



Nova Scotia Produce Auction Feasibility Study

Local Food Team Steering Committee
Spirit Nova Scotia
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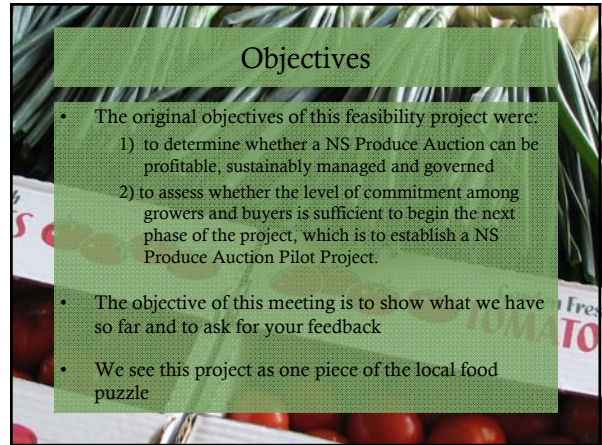
The Vision of the Local Food Team:

- In our vision, Nova Scotia has rich top soil, clean air and water, resilient farm and fishing communities, and healthy, local food for all citizens. We engage and inspire all Nova Scotians to celebrate and protect this inheritance for future generations.



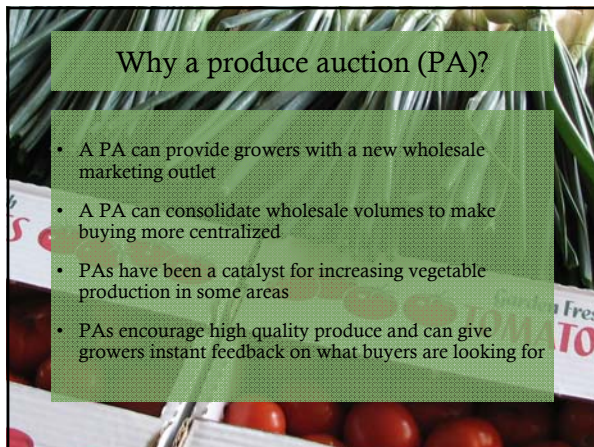
Background

- The Local Food Team of Spirit Nova Scotia wanted more Nova Scotians to have access to healthy, local food from sustainable NS farms.
- The distribution of the provincial food system was the focus of discussions and thus we explored how a produce auction might help increase the flow of NS produce to NS consumers.



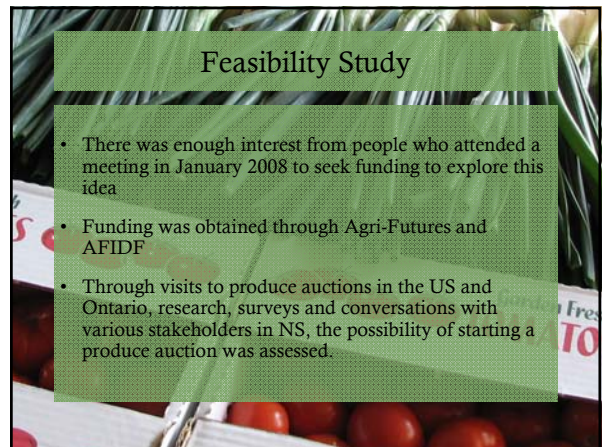
Objectives

- The original objectives of this feasibility project were:
 - 1) to determine whether a NS Produce Auction can be profitable, sustainably managed and governed
 - 2) to assess whether the level of commitment among growers and buyers is sufficient to begin the next phase of the project, which is to establish a NS Produce Auction Pilot Project.
- The objective of this meeting is to show what we have so far and to ask for your feedback
- We see this project as one piece of the local food puzzle



Why a produce auction (PA)?

- A PA can provide growers with a new wholesale marketing outlet
- A PA can consolidate wholesale volumes to make buying more centralized
- PAs have been a catalyst for increasing vegetable production in some areas
- PAs encourage high quality produce and can give growers instant feedback on what buyers are looking for



Feasibility Study

- There was enough interest from people who attended a meeting in January 2008 to seek funding to explore this idea
- Funding was obtained through Agri-Futures and AFIDF
- Through visits to produce auctions in the US and Ontario, research, surveys and conversations with various stakeholders in NS, the possibility of starting a produce auction was assessed.

