sales, or came close to breaking even." (page 16) The project team has made the strategic decision to focus on wholesale trade, to avoid duplication and competition with existing local food retailers. This will present a special but not insurmountable challenge for the Halifax Food Hub.



Legal Structure

Thirty-eight percent of the 48 hubs included in the study operated as not-for-profits, with the remaining 62% operating as for-profits. As presented in the "Structural Options" section above, the project team is opting to go with a hybrid, not-for-profit/for-profit structure, to maximize the strengths of these two options.

Staffing and Labour Costs

On average, the food hubs in the study employed an average of 11 people for a total of 6.6 full-time equivalents, indicating that most employees were employed on a part-time basis.

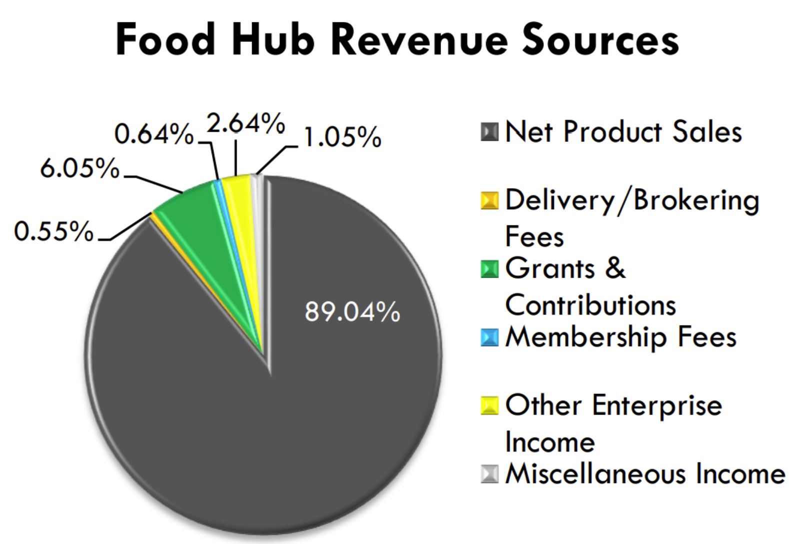
Payroll costs at the studied food hubs averaged "18 percent of sales or 16 percent of total revenue", where total revenue includes all revenue sources, including net product sales.

Employee Role	Full-Time Equivalents 2013
Production/Growing	0.8
Sales	1.3
Delivery/Distribution	2.0
Management	1.0
Office/IT	0.9
Marketing	0.2
Volunteers	0.4
Total	6.6
Number of W-2s Issued	11

This provides a useful benchmark for the Halifax Food Hub's own staffing plan.

Revenue Mix

Almost 90% of the revenue generated by the 48 hubs included in the study was attributed to net product sales (i.e. gross revenue minus the cost of goods sold). This underlines the critical importance of achieving a critical mass of wholesale buyers and vendors.



Broker vs. Distributor vs. Value-Added Processor

"Almost three quarters of the hubs take ownership of the product during the course of the value chain, as opposed to operating on commission. This allows hubs to brand the product under their name to establish a marketplace identity that connotes a certain expectation of location-specific freshness and quality. That leaves one quarter that operate a brokerage relationship for their suppliers. Less than 1 percent of the hubs process value-added products, such as turning tomatoes into sauce or salsa. Instead, the hubs concentrate on aggregation and distribution of fresh product and value-added products produced elsewhere. These value-added products typically yield a higher markup and have a longer shelf life." (page 5)

This focus on aggregation and distribution is consistent with the project team's conception of the Halifax Food Hub. Further, we anticipate starting off with a focus on brokering (i.e. where we arrange the sale and take a percentage), to avoid tying up scarce funds in inventory, and then moving into distribution relationships for products that emerge as our core product offering.

Customer Mix

As already mentioned in the "Profitability" section, the project team is advocating for a focus on wholesale trade (i.e. no direct retail), to avoid duplication and competition with established local food retailers. This underlines the need for active recruitment of a critical mass of wholesale buyers – local restaurants, community organisations, and large institutions.

