

Expanding Locally Sourced Beef in Northern Ontario through the Co-operative Model

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Abstract

The finding of bovine spongiform encephalopathy (BSE) in cattle in 2003 and the closure of the US border to Canadian beef, resulted in a financial crisis for Northern Ontario farmers. Fighting for their survival, many farmers turned to local markets and co-operative businesses that add value to their beef products. These enterprises face significant challenges in expanding their operations to coordinate a value chain that effectively meets the needs of member farmers. Critics of the local food movement suggest that local food needs to scale up to capitalize on momentum and broaden accessibility. This critique does not reflect the reality of Northern Ontario value chains since the lack of markets, inadequate infrastructure, and unresponsive regulations limit the sector. Co-operative approaches can support regional agricultural economies experiencing crises sparked by globalization through strengthening stakeholders within the value chain. Further, policies supporting small abattoirs and co-operatives for Northern regions are particularly urgent.

1.0 Introduction

An international trade ban on Canadian beef due to the discovery of bovine spongiform encephalopathy (BSE) had a devastating effect on family farms across Canada. The average beef cattle family farm lost an average of \$20,000 in income due to the BSE (mad cow) crisis (Mitura & Di Pietro, 2004). Since 2003, beef farming in Canada has been jeopardized and still remains unstable.

The financial crisis for family farms has been even more severe in Northern Ontario due to economic challenges, isolation, and a high concentration of beef farms (see Appendix 10). With over 2,500 farms, representing five per cent of all farms in Ontario, Northern Ontario's beef industry is larger than any Atlantic province, and along with dairy, accounts for 80 per cent of agricultural activity (Ontario Ministry of Northern Development and Mines, 2007). Northern Ontario has unique challenges that further impact its ability to withstand shocks in the economy. These include being located significant distances from major markets, a lack of economic diversification, an aging population, youth outmigration, government dependency and a lack of investment potential (Woodrow, M., 2002).

This study provides an analysis of marketing co-operatives and place-based businesses in Northern Ontario that sell beef in the local marketplace. The BSE crisis was the impetus for beef producers to form co-operatives (co-ops) and place-based businesses to develop local markets for differentiated meat products with attributes based on food safety, environmental impact and geography. These ventures are aimed at establishing or working within existing value chains to increase the value of a members' production by creating economies of scale for differentiated products. The value chain network of partners includes abattoirs (slaughterhouses), retailers and farmers. The growing interest in purchasing local food has paralleled the development of these enterprises, but it is uncertain whether these initiatives can properly scale their operations to serve the Northern marketplace. It is

unclear whether these enterprises have been, or will be, sufficiently effective in raising incomes for beef farmers to sustain this industry in Northern Ontario.

1.1 Research question

The purpose of this study is to understand how beef farmers in Northern Ontario can create and maintain economically viable alternatives that are resilient to the volatility of global markets. The overarching research question for this project is: *How can marketing co-ops and place-based businesses in Northern Ontario stabilize or raise incomes in the value chain through selling differentiated beef products in the local market?* This broad question will be explored by asking secondary questions of interest that relate to the participation of farmers, the strength of the value chain and the consumer demand for differentiated local beef products. These secondary research questions include:

- 1) *What is the demand for differentiated beef products in the local markets of Northern Ontario?*

Farmers need assurance that consumers are willing to pay a premium for local meat. There is a growing awareness amongst consumers of the benefits of purchasing local food, for economic benefits, nutrition and environmental purposes. With this awareness comes a desire to purchase food that is safe, carbon neutral and supports the local economy. Even though prices may be a determining factor for some consumers, there are segments of the population that are willing to pay a premium for local foods that are organic or close to organic (Fernandez, Mayhew, & Tarantini, 2006). The demand for these products may differ in Northern Ontario's diverse communities (e.g. Anglophone, Francophone or First Nations communities).

- 2) *How can beef farmers in Northern Ontario work effectively within a value chain to achieve a greater market share for their products in the local market?*

Modern farming is becoming increasingly consolidated across the spectrum from producers to retailers. This has ultimately led to diminished farm incomes. Bypassing intermediaries in the current consolidated food system has been possible through Community Economic Development activities and the development of co-ops and place-based businesses. There are many farming communities in North America that have embraced co-operatives and place-based businesses to coordinate production, delivery and the marketing of products to local consumers. This research project explores the possibilities of co-operating across the value chain to connect farmers, abattoirs, retailers and consumers. The project will also analyze the regulatory environment of how these partners can coordinate the value chain.

- 3) *What factors influence the participation of Northern Ontario beef farmers in marketing co-operatives and place-based businesses that sell differentiated beef products in the local market?*

Members that participate in marketing co-operatives or place-based businesses may have different reasons for participating. Farmers may participate because of market conditions and their desire to get better prices in an alternative structure. They may also participate because they are influenced by leaders in the venture or in the agricultural community. The major impetus for Northern beef producers to form these enterprises has been the BSE crisis. It is uncertain if farmers will be as willing to participate in marketing co-operatives or place-based businesses to sell locally if the global price of beef increases.

1.2 Case background and context

Northern beef sector: In Northern Ontario, there is a consistent exodus from farming and rural communities. This departure has an adverse impact on regional economic development, food security, environmental stewardship and community social capital. Between 2001 and 2006, the number of farms in Northern Ontario dropped from 2,635 to 2,479 (Statistics Canada, 2003 Ministry of Agriculture, Food and Rural Affairs, 2011). The ratio of beef farms to the total number of farms in Northern Ontario was 42% in 2001 but dropped to 30% in 2006 (Ministry of Agriculture, Food and Rural Affairs, 2011). In the North, only a few beef farmers are large-scale (e.g. gross annual sales over \$500,000) thus benefitting from economies of scale, but most are small producers (e.g. gross annual sales under \$50,000) who experience serious challenges (McGee, B., 2007). For 431 farms at the mid-level (gross annual sales between \$50,000 and \$250,000) in Northern Ontario, it is urgent to develop alternatives, since these farms are highly vulnerable in today's polarized markets "since they are too small to compete in the highly consolidated commodity markets, and too large and commoditized to sell in the direct markets" (Kirschenmann, Stevenson, Buttel, Lyson, & Duffy, 2008; McGee, B., 2007). The collapse of farm incomes is frequently blamed for the intense decline in the number of farmers in Canada and elsewhere in North America. The beef sector in particular has consistently had depressed cattle prices beginning in 1942 and continuing up to the discovery of BSE in 2003 (National Farmers Union, 2008). The main causes of depressed cattle prices range from an over-supply of red meat (people eating less), export dependence after the North American Free Trade Agreement was signed, beef packer consolidation and retail concentration (National Farmers Union, 2008). The consolidation of meat packers and major retailers has allowed a gross \$35-\$40 more per hundred-weight on beef and has dropped the farmers' and feed-lot share of the retail price from the 1990s level of 24% to post-BSE average of between

12-17% (up to \$550 per finished animal at 1,200-1,300 lbs.) (National Farmers Union, 2008). With a higher number of independent family beef farms in Northern Ontario than the rest of Ontario, there is a greater need to develop alternatives that will stabilize farm incomes and make beef production viable.

