

**Produce Auction Feasibility Study Final Report – March 2009**  
**Spirit Nova Scotia/OACC**  
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**Partial funding for this project was provided by Agriculture and Agri-Food Canada  
through Agri-Futures, Nova Scotia’s Adaptation Council**

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Executive Summary

*Vision of the Local Food Team of Spirit Nova Scotia:*

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.

With this vision in mind, a Produce Auction Feasibility Study was initiated by the Local Food Team.

Financial projections showed that it would be unlikely for a produce auction to be financially viable within 5 years. The best scenario was a partnership arrangement with another organization or business where the building facilities were shared and there would be an electronic clock as opposed to a live auctioneer.

In consulting with food system stakeholders, including potential buyers and sellers, it was found that there is not sufficient support for a produce auction initiative at this time. Demand for local food is important and is expected to increase. An auction may be a viable option in the future when more favourable conditions exist, such as sufficient buyer and grower need and higher numbers of small and medium growers concentrated in particular regions. A major concern for growers is price and there was no guarantee that a produce auction would provide higher prices for farmers to help alleviate this issue.

The recommendation of the Spirit of Nova Scotia, Local Food Team Steering Committee was that this is not the time to implement a PA in Nova Scotia. A PA might work in the

future. Perhaps when we have more capacity a PA will work more effectively. The financial models are not cost effective in today's market with current volumes. There was some hope in the responses. Farmers are constrained by the boxes they are in. This is a time when it's hard for those in agriculture to take more risk.

A further recommendation is based on the comments from final meetings with stakeholders in Kentville, Truro and Cape Breton. There is a need to build more capacity in Nova Scotia and it should start with developing Wholesale Food Services, possibly as a wholesale farmers market.

Pictures and a range of documents about produce auctions, including results from this study, have been made publicly available via the OACC website:  
[www.oacc.info/produce\\_auctions.asp](http://www.oacc.info/produce_auctions.asp)

## INTRODUCTION

The issue of local food has become an important social and agricultural issue in the last few years. The consumer demand for local has increased due to awareness of food miles, concerns over climate change, nutrition and food safety. 'Buy local' is one of the biggest food trends at the moment<sup>1</sup>. According to a study commissioned by the Council of Atlantic Premiers, 78 % of survey respondents in Nova Scotia look for fresh vegetables when purchasing local products.<sup>2</sup> In addition, the lack of availability was the most common response for not purchasing local products.<sup>3</sup>

The Local Food Team of Spirit Nova Scotia wanted to implement a project that would have a positive impact of agricultural producers and increase accessibility of consumers to produce grown within the province. Over the years, supply chains between consumers and producers have been altered to a great degree and access to local produce has become difficult in grocery stores, due to in part warehouse centralization and HAACP requirements. A main challenge to increasing the accessibility to local food is its distribution. One idea that surfaced was establishing a produce auction in the province to provide a venue for wholesale produce from small and medium farms to reach a multitude of buyers.

A produce auction in NS could have great potential to increase the amount of NS produce reaching retail stores, thereby satisfying consumer demand for more local food. This would provide benefits for growers, especially small and medium-sized growers, to

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<sup>1</sup> Finnamore, A. 2008. Local Food Moving to the Mainstream. Jan/Feb. AgriSuccess Journal.

<sup>2</sup> Corporate Research Associates, 2005. Atlantic Canada Food Consumer Study. The Council of Atlantic Premiers.

<sup>3</sup> Corporate Research Associates, 2005. Atlantic Canada Food Consumer Study. The Council of Atlantic Premiers.

increase and diversify their sales and give them the flexibility to sell a range of products and quantities and experiment with new products. It would provide new entrants with a low-risk opportunity to sell produce with no overhead and low investment and to learn what buyers are looking for in terms of quality and type of product. Thus, it could encourage new entrants to vegetable and fruit production since the size of their operation would not be a limitation to access the auction. It could also provide a venue for food safety training for growers and increased communication between growers and buyers regarding produce quality and consumer preferences. For the wholesale buyer, a produce auction would consolidate supply, thereby saving time and money instead of traveling to individual producers. It would also enable buyers to complete large orders if their supply was short and find specialty products without having to seek out individual suppliers.

The objectives of the project were to:

- 1) determine whether a NS Produce Auction can be profitable and sustainably managed and governed,
- 2) 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.

At a meeting held in Kentville, NS on January 10<sup>th</sup> 2008, 32 representatives from the produce wholesale and retail sectors (including Sobey's), NS Department of Agriculture, Farmer's Markets of NS, and individual producers supported the idea of a Produce Auction in NS and requested that a feasibility study be conducted in order to develop a plan for its implementation. Participants offered to be consulted during the study and requested to be informed as to its progress. Subsequently, funding was obtained from Agri-Futures (Nova Scotia's ACAAF council) and Nova Scotia Department of Agriculture's Agri-Food Industry Development Fund. In December of 2008, three meetings were held (in Kentville, Truro and via conference call to Cape Breton) in order to share the information collected, and receive feedback as to the final recommendations of the project.