Food Hub Customers	2013 (48 hubs)
Grocery/Food Stores	27.6%
Restaurants and Caterers	14.9%
Other Distributors	13.6%
Direct Retail	38.2%
Institutions(School, Hospital, Government)	2.8%
Processors/Other	1.9%
Total	100.00%

Number of Vendors

Food hubs in the survey sample maintained an average of 55 vendors, of which 22 were primary producers (i.e. farmers) and the remaining 33 were secondary, value-added producers. The Halifax Food Hub will likely require the same total number of vendors, but with a higher percentage of primary producers.

Concentration-Vendors	2013 (48 hubs)
Average Number of Vendors	55
Farmer Vendors	40%
Food Safety Certification Required	31%
Purchases from Largest Vendor	9% of sales
Purchases from Largest 10 Vendors	29% of sales

Capital Financing Requirements and Potential Sources

Overview

While we are not yet prepared to cite specific amounts for the Halifax Food Hub's financing requirements, we can outline the types of investments that will be required and the potential sources. The following table breaks out these requirements and sources by type of organization – i.e. the not-for-profit corporation that would own (or lease) and manage the property, and the for-profit co-operative that would undertake the core operational functions of the Hub (outlined in the "Minimum Viable Food Hub" section above).

Financing Requirements	Potential Financing Sources
Not-for-Profit Corporation: • Land and building • Landscaping and paving • Renovations to the building exterior • HVAC, plumbing, and electrical system upgrades • Signage • Office equipment and furniture • Working capital (sufficient to cover the first year of operating expenses) **For-Profit Co-operative:** • Commercial kitchen(s) • Other leasehold improvements • Equipment – cold and freezer storage, racking, packing tables, pallet jacks, etc. • Office equipment, online sales software etc. • Vehicles – Delivery van(s), forklift(s) • Working capital (sufficient to cover projected operating losses for first five years)	**Not-for-Profit Corporation:** • Payroll subsidies • Operating grants from foundations and government agencies • ACOA's Innovative Communities Fund • Volunteer support • Corporate sponsorship – cash and in-kind • Municipal donation of land and/or buildings • Individual donations **For-Profit Co-operative:** • Sale of membership shares to members • Sale of preferred shares to investors, either directly or through a community economic development investment fund (CEDIF) • Payroll subsidies • Canadian Co-operative Investment Fund • Invest Nova Scotia • ACOA's Business Development Program • Canadian Agricultural Partnership • Debt financing from local financial institutions (e.g. iNova Credit Union)

Two References for Comparison

Pan Cape Breton Food Hub Co-operative Ltd. Asset Mix

The Cape Breton Food is the closest and arguably closest in terms of the scale to what is being proposed for the Halifax Food Hub. Their recent annual report[8] presents the following mix of assets:

Pan Cape Breton Food Hub Co-operative Ltd.
Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash	**$ 47,990**	$ 326,039
Accounts Receivable	**8,415**	5,319
Goods and services tax receivable	**11,639**	26,891
Inventory	**3,245**	-
Prepaid Expenses	**9,490**	-
	80,779	368,249
Property and equipment	**1,328,918**	602,985
	$ 1,409,697	$ 961,234

[8] Source: https://static1.squarespace.com/static/5964c92ee4fcb58b9fb3f4e5/t/627127d691574a386db6c8f5/1651582940088/Cape+Breton+Food+Hub+Year+End+Report+2021+%281%29.pdf

Greater Dorchester Moving Forward Co-operative (Moving Forward)

Moving Forward recently researched the development of their own commercial kitchen / food hub, producing the following estimates[9] (totalling almost $200,000) for a federal funding program. This provides a sense of the capital financing required to set up the Food Hub (not including the cost of the building and land). One notable variance from the Halifax Food Hub's requirements are the storage requirements, where, instead of display coolers and freezers, the Halifax Food Hub will require larger storage facilities and pallet jacks and/or forklifts to move the inventory. This could push the capital budget (not including the building and property) to over $400,000.