More broadly, the global food system has had a devastating effect on rural communities, and has detrimentally impacted ecosystems and human health. To explain this rationale, *food regime theory* (McMichael, 2009) is a historical and methodological concept that includes the systematic barriers that are created by transnational corporations. These barriers hinder change in the food system where the organizing principle is the market and where food is valued less for its usefulness and more for its exchange value in comparison to other commodities on the market. McMichael (2009) explains that this current cycle of the corporate food regime is typified by the concentration of capital and power through agribusiness, agflation due to financial speculation and a dependence on fossil fuels.

Small abattoirs are a key partner in the sustainability of beef farming in the Northern Ontario value chain. Farmers rely on abattoirs to process meat for their families as well as their customers (Haines, R., 2004, p. 467). To be viable enterprises, abattoirs require consistent production, quality and defined markets and are required to meet demanding food safety regulations. They comprise vital infrastructure within a greater value chain between farmers and consumers. Their continued operation has been challenging, particularly where regional processing has submitted to efficiencies of scale and regulations that puts small processors on the same playing field as larger corporate processors (Marion, 2009). Increasing regulation has required abattoirs to purchase additional equipment and to upgrade facilities (Sampson, 2010). In order to effectively and efficiently operate these enterprises, significant investments of time, finance and resources are required. These small abattoirs find it difficult to compete with larger processors who can supply larger retails. In light of these challenges, it

is difficult to sustain partnerships between local farmers, abattoirs and retailers to consistently meet the needs of customers.

Alternative models: Alternative enterprises are emerging outside the context of this current *food regime* to address the decline of regional economies. One alternative is the co-operative model, a recognized and resilient model that can be an effective way for farmers to add value to products, develop markets and strengthen their communities through combining their strengths. The international definition of a co-operative is:

“An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise” (International Co-operative Alliance, 2010).

The co-operative model’s resilience is demonstrated by its ability to perform in times of economic crisis. Research has demonstrated that co-operative businesses last longer than traditional privately-owned firms. More than 60% of co-ops last longer than 5 years compared to 40% of privately-owned firms (Hammond-Ketilson, 2010). This resilience can be attributed to advantages that are derived from member-ownership (risk averse, not driven by profits) and the method of capitalization (funded through members and a higher amount of retained earnings).

Place-based businesses are also effective ways of developing innovation in local communities as they locate their functions in a particular place for social reasons (Lionais & Johnstone, 2009, pp. 115-116). Through these types of enterprises, significant social capital is generated in communities between businesses, educational institutions, farmers and consumers. Both co-operatives and place-based businesses are vehicles for changing the ways that people relate to their food and can have a significant economic, environmental and social impact on community life.

Case background: The co-operative movement has a history in Northern Ontario and has been in decline with the closure of feed and retail co-ops.

However, a few new marketing co-operatives are reviving this tradition. Co-operatives like Eat Local Sudbury Co-op, Golden Beef Producers Co-operative and True North Community Co-operative are farmer and multi-stakeholder co-operatives. They are pooling their resources and creating markets for local meats in Northern Ontario (see Appendix 6). Place-based businesses like Penokean Hills Farms, Ontario North East Meats, Creative Meat and Rainy River Regional Abattoir are also making progress in processing or selling local meat into Northern markets (see Appendix 7).

In the past three years, beef farmers in the Algoma District have been exploring alternatives to sustain their way of life. Since 2007, the primary researcher has worked with NORDIK Institute at Algoma University to assist beef farmers in expanding a business venture known as Penokean Hills Farms.¹ Penokean Hills Farms Inc. is a place-based business of six farming families who sell beef in the local market in the Algoma District of Northern Ontario. NORDIK has worked with this co-operative venture to create business plans and assist with market research. Over this period of time, working together has benefited the farmers, and there is significant room for expansion. The venture has met its share of challenges both internally with a high turnover of farmers who participate in the venture; and externally with infrastructure challenges at a local abattoir that processes Penokean Hills Farms' beef (Broad & Lawrence, 2010). Farmers in the venture adhere to strict codes of ethics to protect the environment and restrict the use of growth hormones and antibiotics to lessen impacts on public health (Penokean Hills Farms, 2010). The researchers experience working at NORDIK Institute has shaped a decision to continue researching how co-operatives and collaborative approaches can benefit small farmers in Northern Ontario. The researcher was raised in Thessalon, a small Northern Ontario town with surrounding farmland, and has had family members who have worked in agriculture. With an interest in the agricultural sector, the

¹ NORDIK Institute is a community-based research organization in Sault Ste. Marie Ontario that works with community groups to solve practical issues. URL: <http://www.nordikinstitute.com/>

researcher has generated several applied research projects with local farmers.

1.3 Significance of this study

This research project will highlight how Northern value chain stakeholders are strengthening their operations and overcoming challenges. Building strong value chains that meet the needs of its partners will create more resilient regional economies in the North and may serve as a role model to other rural and Northern economies.

The study will also analyze how alternative enterprises have developed in light of global forces to meet needs of members. These alternate models assist producers and other stakeholders in developing value chains that are resilient to the impact of global macro-economic forces. This case study may demonstrate the value of cooperatives and place-based businesses in strengthening regional economies.

Value chain stakeholders in Northern Ontario (farmers, processors, abattoirs and retailers) will benefit from this research in learning from others' experiences. It will assist these stakeholders in identifying common issues and needs that can be collectively addressed. The case study will explore the relative necessity of strong relationships between partners in the value chain to developing products that customers are willing to buy. The study may also serve to assist in better understanding the connections between building strong value chains in agriculture and other sectors.

This project will also benefit CED practitioners who work with value chain partners in developing alternative models of enterprise (such as co-ops and place-based businesses). This research project will discuss how broader CED and value chain theory relates to the findings so that implications can be gleaned for value chain stakeholders and CED practitioners in Northern Ontario. Value chains (abattoirs, co-ops, farmers and businesses) that

respond to the needs of customers are necessary to expand the sector and enhance regional economies.

1.4 Study limitations

This report represents farm and food marketing co-operatives and place-based businesses in Northern Ontario. As such, it may not be applicable to other regions in Southern Ontario or elsewhere. With Canada's varying regulatory frameworks, diverse socio-economic issues and commodity specific regions it will be difficult to generalize the study's findings to other regions. However, for agricultural regions that are far from large urban centres, there may be some applicability. Even though it is difficult to generalize findings to other regions, there is still knowledge to be generated for producers in Northern Ontario. In order to compare the regional differences (between rural and urban), the Fitzroy Beef Co-operative in Eastern Ontario (outside the area of study) was included in the research project as a technical expert. This addition will help to understand how the urban experience differs. The study is also focused on one farm commodity so it may not be representative of other types of farm co-operatives that sell other commodities.