## ESTABLISHED PRODUCE AUCTIONS

Summary of 'Review of Existing Produce Auctions':

The complete document can be found at:

[www.oacc.info/Docs/ProduceAuctions/Report%20on%20Existing%20Produce%20Auctions.pdf](http://www.oacc.info/Docs/ProduceAuctions/Report%20on%20Existing%20Produce%20Auctions.pdf)

- Business ownership is typically a corporation (S Corporation or Limited Liability Company) or a co-operative. Partnerships and sole ownerships are less numerous.

- The use of auctioneers is the main method of selling produce. The Vineland Produce Auction in New Jersey is the only auction that uses an electronic clock.
- Auctions are held either in the morning or evening, one to six days a week. The ideal duration of an auction is 2 to 3 hours, which depends on the speed of sales and the amount of produce available.
- Lots are usually sold from large to small. Table lots (retail sales) are expensive to sell, but help to introduce new growers and buyers to the auction. Commission rates range from 8-12 %.
- Quality is the most important aspect of the auction. Good quality produce will attract buyers and create a reputation for the auction.
- Occasionally, consignment auctions are held in addition to produce auctions. They can provide extra income to the auction and serve community needs.
- Amish and Mennonite farmers are the majority of growers in many auctions, and farm markets, resellers, roadside stand owners, small grocery stores, large chain stores, wholesalers, and restaurants are the most common buyers. Several auctions have order buyers, who act as brokers for buyers who cannot attend the auction.
- The amount of land occupied by the auctions varies from 3 to 30 acres, and the building sizes from 7,200 to 130,000 ft<sup>2</sup>.

In addition, a powerpoint presentation that describes the produce auction concept and a report from site visits to American produce auctions are available at:

[www.oacc.info/Docs/ProduceAuctions/An%20Introduction%20to%20Produce%20Auctions.pdf](http://www.oacc.info/Docs/ProduceAuctions/An%20Introduction%20to%20Produce%20Auctions.pdf)

[www.oacc.info/Docs/ProduceAuctions/US%20Produce%20auction%20report\\_site%20visits.pdf](http://www.oacc.info/Docs/ProduceAuctions/US%20Produce%20auction%20report_site%20visits.pdf)

### STAKEHOLDER FEEDBACK

For additional information, please see the 'Nova Scotia Produce Auction Feasibility Study Presentation' found at:

[www.oacc.info/Docs/ProduceAuctions/Dec%20presentation%20Dec%202002-08%20FINAL.pdf](http://www.oacc.info/Docs/ProduceAuctions/Dec%20presentation%20Dec%202002-08%20FINAL.pdf)

A variety of grower and buyer stakeholders were consulted as to their interest in a produce auction option in Nova Scotia. The different categories of buyers included farm market owners, wholesale distributors, and restaurateurs (see Appendix 1 for results from a Restaurant Association of Nova Scotia survey).

Overall, grower feedback was positive, but growers were weary of making a commitment to something that has not yet been proven successful. Many growers indicated an interest in participating in a produce auction, but did not show an interest in being involved in the organization and management of the business as is typical for existing auctions. Their

interest in participating in an auction was based on the possibility of having a new marketing outlet, a place to bring excess produce when other channels failed, an opportunity to be paid quickly (within one week of sale), a venue to attract buyers, an opportunity to experiment with new crops. Several growers would expand their production in order to grow for the auction, but many were limited by lack of additional land or labour. The main concern expressed by growers was that a produce auction could result in low prices. A few growers were not interested in participating in an auction on the grounds of the possibility of low wholesale prices. These growers tended to focus their operation on direct marketing through farmers' markets and generally did not grow for wholesale markets.

### ECONOMIC ANALYSIS

Three financial models were assessed based on different scenarios of how a produce auction could take shape in Nova Scotia. These ranged from a simplistic and low cost model, to an ownership of a building, to a partnership with another organization. For 2 models, comparisons were made between a live auctioneer and an electronic clock system which has been developed for flower and produce auctions by OES Inc. of London, Ontario (<http://www.oes-auction.com>).

Please see 'Nova Scotia Produce Auction Feasibility Study Presentation' for a summary of the models:

[www.oacc.info/Docs/ProduceAuctions/Dec%20presentation%20Dec%2002-08%20FINAL.pdf](http://www.oacc.info/Docs/ProduceAuctions/Dec%20presentation%20Dec%2002-08%20FINAL.pdf)

### RECOMMENDATIONS

1) This is not the time to implement a PA in Nova Scotia. A PA might work in the future. Perhaps when we have more capacity a PA will work more effectively. The financial models are not cost effective in today's market with current volumes. There was some hope in the responses. Farmers are constrained by the boxes they are in. This is a time when it's hard for those in agriculture to take more risk.

2) There is a need to build more capacity in Nova Scotia and it should start with developing Wholesale Food Services, possibly as a wholesale farmers market.