* Name of Cost Item	* Amount
Gas Range	$4,000
Ventilation	$5,000
Display cooler	$5,000
Display Cooler	$5,000
Display Freezer	$5,000
Display Freezer	$5,000
Commercial Dishwasher	$5,000
Sinks (2)	$4,600
Work Tables (2)	$2,300
Commercial Mixer	$1,800
Dehydrator	$1,380
Chafers (2)	$1,800
Smallware	$4,600
Shelving (3)	$1,500
Microwave	$850
Water and sewage installation	$16,675
Epoxy Flooring for kitchen area	$12,300
Interior renovations, electrical, washroom, and plumbing	$46,920
Fire suppression system for gas stove	$5,060
Heat pumps	$7,500
Exterior renovations	$30,705
Project coordination	$28,000

[9] Source: Greater Dorchester Moving Forward Co-operative board of directors.

Action Plan

The following action plan outlines the steps necessary to prepare for the successful launch of the first phase of the Halifax Food Hub. Flourish is prepared to work with the working group to complete action steps 1-5 under the current contract.

Action Steps	2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2
18. Develop "Halifax Food Hub" website, to share reports and provide a forum for stakeholder engagement	X					
19. Recruit additional members to the Working Group (to ensure representation from customers, producers, and other key stakeholder groups) / create Working Group Charter	X					
20. Research location options – Amend the business model as necessary.	X					
21. Begin engagement with potential funders and sponsors – amend the business model as necessary	X					
22. Develop separate-but-linked financial models – one for the not-for-profit corporation, one for the for-profit co-operative. Amend the business model as necessary.	X					
23. Recruit and hire the founding executive director / manager to lead the development of key relationships and business plans, securing financing, project managing all construction and procurement, and recruitment of wholesale buyers and vendors. This position will initially be shared between the not-for-profit and for-profit arms of the Food Hub, and then split into two as the Hub prepares to become operational.	X					
24. Develop two separate-but-linked operational business plans – one for the not-for-profit corporation, one for the for-profit co-operative. Develop two separate-but-linked operational business plans – one for the not-for-profit corporation, one for the for-profit co-operative. These plans will include details for: governance and management, sales and marketing, staffing, operations, finances, and risk management.		X				
25. Present not-for-profit corporation business plan to potential funders / amend as necessary / secure financing for building, renovations, and property (see "Capital Financing Requirements and Potential Sources")		X				
26. Incorporate non-profit corporation / form founding board of directors		X				
27. Acquire building and undertake renovations			X	X		
28. Present for-profit co-operative business plan to potential funders / amend as necessary / secure financing for leaseholds, commercial kitchens, equipment, and vehicles (see "Capital Financing Requirements and Potential Sources")			X			
29. Incorporate for-profit co-operative / form founding board of directors			X			
30. Hire and train the remaining core staff team			X	X		
31. Undertake leasehold improvements, purchase necessary equipment and vehicles, set up and text necessary systems				X	X	
32. Recruit core primary and secondary producers				X	X	
33. Recruit wholesale customers					X	X
34. Launch phase one of Halifax Food Hub						X

Summary of Findings and Recommendations

The following findings and recommendations are informed by interviews with 16 key informants, surveys of 74 key informants, profiles of seven leading food hubs, and five focus groups with a total of 35 key informants. These findings are complemented and generally corroborated by the findings of a a 2015 study, entitled *Counting Values: Food Hub Financial Benchmarking Study*[10], which provides several valuable insights into the operational finances of 48 food hubs operating in the USA.

Summary of Key Findings

There is a Clearly-Identifiable Demand for a Wholesale Food Hub in Halifax

Restaurant owners, and representatives from the Halifax Regional Centre for Education, NSCC, food-based nonprofits, the Halifax Library System, and Feed Nova Scotia all were able to articulate specific needs which the Halifax Food Hub could help fill.

Producer Commitment and Engagement will be Key

A strong case can be made that producers, especially primary producers, have the most at stake in the Halifax Food Hub, given the immense impact that accessing new wholesale customers could have on their core livelihoods. For this reason, we see that producer commitment and engagement is essential. At the second of two focus groups that were held with producers, the consensus was that producers should hold at least 50% of the seats on the board.