1.5 Outline of the study

The research process sought to uncover how agricultural marketing co-operatives and place-based businesses have played a role in creating alternatives to the beef industry in Northern Ontario since the BSE crisis in 2003. This research project consists of a literature review (Chapter 2), methodology (Chapter 3) discussion of the study's findings (Chapter 4) and a conclusion that includes implications for practice and theory while outlining future research that can take place (Chapter 5). The literature review discusses value chains, marketing co-operatives, local food systems and Community Economic Development in connection with topics that relate to beef production, processing and marketing. Chapter 3 outlines the research process of conducting semi-structured interviews with key informants who

are involved with marketing co-operatives and place-based businesses. It also outlines how the interviews and literature informed the findings section of the report. The findings section is a thematic analysis of the interviews as set out in the methodology. The discussion of the findings will present the results and will highlight the researcher's interpretations related to the research questions. The conclusion will highlight the major findings and will situate the discussion within the broader context of theory and practice.

2.0 Literature Review

The literature review is based on the research questions that were developed. It also explores theories and research that relates to developing marketing co-operatives and place-based businesses, forming value chains and selling local food and beef products. The first section explores consumer perspectives around local food and beef consumption, including specific attributes that are attached to branded beef products. The second section looks at the development of value chains and explains transaction cost economics to understand the behavior of value chains. The third section looks at how farmers develop alternative initiatives and responses to the dominant food regime through co-operatives and place-based businesses to stabilize or increase their farm income.

2.1 Consumer perceptions on local beef

The term 'food system' denotes a functioning arrangement from the start of production to the end results of consumption in an effective and sustainable way. Less easily defined, the term 'local', in reference to food systems, is subject to perspective. The Canadian Food Inspection Agency recognizes locally grown food as goods that originate within 50 kilometers of the place where they are sold, measured directly, point to point (Canadian Food Inspection Agency, 2009). A local food system functions very differently from the dominant model, as the partners of the system are contained in a smaller geographic location. It bypasses the lengthy chain of intermediaries (processors, distributors and shippers), relying on a more direct producer to consumer relationship (Feenstra, G., 2002, p.100). The current strong demand for local food in Ontario can be attributed to several different factors. An Ipsos Reid (2006) survey found that Canadians believed the main benefits of local food included the support of local economies (71%) and family farmers (70%) (Ipsos Reid, 2006). In addition, the survey found that 46% of respondents recognize the benefits of locally raised meat are that it

has no added growth hormone or steroids (Ipsos Reid, 2006). In 2007, Environics Analytics and the Greenbelt Foundation (2007) polled Ontario consumers in the Greater Golden Horseshoe and found that 88% of respondents read origin labels on the foods they buy and that 91% would buy locally grown food if they could find it in their grocery stores. When asked about farmers' markets, 86% of respondents said that it was important to them that farmers' markets sell locally-grown food and that respondents wish to meet the farmer (63%) (Greenbelt Foundation, 2007). Market research conducted by Fernandez and her research team in Sault Ste. Marie (Northern Ontario) indicated that 41% of respondents identified they would definitely buy local beef while 50% indicated they may purchase depending on specific criteria including price, quality and natural attributes (no hormone additives or antibiotic use) (Fernandez, Mayhew, & Tarantini, 2006).

These broader opinion polls demonstrate that consumers strongly identify with the perceived benefits of local food. Problems with the conventional food system have fostered concerns over the quality of food, the environmental impacts of production, food safety and the impact of food miles on a decline in food nutrition and taste (Blay-Palmer & Donald, 2006).

At the same time, the benefits of the conventional food system, such as more variety, low prices and better convenience has a high impact on consumer spending (Hinrichs, 2000). As the reconnection of farmers and consumers presents an alternative to the conventional food system, farmers must be aware that consumers have embedded expectations within the market dominated conventional food system. For many, the supermarket is the main place where consumers interact with the food industry.

Consumer demand for beef

The beef industry has experienced twenty years of declining consumption since the year 2000 (Unterschultz, 2000). In Canada, from a peak annual consumption of 50 kilograms per person in 1975, Canadians

only purchase slightly more than 20 kg per capita in 2000 (Unterschultz, 2000). This decline has been attributed to a growth in the demand for substitute products (like poultry). Other demographic factors have impacted consumption as well, including slow population growth, greater ethnic diversity, smaller households, an aging, and more health conscious population (Kinsey & Senauer, 1996). Consumers are paying more attention to health (cholesterol and fat levels), food safety and other concerns that are perceived to be related to the usage of hormone additives, antibiotics and non-organic inputs (Brocklebank & Hobbs, 2004).

Compared to a 1990 US National Beef Quality Audit, consumer markers of quality appear to have shifted. This audit reveals that the major characteristics regarding quality were uniformity, consistency and meat tenderness (Hudson & Purcell, 2003). The ability to deliver consistently tender meat is a difficult task for the beef industry. In an Alberta survey, over 35% of roasts and 30% of steaks purchased in a six-month period were ranked as unacceptable for tenderness by a trained lab panel (Brewin & Ulrich, 1999).

Customer demand for differentiated food products is shifting to unique attributes based on functionality, food safety (antibiotic and/or hormone-free meat), environmental impact (organic or integrated pest management grown), geographic location (regionally based products), or other value-giving characteristics (Stevenson & Pirog, 2008, p. 121). These product attributes can be described as search attributes, experience attributes and credence attributes:

"Search attributes can be evaluated prior to purchase. Examples include appearance, convenience and product presentation, CFIA grade, and (visually verifiable leanness). *Experience attributes* can be determined after purchase when product is consumed (tenderness, freshness, consistency). *Credence attributes* cannot be detected by a buyer even after they have purchased and consumed a product. Common credence attributes in branded beef products include no

hormones and antibiotics (natural), organic, free of genetically-modified organisms, grass fed, enhanced food safety, animal welfare friendly, environmentally friendly, source verification and process verification" (Brocklebank & Hobbs, 2004, p. 18).

Five principal requirements for beef as identified from consumer research include:

"1) Consistency, quality, and palatability, 2) health and nutrition, 3) food safety, 4) environmental and animal welfare, and 5) convenience" (Brocklebank & Hobbs, 2004, p. 7).

The significant decline in beef sales outlined above has caused North American firms and farmers to re-evaluate their product lines and has led to marketing differentiated products that are branded with these attributes.

Consumer perceptions of local food and producers

When customers go to farmers' markets or buy a Community Supported Agriculture (CSA) share, they are buying the relationship as much as the food itself. Some academics have suggested that the above-noted direct marketing opportunities create intangible qualities and values that are embedded in a consumer's food choice, which cannot easily be quantified due to differing consumer perceptions (Hinrichs, 2000; Feagan, 2008). Relationships between farmers and consumers that are created through direct marketing create opportunities for both parties to give feedback, have conversations and open spaces to build shared goals and values in the process. These face-to-face interactions between producers and consumers are seen as critical to local food systems (Hinrichs, 2000; Feagan, 2008). With the new forms of media, consumers are less receptive to broadcasted information from television or radio. Instead, they are prioritizing having conversations about the products they buy and the food they eat over new forms of social media or face-to-face (Kirschenmann, Stevenson, Buttel, Lyson, & Duffy, 2008, p. 16).