Examples of existing produce auctions



- Mennonite Model
 - More than 50 auctions in the US and 1 in Ontario
 - Typical structure is a corporation or co-operative
 - Auctions are located in rural areas close to growers (who come from 100-200 km radius to sell at the auction)
 - Buyers are usually other farmers with farm stands, farm markets, grocery stores, restaurants



Examples of existing produce auctions

- Vineland Model
 - Electronic auction clock
 - Numerous coolers
 - Functions as wholesale distribution centre
 - Buyers are mostly brokers
 - Big volumes - sales of \$300,000-\$400,000 per day (auction runs 6 days/week)



The Nova Scotia Perspective

Growers Perspective

- Some growers would be interested in expanding production to sell at a PA, although some were limited by availability of land or labour
- A PA would be a good way for people to get into farming - it's good to have a mixture of retail and wholesale
- Some growers weren't interested in selling wholesale if prices are below their cost of production - these growers prefer direct sales and more stable prices
- A PA could be a market for new products and allow growers to experiment

Growers perspective continued

- A PA could be convenient for buyers, especially if it had an online component or remote bidding capability
- It would be useful to have multiple sales days during the week
- It could be difficult to get a critical mass of growers at the beginning
- In general, most growers were interested in trying a PA once it was running, but didn't have an interest in helping to start it up

Buyers Perspective

- Some buyers have an established supply chain that they are satisfied with
- Others feel a centralized distribution centre is needed
- Reliability of supply is a top priority and a produce auction may be too risky in terms of being outbid or not finding what they are looking for
- A PA may be a good place to find special products and high quality produce
- Remote bidding would be an asset for some, while others would want to see the product in person

Independent retailers

- Many operators were satisfied with their present method of accessing local produce, either through wholesalers or direct relationships with farmers
- Some operators were interested in buying from a produce auction, especially if it offered exceptional quality or special items they wouldn't otherwise be able to get

Restauranteurs

- Survey respondents ranged from neutral to very interested in using a PA
- The possibility of remote bidding was quite popular
- A PA could add a level of complexity to the buying process
- A PA would help access local food and support local growers - it would give restauranteurs a place to find local product
- Product availability, price and consistency are critical issues for restauranteurs

Models

- We explored various models for a produce auction, including stand alone and partnership scenarios
- Revenue was generated by sales commission of 10 % and 5-yr sales projections were estimated to be in the range of 1-4 % of current vegetable sales in the province

Model 1

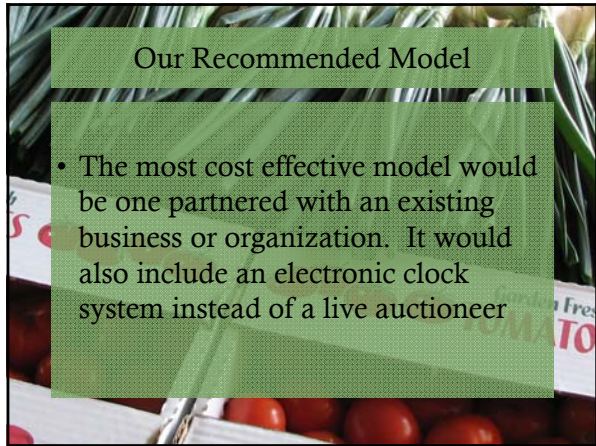
- Simple arrangement, with a parking lot to provide a place for a PA and a live auctioneer
- No amenities or building costs
- This model does not seem feasible due to food safety concerns and with less capacity to expand sales while labour costs remain high

Model 2

- The PA would have its own land and building
- We compared 2 options: live auctioneer and electronic clock
- Due to high start-up costs for real estate and construction, this scenario is not economically feasible

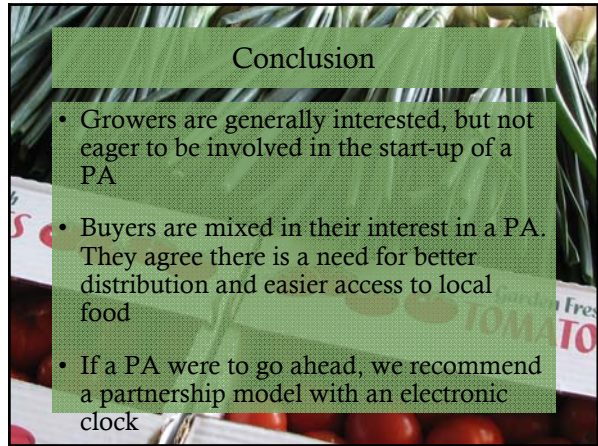
Model 3

- A partnership is formed between the PA and another organization or business
- The PA does not own land or the building, but leases space to hold the auction
- Contrasted to a live auctioneer, an electronic clock was more cost effective over the long term



Our Recommended Model

- The most cost effective model would be one partnered with an existing business or organization. It would also include an electronic clock system instead of a live auctioneer



Conclusion

- Growers are generally interested, but not eager to be involved in the start-up of a PA
- Buyers are mixed in their interest in a PA. They agree there is a need for better distribution and easier access to local food
- If a PA were to go ahead, we recommend a partnership model with an electronic clock



Thank you.
Questions and comments