There is Strong Potential for a Commercial Kitchen Operation

One user group that emerged from our discussions was that of small, value-added producers who were looking to make the move out of their own kitchens into purpose-built commercial kitchens. The Halifax Food Hub could play an important role in providing access to these kinds of facilities, which do not presently exist. One focus group participant, after conducting an extensive search for a rentable commercial kitchen facility, had to set up her own at considerable cost.

Delivery Service will be Essential to the Value Proposition

Wholesale buyers with whom we consulted clearly expressed that delivery to their place of business would be an essential part of the Halifax Food Hub's value proposition. Food suppliers such as Sysco and Gordon Food Services provide convenient delivery, and most local food supply alternatives do not; combining local with delivery will make for a powerful value proposition. This is also attractive to producers some of whom currently spend significant time making direct deliveries to HRM.

Stakeholders Strongly Interested in Engaging in Next Steps of Hub's Development

Representatives from all five stakeholder groups expressed a strong interest in engaging in the next phase of development for the Halifax Food Hub. This group of individuals and the

[10] Source: https://nesawg.org/sites/default/files/Food%20Hub%20Benchmarking%20Study.pdf

organizations they represent provide a ready prospect list to build the working group that will carry the Hub through to startup and beyond.

Community Programs Will Complement Enterprise Activities

Successful community programs and activities – These are related to the mission and vision, and thus to the hub's identity and appeal.

From the *Counting Values: Food Hub Financial Benchmarking Study*

- **Scale Matters** - On average, larger food hubs were more profitable than their smaller counterparts. So, while the project team is advocating for a "minimum viable" version of the Food Hub at start-up, we are cognizant that it will need the capacity to scale up quickly to achieve break-even and financial sustainability.
- **Achieving Profitability Takes Time** – Halifax Food Hub should plan on securing sufficient working capital to cover projected modest operating losses for the first five years of operation.
- **Retail Sales Enhance Profitability, But…** – The project team has made the strategic decision to focus on wholesale trade, to avoid duplication and competition with existing local food retailers. This will present a special but not insurmountable challenge for the Halifax Food Hub.
- **A Hybrid Corporate Structure Makes Sense** – Thirty-eight percent of the 48 hubs included in the study operated as not-for-profits, with the remaining 62% operating as for-profits. As presented in the "Structural Options" section above, the project team is opting to go with a hybrid, not-for-profit/for-profit structure, to maximize the strengths of these two options.
- **A Successful Food Hub Needs a Staff Team** – On average, the food hubs in the study employed an average of 11 people for a total of 6.6 full-time equivalents, indicating that most employees were employed on a part-time basis. Payroll costs at the studied food hubs averaged "18 percent of sales or 16 percent of total revenue", where total revenue includes all revenue sources, including net product sales.
- **Product Sales Will Be the Key Revenue Stream** – Almost 90% of the revenue generated by the 48 hubs included in the study was attributed to net product sales (i.e. gross revenue minus the cost of goods sold). This underlines the critical importance of achieving a critical mass of wholesale buyers and vendors.
- **Distribution Will Likely Win Out Over Brokering** – "Almost three quarters of the hubs take ownership of the product during the course of the value chain, as opposed to operating on commission. This allows hubs to brand the product under their name to establish a marketplace identity that connotes a certain expectation of location-specific freshness and quality. We anticipate starting off with a focus on brokering (i.e. where we arrange the sale and take a percentage), to avoid tying up scarce funds in inventory, and then moving into distribution relationships for products that emerge as our core product offering.

- **A Critical Mass of Vendors Will Be Critical** – Food hubs in the survey sample maintained an average of 55 vendors, of which 22 were primary producers (i.e. farmers) and the remaining 33 were secondary, value-added producers. The Halifax Food Hub will likely require the same total number of vendors, but with a higher percentage of primary producers.

See “Operational Considerations” section for details.