If farmers within local food systems were to 'scale up' and add intermediaries between themselves and consumers (to overcome logistical, structural and regulatory barriers), it adds complexity to the intrinsic value that is generated through direct marketing. Some have asserted that product differentiation or niche commodities will be able to add value for consumers as scale is built, but the product's quality or brand loyalty cannot be overshadowed by the bonds generated in a direct exchange that maintains an alternative identity (Watts, Ilbery, & Maye, 2005). Without the great degree of trust generated through direct marketing, the consumers' need for detail will increase. As the level of direct marketing becomes more distant (with the addition of intermediaries), communication and interpretation of information becomes increasingly vague, which leads to the potential for distrust, cynicism and fetishization (Kirwan & Morris, 2010). Farmers who are considering scaling up to reach the retail and wholesale level, must be aware of the systemic forces of the conventional food system that detach consumers versus the benefits of a direct marketing relationship.

Direct marketing

Across Canada, different marketing activities are emerging that address the direct marketing of local beef products. These types of direct marketing activities include farmers' markets, farm gate, CSA and local food co-operatives.

Farmers' markets provide direct marketing opportunities for farmers where public spaces are used to facilitate direct sales. According to the Canadian Co-operative Association, there are 578 farmers' markets that provide local food in Canada (149 in Ontario), of which 63 are co-operatives (4 in Ontario) (Egbers & Markell, 2009, pp. 11, 30). Farmers' markets have experienced resurgence since the 1970s when Toronto farmers' markets grew from two in 1979 to 27 in 2008 due to government initiatives and the desire of consumers for a shopping experience closer to the farmer and their community (Cummings et al, 1998, 7; Young, 2010). Farmers' markets

provide major opportunities for consumers and farmers to connect and form loyal bonds.

Farm gate sales, i.e., direct farmer-to-consumer marketing, require little capital investment since they can be as simple as a freezer filled with product on the farm. For beef farmers, farm gate sales are a major marketing channel for direct marketing to consumers. A farm store is a full-functioning country store that offers alternatives to a supermarket. For farm stores to be successful, requires good research on the local market, a mix of products and ways to develop loyalty (Collins, 2011). Although farm gates may be preferable for farmers due to their convenience, they are not convenient for the urban dweller that prefers to go to one place to do their shopping, and thus farm stores may be a more viable alternative.

CSA is designed to share the risks and rewards of farming and provides opportunities for consumers to meet up with farmers through pickups and deliveries. A CSA is "an arrangement whereby a group of people, one of whom is a farmer, agree to share the costs and products of a seasonal vegetable garden" (Hinrichs, 2000). The model of the CSA has been transferable to beef products as well. Stoddart Family Farm is one of many farmers who have adapted the CSA model to sell shares of combining cuts of poultry, beef and lamb in 4 and 6 month increments of 10-pound boxes that are delivered each month in the Greater Toronto Area (Stoddart, H., 2012).

Local food co-operatives and food hubs are another form of direct marketing, and represent organisational models where food sourcing and supply is co-ordinated through direct links between the producer and consumer (this can be done over the internet or at a location) (Morley, Morgan, & Morgan, 2008). More on local food co-operatives will be covered in section 2.0.3.

2.2 Building resilient value chains

Increased concentration and consolidation within the beef industry has organized the majority of the industry's supply chains in Canada and the US.

The beef processing sector (including feedlots, packers and processors) have increased both in concentration and consolidation to exploit economies of scale and reduce variable costs. Halweil (2002) states that, "Instead of selling food to their neighbors, farmers sell into a long and complex marketing chain of which they are a tiny part, and are paid accordingly" (p.15). New technologies have driven a lot of these changes together with feed programs, new health management protocols, identification systems, increased plant mechanization, product innovation and plant efficiency that require high levels of capital investment (Brocklebank & Hobbs, 2004). These highly efficient and large processing plants and feedlots are located in close proximity to urban centres and major transportation corridors. The increased concentration and consolidation within the beef industry has led to a few number of firms that control the majority of the processing sector (National Farmers Union, 2008).

In the United States, beef consumption has recently started to recover and increases have been attributed to the introduction of value-added branded products that better meet the demands of customers (Kovanda & Schroeder, 2003). To realize greater returns in the marketplace, farmers and other participants have moved towards a supply chain that has inherent values. Value chains are long-term networks of partnering business enterprises working together to maximize value for partners and the end customer of a product or service (Stevenson & Pirog, 2008, p. 120). Brands are usually a component within a value chain of vertical coordination where products travel between farmers, processors, retailers and consumers. To vertically coordinate a value chain, different types of organizational structures can be constructed. The types of organizational structures for branded beef generally include brand licensing programs, marketing alliances, co-operatives and externally coordinated programs.

According to Stevenson & Pirog (2008, p. 120), the key characteristics of effective value chains include:

- Economies of scale which are coupled with complex products that differentiate and add value
- Combining cooperation with competition to achieve collaborative advantages and adapt quickly to changes in the market
- An emphasis on high levels of performance and high levels of trust
- An emphasis on shared vision, shared information (transparency), and shared decision making among the partners
- A commitment to the welfare of all participants within the value chain, including fair profit margins, fair wages, and business agreements of appropriate extended duration

A value chain for beef products include cow-calf producers, upstream partners like feed suppliers and veterinarians, and downstream partners like processors, food marketers and the final consumer of the product. Product differentiation can be used to appeal to specific consumer segments that are willing to pay a premium for characteristics that they demand. By branding this differentiation, additional costs are borne by the producer, which include production and segregation costs to meet requirements of a branded beef program and the risks inherent with entering into closed supply chain relationships with a limited number of buyers (Brocklebank & Hobbs, 2004). Depending on the value chain's protocols, producers apply credence attributes to differentiate their product for a premium price. This may require producers to change their production practices and also obtain third party certification that ensures their compliance with protocols.

The business model of value chains features close cooperation between partners within the chain (from feed to retail store for the final product) and competition between chains doing business in product sectors. According to Peterson (2002, p. 1331), value chains are powerful at reducing the costs of product development, production, and procurement transactions

as well as increasing the speed to market and overall product quality. The challenge to cooperation and competition is ensuring that a sufficient volume of product can satisfy demand. To meet excess demands, stakeholders in the value chain may establish contracts with multiple producers, horizontally. To participate in this arrangement, producers need to be guaranteed an above-market price in exchange for specified production standards.

For a value chain to be effective, reliable production, processing, and distribution of a high-quality product is critical. Standards for quality assurance can create significant value through the application of complex skills that generate competitive advantage. For example, a finishing diet that adds value to quality would need to be implemented across a producer group or co-operative.