Summary of Recommendations

Guiding Principles

Recruit a Leader

Recruit and hire the founding executive director / manager to lead the development of key relationships and business plans, securing financing, project managing all construction and procurement, and recruitment of wholesale buyers and vendors. This highly-capable, enterprising person should have strong connections to local producers and/or wholesale buyers. This position will initially be shared between the not-for-profit and for-profit arms of the Food Hub, and then split into two as the Hub prepares to become operational.

Seek Diversified Revenue Streams

While product sales will be the primary revenue stream, the Halifax Food Hub should seek to diversify its revenues to cover operational and programme costs – grants, donations, fees, sales revenue are all among the options creatively combined.

Promote Cooperation & Build Trust

Facilitate cooperation rather than competition within the hub and in the hub’s roles in the community – Work to address the different interests and issues internally, find ways to complement and possible collaborate with other local food initiatives

Ongoing attention to building relationships with and among the stakeholders. Opportunities and practices of relationship building undergird a culture of trust and rapport. Employees, volunteers, farmers, processors, individual or household consumers, wholesale purchasers, donors, granting organizations, alternative food and service organizations may all be part of the mix

Clearly Communicate the Value Proposition – to Buyers and Sellers

Clear communication of the value proposition offered to small and medium-sized farmers. What will establish buy-in? How does a farmer benefit by taking part in the hub? What operational and other services do farmers want? What do they cost? Can the hub provide them?

Clear communication of the value proposition offered to consumers (whether retail or wholesale). What are the priorities of customers in relation to the quality and consistency of supply? Is there flexibility for seasonality? Must everything be local? Is traceability important? What about organics?

Invest in Scalable Infrastructure

Adequate physical, technological infrastructure that is lean-but-scalable will be vitally important.

Commit to a Focused Value Proposition (i.e. don't try to be all things for all parties)

A consistent theme provided by the participants in both the interviews and the online survey was that, to be successful, the Halifax Food Hub will need to declare its priorities and purpose, and then focus on that area. Trying to do too many things at one time, or to support various objectives, will not set-up the food hub for success.

Engage Producers as Key Partners

Another important principle is that primary and secondary food producers must be seen as partners – indeed, as founding members – and the overall local food system must be enhanced in such a way that enables them to support themselves and their families.

Focus on Small to Medium Producers and Buyers in Startup Phase

It became clear through our consultations that, in the short term, small to medium-sized producers would be best able to satisfy the needs of small to medium-sized buyers, such as independently-owned restaurants and local nonprofits. Meeting the needs of these small to medium-sized wholesale buyers would require an intentional but manageable investment on the part of the producers, which would help them to develop the capacity to respond to the much larger ordering requirements of large institutional buyers. This said, the large institutions we engaged expressed strong support for the Halifax Food Hub and could be important sponsors and partners during the start-up period, and as potential customers as the Hub evolves.

Key Elements of the "Minimal Viable Food Hub"

The project have identified the essential elements of the Halifax Food Hub's initial value proposition:

Recruitment of Producers and Wholesale Buyers

A core element of the Halifax Food Hub will be the recruitment of a critical mass of small- to medium-sized producers (at least 50) and wholesale buyers (at least 10), and the ongoing, personal management of these key relationships. The Hub cannot rely on "if you build it, they will come (and stay)"; it will require the dedicated attention of Hub personnel to animate the space.

Aggregation

The Halifax Food Hub will need to be able to aggregate food from a variety of producers to be able to meet the scale and timing of demand from HRM-based wholesale buyers.

Storage

High-quality dry, cold, and frozen storage will smooth out and extend the availability of local food products, especially those which are prone to spoilage (e.g. peaches, greens, meat, and dairy). It will allow the Halifax Food Hub to mediate between the weekly demands of wholesale buyers and the seasonal and/or weather-dependent supply from producers.

Online Ordering and Payment Processing

An easy-to-use, online ordering and payment processing platform, of the kind used by WFM2Go and the Cape Breton Food Hub, will be an essential part of the Halifax Food Hub's value proposition.

Order Fulfillment and Delivery

The Hub will need to take responsibility for assembling and delivering food orders to wholesale customers.

Commercial Kitchen

Our consultations revealed a significant unmet demand for commercial kitchen space that meets municipal, provincial, and ideally federal health regulations – where small value-added processors can scale up from their smaller, often home-based, kitchens. The Halifax Food Hub would focus on making these facilities available for a fee to independent processors on a scheduled basis.

What's Not Included in the Minimum Viable Food Hub

Other than assembling orders (e.g. picking produce from a variety of producers and boxing them for delivery), the Halifax Food Hub would not engage, at least in the short term, in co-packing (i.e. breaking down bulk food deliveries into packaged foods for retail purchase/consumption) or value-added processing (i.e. preparing, cooking, packaging). The Hub may refer primary producers or wholesale customers to existing co-packers and processors (such as The Station Food Company or Flower Cart Group) or, depending upon demand, seek out a co-packer / processor as a tenant.

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   e. Articulate the *long term commitment* to the Hub's original vision and mission

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As the primary tenant of the facility, this entity would be the operating arm of the Halifax Food Hub, which would undertake the food hub functions outlined in the "Minimal Viable Food Hub" section above. The co-op would also be responsible for recruiting and managing relationships with, and subletting to, any enterprise seeking to use the commercial kitchen facilities, and any enterprise seeking to provide value-added services (e.g. co-packing, processing) to the co-op.

Rationale and Discussion

The project team feels that this hybrid structure would enable the Halifax Food Hub to engage effectively and appropriately with the diverse stakeholders (producers, buyers, partners, funders, the community at large) in the local food system, and to fulfil the various functions required to make the overall enterprise successful. Moreover, this structure would allow for the development of distinct though complementary organizational cultures and capacities. While each entity would have its own board of directors, we would recommend that each organization would have ex-officio positions on the other's board. The working relationship between the two entities would be codified in a lease and operating agreement, the initial term of which would be four to five years.

Appendix A: Social Business Model Canvas for Halifax Food Hub

Black text = Phase 1 Amber = Phase 2+
Red = non-profit specific Blue = for-profit specific

7 Potential Key Partners

Who are our key partners and funders?

Key Social Partners:

- Paying customers

Key Enterprise Partners:

- Paying customers
- Farmers' Markets of Nova Scotia
- Wolfville Farmers' Market / Cape Breton Food Hub
- Station Food Hub
- Flower Cart Group
- *HRM-based delivery service?*
- NS Federation of Agriculture
- Black Business Initiative
- Ulnooweg

Potential Funders:

- **Paying customers (as member-shareholders)**
- Canadian Agricultural Partnership[1]
- Social Finance Fund
- Invest Nova Scotia
- NS Dept of Economic Development
- NS Dept of Communities, Culture, Tourism, and Heritage
- NS Dept of Agriculture
- HRM
- **FarmWorks**
- Foundations and other "social" funders

6 Key Activities

What key activities do our value propositions require?

Social Activities:

- Fundraising
- Social impact measurement
- Volunteer management

Enterprise Activities:

- Buyer and vendor recruitment and management
- Production (processing, co-packing)
- Receiving / storage / inventory management
- Order and payment processing
- Delivery
- Facility, financial, and HR management

8 Key Resources

What key resources are required for us to undertake our key activities?

Social Resources:

- Fundraising resources (presentations, video, case study, donation platform
- Social impact measurement framework and staffing / consultant to undertake
- Volunteer management platform and staffing

Enterprise Resources:

- Working capital to cover operating losses
- Capital financing (to be determined)
- Land
- Staff
- Facilities, equipment, and delivery vehicles
- Online ordering / payment processing system
- Admin resources (furniture and fixtures, computers, network, network printer, phone system, brand strategy, website and social media channels)

2 Value Propositions

What value do we deliver to our customers?