For a successful value chain to function, it is critical that partners share a common vision as to the product's quality, partner relationships, and the value they place on their customers. Also, a transparent flow of information enables partners in the value chain to share forecasts, manage inventory, schedule work and optimize delivery (Handfield and Nichols 2002, p. 298). Use of information technology can assist the traceability process of tracking product from farm to plate. For an effective value chain to work, producers must go beyond being providers to that of being partners. Ebert van Donkersgoed (2003) states that "Real partnership means all participants benefit and all have a say in developments" (p. 1). For partners to make decisions, effective governance is needed that includes legislative (setting standards for the supply chain), judicial (monitoring performance in the supply chain), and executive (coordinating procedures and flows in the supply chain) mechanisms (Kaplinsky and Morris 2001, p. 31). Power and authority issues within a value chain are important; more powerful partners may include retailers or processors in the value chain.

Successful value chains are based on trusting relationships, such that each partner is interested in the other's welfare and neither seeks to exploit the other's vulnerabilities (Kumar, 1996, p. 94). Such a strategy differs from

a commodity supply chain that is based on achieving the lowest cost of production in a global market. Partners must be rewarded based upon formulae for adequate margins above production costs and adequate returns on investment (Stevenson & Pirog, 2008, p. 131). To develop such a system requires a great deal of transparency between partners that share sensitive economic information in regard to their cost structures (Handfield & Nichols Jr., 2002, p. 234). A high degree of sharing demonstrates the importance of trust and procedural fairness for a value chain's success

One cost-based approach that provides incentives for partners to pursue continuous performance improvement is to determine the costs of production along the value chain by calculating backward from an estimated selling price that a customer is willing to pay (Handfield & Nichols Jr., 2002, pp. 236-238). This approach will build the producer's profit requirements up front and will also enable value chain participants to share information regarding ways to reduce costs based upon an understanding that the benefits of such cost reductions will be shared. Another successful value chain approach involves contracts and agreements of an appropriate, extended duration through long-term partnerships (Kumar, 1996, p. 95). Once a greater degree of trust is established through past performance, contracts tend to be simplified or replaced by informal agreements through mutual obligations and opportunities (Kumar, 1996, p. 98).

Coordinating beef value chains

A marketing alliance exists when firms share risks and benefits to accomplish objectives while also maintaining their independence, improving the flow of information, making sure consumer demands are met and at times making financial equity investments (Brocklebank & Hobbs, 2004). For example, a marketing alliance may consist of a relationship between a co-operative of farmers, a feedlot and a meat packer or abattoir. Provincially licensed and inspected abattoirs (191 provincial abattoirs in Ontario as of 2004) are routinely inspected by Ministry of Agriculture and Food meat inspectors, under the Meat Inspection Act; any meat that is produced in

Ontario for consumption elsewhere must be processed in a federal regulated plant (33 federal abattoirs in Ontario as of 2004) (Haines, R., 2004, p. 234). Joint investments provide additional assurances that participants are committed to the quality of their product. Other types of value chain arrangements include contracts between participants in the chain, vertical integration (one firm that controls the value chain) and brand licensing programs (e.g. breed-specific branding like Certified Angus Beef).

Value chains are also structured through co-operatives, which enhance the flow of information to members (co-ordinate production), reduce the costs of production (process and market through alliances) and increase profitability (Brocklebank & Hobbs, 2004). Reasons for forming a co-operative would include addressing the demand for differentiated beef products, but also stabilizing and raising the incomes of farmers. An externally coordinated branded beef program is another type of organization that may be part of a value chain. An externally coordinated program is driven by a newly formed corporation that attempts to co-ordinate producers, processors and retailers through the formation of a new entity (Brocklebank & Hobbs, 2004). These different programs vary in scale and scope; their planning and implementation depends on how participants in the value chain organize themselves and what their capacity is for the throughput of products. Some of these structures are formal and members are often required to invest financially through the purchase of shares and agree to adhere to production standards.

Transaction cost economics

Analysing the vertical coordination of a supply chain can be done through the framework of transaction cost economics, which includes information costs, monitoring & enforcement costs and negotiation costs.

"Information costs occur in the search for information about prices, buyers, sellers and inputs. *Negotiation costs* are associated with transactions that include writing contracts or using other participants

in the value chain to facilitate transactions. *Monitoring and enforcement costs* occur after exchanges have been negotiated when it may be necessary to monitor the quality of goods from suppliers or monitor the behaviour of a buyer or seller to ensure that conditions are met." (Brocklebank & Hobbs, 2004, p. 17)

These varying transaction costs have implications for the method of vertical coordination that emerges. If a value chain requires certain attributes such as humane animal treatment or feeding, the monitoring and enforcement costs are likely to be higher and may require a co-operative that will make for a more transparent flow of information.

Three key factors for understanding transactions in a value chain include: "the degree of uncertainty surrounding a particular transaction, the frequency with which transactions occur, and the degree to which there are asset specific investments" (Williamson, 1979, p. 251). Uncertainty can arise for different reasons, including the length of the relationship, market conditions and a lack of information about product quality (Brocklebank & Hobbs, 2004). In particular, uncertain information surrounding product attributes (search, experience and credence) can generate a greater degree of ambiguity and will reduce the average price that buyers are willing to pay.

Asset specific investments

There are three types of asset specific investments that can occur. First, *site specific investments* can be fixed to a region to minimize transportation costs or to apply attributes such as product origin or environmental preservation (Brocklebank & Hobbs, 2004). This results in investment in specific sites that are located near other participants of the value chain in order to create regional brands. For example, such an investment may include the purchase of an abattoir in a region where farmers can easily transport their animals.

The second type of asset specific investments is *physical asset specificity* that refers to capital improvements, technology associated with

traceability, feed and health protocols, animal breeds and the testing or grading of beef (Brocklebank & Hobbs, 2004). For example, the production of 'natural beef' requires producers or feedlots in the value chain to invest in feed and health protocols to eliminate the use of antibiotics or growth hormone additives.

Human asset specificity is the final type that involves the investment of specialized training or knowledge to produce the branded product. Certification processes, management techniques and record keeping systems may require a large investment of time, specialized management skills and technologies in order to maximize performance and quality along the value chain (Brocklebank & Hobbs, 2004). Investments in human resources may be required to develop business plans to ensure proper procedures are in place.

2.3 Cooperation and participation among farmers

The agri-food chain has rapidly developed over the last 20 years through increased consolidation that ranges from "energy, fertilizer, seed and chemical companies at one end to packers, processors, retailers, and restaurants at the other" (National Farmers Union, 2005, p. 2). This results in a growing imbalance in market power that creates an imbalance in the allocation of profits. Between 1942 and 1985 the realized net income (RNI) for the average Canadian farmer stayed above \$10,000; since then the RNI has dropped to about zero and now fluctuates between negative \$10,000 and negative \$20,000 per farm year (National Farmers Union, 2008). This current system creates an unsustainable way of life for Canadian beef farmers. The lack of funding or subsidization from the government for relatively small farms has caused many to resort to seeking low-paying, inconsistent work in the service industry (Ervin, A. et al., 2003, p.180).