Social Value Propositions:

People Served by the Food Hub's Paying Customers::

- Trusted food that lasts longer, tastes better, and is potentially less chemically treated
- Increased food literacy

Communities:

- Increased food sovereignty
- Enhanced resilience
- Retention of food dollars, local business development and job creation

Aspiring Food Producers:

- Inspiration, knowledge, and access to a future career path

Educational Institutions and Researchers

- Enhanced teaching and research opportunities

Enterprise Value Propositions:

For Primary and Secondary Producers:

Expanded, efficient access to wholesale customers in HRM:

- Aggregation, storage, brokerage, and distribution services – allow producers to simplify and focus on production
- Online ordering/payment processing *(perhaps in partnership with WFM2Go)*
- Enhanced marketing and awareness
- Access to processing and co-packing services *(with the Station, Flowercart Group, et al.)*
- Assistance with meeting health and safety regulations

= Reduced waste (of time, produce, and other resources), and increased sales and profits

Wholesale Customers (Commercial, Community, and Institutional):

- **Convenient access to cost-effective, local supply of high-quality Nova Scotian food**
- Risk mitigation – food access during emergencies
- CSR- contribution to local economy

4 Customer Relationships

What type of relationship does each of our customer segments expect us to establish and maintain with them? Examples (from low engagement to high): self service, automated self service, personal service, dedicated personal service, community, co-creation.

Social customer relationships	Enterprise customer relationships
• Personal service • Community	• Personal service • Dedicated personal service • Community • Co-creation

5 Channels

Through which channels do our customer segments want to be reached?

Channel Phase	Social Customer Channels	Enterprise Customer Channels
Awareness	• Social media • Mass media (press release, interviews)	• Phone • Email • Social media • Mass media (press release, interviews)
Evaluation	Via paying customers	• Website • Site visits
Purchase	Via paying customers	Online ordering / payment processing
Delivery	Via paying customers	• On-site services • Delivery service
After sales	Via paying customers	• Online survey • Email/phone follow-up

1 Potential Customer Segments

For whom are we creating value?
Who are our most important customers?

Social Customers (Beneficiaries)

The People Served by Food Hub's Paying Customers:

- Students and staff (primary, secondary, post-secondary)
- Restaurant patrons
- Tourists
- Local residents
- Patients, residents, and staff
- Food insecure people

Other:

- Communities
- Aspiring Food Producers
- Educational Institutions and Researchers

Enterprise (Paying) Customers / Members

Mainland NS Primary and Secondary Producers:

- Fruit, veg, meat, fish, dairy, eggs, baked and other prepared goods, beverages
- Small to medium, looking to scale up
- Many are farmers' market vendors
- Located throughout mainland Nova Scotia

Independently-owned Food Businesses located in Halifax, Dartmouth, and neighbouring communities

- Restaurants
- Value-added Processors
- Independent Grocers

Halifax/Dartmouth/Bedford-based Community Organisations:

- Community food organisations, e.g.:
  - Feed NS
  - Mobile Food Market
  - Meals on Wheels
  - The Loaded Ladle
- Other nonprofits who buy food (childcare, family resource centres)
- Other food hubs

Halifax/Dartmouth/Bedford-based Institutions:

- Halifax Regional Centre for Education
- Halifax Public Libraries
- NSCC's HRM campuses
- Northwood and other LTC facilities
- Department of Health
- Universities
- Other large public institutions

9 Cost Structure – What are the most important costs that we will incur to do our key activities?

Key Social Costs	Key Enterprise Costs	
• Fundraising • Social impact measurement • Volunteer management	• Payroll • Cost of goods sold • Utilities	• Equipment maintenance • Vehicle costs / fuel • Rental / mortgage interest

3 Potential Revenue Streams – How will we get paid to deliver our value propositions?

Key Social Revenue Streams

- Wage / salary subsidies
- Operating grants - CCTH, Education, Health and Wellness, United Way
- Volunteer support
- Corporate sponsorship – cash and in-kind
- Individual donations – possibly purchase food bucks / paying-it-forward

Key Enterprise Revenue Streams

- Product sales (wholesale)
- Fees for storage rental, co-packing, processing, distribution, brokerage, membership, and use of the commercial kitchen