Community Economic Development (CED) activities can enable communities to act and cooperate in order to produce notable change in communities when faced with dominant global models of development. When

CED methods are employed, the needs of people are prioritized over the pursuit of profits (Shragge, 1997, p.10). CED methods challenge current economic and social structures that allow for new forms of economic models, self-sufficiency, and co-operative organizations. The ongoing debate surrounding the social economy has many implications for CED organizations (such as co-ops, non-profits, social enterprises and place-based businesses) and how value is created in the form of wealth and social well-being. The growth in social economy organizations is often a response to the social needs that arise in the context of capitalist growth and associated social conflicts (Lionais & Johnstone, 2009, p. 108). One critique is that in a geographic context, the social economy has been poorly defined to spatially understand the causes of uneven development in specific locales that have been abandoned by mainstream sources of capital. Amin et al. (2003, p. 32) argue that "local" is usually meant to refer to a small definable territory and a homogenous resident population in social economy literature. This view results in assumptions that communities need to use their own resources to address their own distinct problems. It does not include an analysis of how external forces would be employed in a solution. Lionais & Johnstone (2009, p. 112) argue that while location plays a role in combatting uneven development along with the socio-economic problems it causes, social economic practices should not be constrained by territory. For CED to take place, greater connections and social capital must be developed not only within the local, but it must also bridge between the local and the external.

Co-operatives

In farming, entities like co-operatives have embraced CED principles. CED initiatives strive to create alternatives that meet the needs of people through job creation within the community for the purpose of bettering the community (Shragge, 1997, p.7). There are several shared principles between CED and co-operatives, which include voluntary and open membership, concern for community, and democratic member control (International Co-operative Alliance, 2007). According to Quarter (1992, p.

17), early agricultural marketing co-operatives were started in the rural traditions of mutual aid to control the marketing of products and to obtain a fair price for products. Wilkinson & Quarter (1996) explore how co-operatives operate in restructured rural economies in the case of the Evangeline co-operatives on Prince Edward Island. Evangeline represents "a form of 'comprehensive cooperation', which goes beyond the particular co-operative organization and which includes a broader vision" (Wilkinson & Quarter, 1996, p.15).

Co-operatives are a tool for communities to shape their own destinies and can be an open-ended approach that pursues a wide range of community-based objectives (MacPherson, 2009, p. 43). In the context of CED, co-operatives can be seen not only as vehicles to enterprise products and services, but also as a way to engage multiple stakeholders (including consumers). Early co-operatives emerged as an alternative model of business enterprise in response to the industrialization of agriculture and a need to protect small producers (Ninacs, 2002, p. 4). More contemporary co-operatives have had a closer orientation with being and identity rather than a struggle for power (Gray & Stevenson, 2008). A co-operative form may be ideal for accommodating the many interests of developing sustainable solutions since its structure is designed to democratize the sociological and economic interests (Mooney, 2004, p. 78). It is important to note that the roots of the co-operative movement have been in addressing systemic injustices and deep structural issues that are formed by inequality and now currently through the global economy.

A co-operative is a type of business structure which is owned and democratically controlled by its members – the people who use and benefit from the services provided by the business on the basis of use (member use of the co-op) (Dunn, 1988, p. 85). Agricultural co-operatives provide producers with the opportunity to own and control businesses related to their farming operations, enabling them to address common problems or develop

market opportunities (Ministry of Agriculture BC, 2008). According to Dunn (1998, p. 83), there are three general co-operative principles:

1. User-owner: Those who own and finance the co-operative are those who use the co-operative.
2. User-control: Those who control the co-operative are those who use the co-operative.
3. User-benefits: The co-operative's purpose is to provide and distribute benefits to its users on the basis of their use of the co-operative.

In a marketing co-operative, producers of a commodity jointly pool their produce to be marketed. Ownership of a product is transferred to the co-operative's management to determine the best time to sell and where to sell (Ministry of Agriculture BC, 2008). Belonging to a co-operative reduces risk by spreading it over a group of members instead of concentrating it in the highest production of just one grower. Democratic control is normally expressed through the election of a board of directors, where each member is given only one vote regardless of the amount of capital invested (Ministry of Agriculture BC, 2008). Directors are elected to provide direction to the business by establishing the overall goals and policies. The issue of control of the co-operative is important, because this is how the owners assure that their business is meeting their individual goals. A co-operative negotiates rules so that levels of trust can be generated not necessarily on personal relationships, but on organizational procedures (Dyer, 2000, p. 180). It is the trust in the fairness, stability, and predictability of the procedures and agreements among partners for an effective value chain.

As co-operative initiatives emerge out of local or regional social and economic needs of communities, some become less engaged in addressing broader issues at the provincial and national level. MacPherson (2009) states that early co-operative leaders like Moses Coady addressed 'big picture' issues by "raising the possibility of developing co-operative enterprises through a community-based activism concerned with how the major changes of the day were shaping the way in which people were living – or were forced

to live” (p. 41). Larger agricultural co-operatives in the US and Canada have consistently ignored the needs of members, while competing with large investor-oriented firms, by becoming largely bureaucratic in their own right and distant from local members (Gray & Stevenson, 2008, pp. 42-43). These tensions are inherent within co-operatives that balance member loyalty with being competitive in the marketplace.

Place-based businesses and social enterprises

Authors contrast the contemporary responses of social economy organizations that range from radical approaches to pragmatic reform approaches. Pragmatic reform approaches include an emphasis on enterprises as key elements of the social economy, which include social enterprises (Lionais & Johnstone, 2009, p. 108). A social enterprise is an enterprise that operates like a business, produces goods and services for the market, but manages its operations and redirects its surpluses in pursuit of social and environmental goals (Salkie, 2005). One criticism of the social economy is the inability of social enterprises to generate sufficient wealth production for the creation of surpluses that sustain ongoing business development. Lionais & Johnstone (2009, p. 110) argue that such enterprises experience internal conflicts between the demands of social goals and economic viability, which often result in failures either as a business entity or in maintaining social goals. Laville and Nyssens (2001, pp. 327-328), argue that being an enterprise and committing to meet social needs limits the ability to be efficient producers of profit, which hinders social enterprises in moving either to the commercial or the non-profit ends of the spectrum at the cost of the other. A lack of wealth creation becomes difficult because it leads to dependence on other sectors for survival.

Organizations like place-based businesses can produce wealth in more socially equitable ways. Place-based businesses are described as businesses that are purposefully rooted to a local place for social reasons rather than sheer economic motivations of profit (Lionais & Johnstone, 2009, p. 116). In a sense, deliberately focusing on “place” becomes the social component of

the enterprise instead of focusing on meeting social needs (social enterprise). The place-based business may have one or more grounding mechanisms to the locality, which include labour, management, markets, assets, supply, knowledge, investment, ownership, governance structures or profit distribution (Lionais & Johnstone, 2009, p. 117). For example, the place-based business may have bylaws that require them to supply local goods or employ local people. Place-based businesses address critiques of the social economy by focusing on wealth creation over wealth redistribution. According to Lionais & Johnstone (2009, pp. 122-123) wealth creation implies involvement in value chains that extend beyond the community to other regions or nations while grounding circuits of capital to the local area.

2.4 Socio-economic challenges in Northern Ontario

Northern Ontario faces many challenges to maintaining a sustainable future, as it is largely dependent on natural resources that are extracted for short-term gain. This has led to environmental degradation and to the growth of sporadic and unplanned communities that are controlled, for the most part, from outside the region (Woodrow, 2002). As the population decreases and the resource base depletes, the question of sustainability of the area poses a challenge to the future of the region (Woodrow, 2002). From 1996-2006, in Northeastern Ontario the total population declined by 5.3%; in Northwestern Ontario the total population declined by 3.7% (Statistics Canada, 2006). Mining and forestry dependent communities in the North have periods of boom and bust economies. Industry has not invested in value-added production that would have provided greater long-term security for single-industry communities (Woodrow, 2002). Agriculture presents an alternative to the boom and bust cycle as it can exist within a sustainable ecological system of planting and harvest.

In Northern Ontario, the only significant youth population growth is among Aboriginal communities. According to Statistics Canada, from 1996 to

2006 the Aboriginal population grew by 33.9% in Northwest Ontario and by 44.1% in Northeast Ontario (Statistics Canada, 2006). In Canada, First Nations have been displaced from agricultural lands and their rights to resources have been curtailed through government policies.² Treaty rights, lands, and resources lie at the heart of economic development opportunities for Aboriginal communities. "These rights make up considerable 'capital' that Aboriginal people bring to the economic table. The Canadian government has come to share this view about these rights, albeit only recently and reluctantly" (Anderson & Barnett, 2006). The agreement of treaties is a long-term governance issue between Aboriginal People and the federal and provincial government.

Findlay and Russell explore frameworks that have been forced on First Nations communities. Financial accounting has been the dominant lens of development and has forced neo-classical economic assumptions about what counts for success onto communities (Findlay & Russell, 2005, p. 89). However, this economic framework disregards Aboriginal values and the internal forces at work in communities; it is just a matter of tracking GDP. Acknowledging values takes into consideration education, community involvement, how land is used, and culture. Findlay and Russell (2005) find much value in a consensus-based approach to identify sustainability goals that is envisioned at some future date. To understand land and resource issues from an Aboriginal perspective, there needs to be an understanding of how each cultural perspective is unique.

In a study by Caldwell & Marr (2011), farmers in the Cochrane District in Northeastern Ontario feel farmland is part of their cultural landscape and is not just seen strictly as an economic driver. Regions in Northern Ontario have a long history and culture of pioneering and establishing farms; some regions such as the Districts of Temiskaming and Cochrane have favourable soils in the Northern Clay Belt (Caldwell & Marr, 2011, pp. 2-3). Caldwell & Marr (2011) find that "long distances to

² See: *Lost Harvests* by Carter, 1993, p. 122-126. (The author is aware of this source, but has not read it).

market, limited infrastructure, and somewhat limited crop choices all present challenges to agriculture, particularly in the model that exists elsewhere in the province” (p. 11). Another key weakness identified in the project was the aging farming community and the limited farming culture within the new generation, which significantly puts the regions farming knowledge at risk (Caldwell & Marr, 2011, p. 11). The project did present a few opportunities that include marketing production within the region of interest and marketing affordable and available land to farmers in Southern Ontario (Caldwell & Marr, 2011, p. 11).

Today’s agriculture has the potential to expand local and niche markets as well as exploit opportunities through new technologies, value-added products, and sustainable resource management practices. As some of Ontario’s best agricultural lands are being converted to other uses (Planscape Inc., 2010), the significance of Northern agriculture to Ontario may soon be more recognized. However, to date, the agricultural community of the North often lacks the resources to effectively pursue projects and research to support the sector.

Sourcing locally grown food has also become political in Northern Ontario. The Growth Plan for Northern Ontario, prepared under the Places to Grow Act 2005, outlines a strategic framework to guide decision-making and investment planning in Northern Ontario for the next 25 years. In the Growth Plan, the Province has called for industry, government, and communities to expand a sustainable local food source for Northern Ontario residents (Ministry of Infrastructure, 2011). The Growth Plan (2011) calls on the Province, industry, and partners to grow and diversify agriculture in the following ways:

- Expand production in the North to contribute to a sustainable local food source for Northern Ontario residents
- Support buy-local initiatives that increase consumer awareness of Ontario-produced foods and encourage Ontarians to buy locally, including Northern Ontario products

- Support development of production, processing and distribution systems

The provincial government has also strongly influenced the growth of local food initiatives. Foodland Ontario is one such program administered by Ontario Ministry of Agriculture, Food and Rural Affairs to maximize the sale of Ontario-grown and processed agricultural products (Egbers & Markell, 2009, p. 3). Northern Ontario's agricultural regions also have significant room for growth through the abundance of local markets. The last census estimated that 307 660 households in the region spend on average \$7,284 annually on food (Statistics Canada, 2009); and the food industry in Northern Ontario has a value of \$2.24 billion (McGee, B., 2007).

At the same time, Northern Ontario farmers are struggling with plummeting incomes while facing rising transportation costs. The majority of the foods coming in the region are commodities traded on international markets where a few multinational corporations speculate to increase profits. While the world has fallen into a food crisis, and small family farming is facing annihilation, multinational agri-businesses have seen their profits jump significantly (Lippert, J., 2011). Alleviating the dependency upon mass produced foods, as well as supporting local farmers, can boost job opportunities that enrich the local economy (Feenstra, G., 2002, p.104; Findeis, J., 2002, p.4; Winter, M., 2002, p.4). Supporting farmers also builds the capacity of other local agricultural support businesses such as equipment dealers, feed stores, and processors.

2.5 Chapter summary

It is argued that the world-wide food system makes cost-effectiveness possible, allowing for access to the widest range of foods at the lowest prices possible. This thinking has become embedded in beef consumers as well as farmers. This drive for profits, however, comes at the expense of local economic stability in Northern Ontario. The costs of this global agricultural system include the loss of local self-reliance, and negative effects on the

environment and the agricultural landscape (Halweil, B, 2000, p.7-8). The growing consumer interest in local food, and food with additional attributes, can provide a way for small and mid-level farms to reinvigorate the agricultural sector in the North. There is still ambiguity on how different consumers perceive local food, however, it is apparent that mid-level and small farmers are in a good position to distinguish their products from commodity products and forge loyalty through stories, conversations and shared experience through direct marketing initiatives.

There is substantial literature on value chain economics in the food system which demonstrates that successful value chains effectively spread the benefits to multiple stakeholders, meeting the supply and demand requirements for high quality branded products. High quality beef products must identify and meet consumer needs, including: consistency, quality, and palatability; health and nutrition; food safety; environmental and animal welfare; and convenience. Effective value chains rely on a high degree of human capital (competencies in business management and technical expertise) to be successful.