Flourish
COMMUNITY DEVELOPMENT CO-OPERATIVE

Appendix B: Concept-Testing Focus Group & Interview Participants

Mainland Nova Scotia Primary and Secondary Producers

1. Naam Alqaos, secondary producer
2. Sebastian Chow, Green Gardens Farm
3. Meghan Dickinson, Northumberland Lamb Marketing Co-op
4. Colleen Freake, Organics Nova Scotia
5. Frazer Hunter, Knoydart Farm
6. Amy and David Hill, Snowy River Farms
7. Ann Huntley, Owner, Moontide Farms
8. Rhonda Johnson, The Jam Lady
9. Emily Lutz, Nova Scotia Fruit Growers' Association
10. Alison Lynes, Halifax Brewery Farmers' Market
11. Jessie and Rebecca McInnis, Springtide Farm
12. Richard Melvin, Melvin Farms
13. Ghita Rammaz, Novalea Kitchen and Market
14. Emily Tebogt, Tebogt Produce and Meat
15. James Twaddell, What On Earth Farms
16. Adam Webster and Courtney Webster, Olde Furrow Farm

Halifax-based Community Groups

17. Mandy Chapman, Executive Director, Mobile Food Market
18. Min Gao, Program Coordinator, The Loaded Ladle
19. Aimee Gasparetto, Program Director of EveryOne EveryDay, Mi'Kmaw Native Friendship Centre
20. Saida Gazie, Newcomer Program Coordinator, Veith House

Halifax-based, Independently-Owned Restaurant

21. Lil MacPherson, Owner, Wooden Monkey Restaurants

Large Institutional Food Buyers

22. Kelly Sherwood, Nutritionist, Halifax Regional Centre for Education
23. Melissa Fewer, Program Assistant, Nova Scotia Community College

24. Caroline Black, Public Health Nutritionist, NS Health Authority
25. Krista Tobin, Manager of Institutional Procurement, NS Department of Agriculture
26. Emily Mathew and Ken Williment, Halifax Public Libraries
27. Jane Pryor, Director of Procurement, Halifax Regional Municipality
28. Chaiti Seth, Community Development Department, Acadia University
29. Madalyn Higgins, Manager of Sustainability, Compass Group (@ Acadia University)

Other Food Hubs And Related Enterprises

30. David Greenberg, Co-owner, Abundant Acres and Warehouse Market
31. Jeff Kelly, Executive Director, Flower Cart Group (operator of What's Cooking Commercial Kitchen and Co-Packing Services)
32. Natalie Frederick-Wilson, Business Advisor, Centre for Women in Business (operator of the Specialized Program in Cooking Entrepreneurship)
33. Kelly-Marie Redcliffe, Executive Director, Wolfville Farmers' Market
34. Rebecca Tran and Heather Lunan, Co-owners, The Station Food Hub

Appendix C: Benefits of a Federally-Incorporated Not-for-Profit Corporation[11]

The federal government names a number of benefits of incorporating federally:

1. The Canada Not-for-profit Corporations Act offers new rules that are modern, flexible and better suited to the needs of today's not-for-profit sector.
2. Heightened name protection: an approved federal name allows a corporation to operate across Canada under that name.
3. Location flexibility: you have a degree of flexibility regarding the province or territory where your registered office can be located, where corporate records are maintained and where annual meetings are held.
4. Recognition: federal corporations are easily recognized around the world as Canadian corporations.
5. High-quality client service: Corporations Canada processes applications and all other service requests with minimal delay.
6. Resources for not-for-profit corporations: Corporations Canada has created a variety of materials to help start and operate a corporation.

One notable benefit of being federally-incorporated, which is alluded to in item 1 above, is the allowance for social enterprise activity. Provincial legislation is somewhat less supportive of social enterprise activity. Moreover, federal incorporation can be filed online with same/next day service, for a modest fee of only $200.

[11] See https://ised-isde.canada.ca/site/corporations-canada/en/not-profit-corporations/creating-not-profit-corporation for details.

Appendices D (Primary Research Report) and E (Secondary Research Report) are included as attachments