It is apparent that farmers need to continually innovate and cooperate to realize resilient value chains in the North and meet the needs of larger markets than can be met by individual producers. Co-operatives, social enterprises and place-based businesses have demonstrated resilience in regions that experience uneven development by providing social benefits to members or groups that are excluded. The literature shows that a strict focus on developing local resilience can be a short sighted approach to economic development, but must include strategies that connect value chains with the external (other regions or provinces). These efforts will be challenged by the Northern Ontario context where farm supply chains occur across great distances, where infrastructure is limited and where the average age of farmers is climbing.

3.0 Methodology

The research project was based out of NORDIK Institute in Sault Ste. Marie, Ontario under the guidance and support of Dr. Gayle Broad, Research Director of NORDIK Institute, who was also the researcher's advisor. On August 31, 2011, the researcher received an ethics approval from Cape Breton University to undertake the research project (see Appendix 8 and 9). An action research design was taken to facilitate dialogue among participants involved and develop a reflective analysis around the research questions. Research participants were identified on the basis of their involvement in beef co-operatives and place-based businesses in Northern Ontario that sell or process local beef products in a value chain. Three technical experts were also interviewed to elicit their expertise in the co-operative and processing sector. Semi-structured interviews were used to obtain data from research participants. The data was interpreted by theming the collected data from interview transcripts.

3.1 Research design

The researcher took an action research approach to developing the research project. Action research is defined as "research strategies that tackle real-world problems in participatory and collaborative ways in order to produce action and knowledge in an integrated fashion through a cyclical process" (O'Leary, 2010, p. 190). Action research begins with identifying problems and attempts to understand problems and to seek and implement solutions. Action research recognizes that knowledge produced through research should be used for change and that researching change should lead to knowledge in a cyclical process (O'Leary, 2010, p. 192). An action research approach provides farmers across the North with opportunities to analyze how more collaboration could be possible and how they can collectively solve problems. Due to previous relationships of the researcher with farmers in Penokean Hills Farms, an action research approach was taken. The researcher was already involved in cycles of observation,

reflection, planning and action with participants from Penokean Hills Farms Inc. in the past. These activities consisted of business planning and market research, which assisted Penokean Hills Farms Inc. in establishing their product's protocols and their marketing strategy (Fernandez, Mayhew, & Tarantini, 2006; Broad & Lawrence, 2010). This approach would be extended to other participants in the Northern value chain (abattoirs, co-ops, farmers and local food businesses) to identify problems and seek solutions. This project was an extension of that work to include other farmers and participants who are working on similar goals in Northern Ontario. The project was initiated by the primary researcher as an exercise to evaluate the success of ventures like Penokean Hills Farms Inc.

This approach also stresses that participants are co-researchers who are working in a system to bring about transformation or change (O'Leary, 2010, p. 193). The role of the primary researcher is to influence participants or leaders to take responsibility for the process. The action researcher's role is in facilitating dialogue and fostering some reflective analysis among participants and providing them with a final report. There was a growing interest amongst Penokean Hills Farms members to understand how other Northern farmers and value chain participants could become collaborators.

3.2 Selection of site and participants

Research participants were selected on the basis of two sets of criteria with two different segments of participants.

The criteria for the first segment included:

- An abattoir or processor business owner or Board Chair in the Northern beef value chain
- A board member (preferably a Board Chair) of co-operatives or corporations in the Northern beef value chain
- A manager of co-operatives or corporations in the Northern Ontario beef value chain

The Northern Ontario beef value chain is described as a partnership between beef farmers, beef processors and retailers who partner to sell or process beef products in Northern Ontario. The organization's mission must encompass processing or selling local beef or food products in Northern Ontario. It was also necessary that participants would be board members, owners or managers of the various organizations to ensure that the participants hold a formal position of leadership. These Board Chairs, owners and managers have a detailed understanding of the day to day operations of their organizations. This criterion was developed in order for the researcher to understand the perspectives of those who make decisions in these value chain organizations.

The criteria for the second segment included the following attributes: a technical expert that has experience in establishing and operating agricultural marketing co-operatives or businesses; a technical expert that has experience in establishing and operating medium to large scale animal processing businesses or co-operatives; and a technical expert that is a farmer and board chair of a local beef marketing co-operative or business in another region in Ontario. It was necessary to have technical experts as participants due to the fact that value chain development is highly complex. These criteria were developed in order to triangulate the research results from the value chain partners. The perspectives of these technical experts assisted the researcher in how successful value chains function, which illuminated its shortcomings.

The following participants were identified for interviews:

Table 1: Organizations interviewed		
Organizations	Location of Interviewees	Role(s)
True North Community Co-operative (retail co-op)	Thunder Bay (Thunder Bay District)	President
Creative Meats (abattoir)	Warren (Nipissing District)	Owner, butcher
Penokean Hills Farms Inc. (place-based business)	Thessalon (Algoma District)	Board member, beef farmer
Penokean Hills Farms Inc. (place-based business)	Iron Bridge (Algoma District)	Board member, beef farmer
Eat Local Sudbury Co-operative (retail co-op)	Sudbury (Sudbury District)	Manager
Golden Beef Producers Co-operative	Iroquois Falls (Cochrane District)	Board chair, beef farmer
Rainy River Regional Abattoir	Rainy River (Rainy River District)	Board member
Ontario North East Meats Inc. (place-based business)	Cochrane (Cochrane District)	Board chair, beef farmer
Fitzroy Beef Co-operative	Fitzroy Harbor Eastern Ontario	Board chair, beef farmer
Consultant (co-op developer)	Peterborough Southern Ontario	Consultant
Retired from meat processing industry	Providence Bay (Manitoulin District)	Retired; past owner of meat processing facility

For the first segment, the researcher distributed a letter to twenty potential participants requesting their participation in the research project. The letter outlined the researcher's background, the context of the research, the research questions and the data collection procedures (see Appendix 1). The marketing co-operatives and businesses that were sent letters included: Penokean Hills Farms Inc., Northern Quality Meats (abattoir), Manitoulin Island Community Abattoir, Creative Meats, Fitzroy Beef Co-operative, Golden Beef Producers Co-operative, Ontario North East Meats, Rainy River Regional Abattoir, True North Community Co-operative, and Eat Local Sudbury Co-operative (see Appendix 6). The informants for the research project were a diverse group of farmers, board members, owners and managers who work in the value chain (abattoirs, food co-ops and producer groups) that sell or process local beef. The majority of the group was predominately male (two women were interviewed). There were three participants who were under the age of 35 (two of whom were male farmers). Some co-operatives and businesses that were contacted had to go to their board of directors to receive a motion authorizing the co-operative's involvement in the research process.

For the second segment, the researcher contacted The Ontario Co-operative Association to get a list of potential participants that would meet the criteria and be considered technical experts. The Ontario Co-operative Association website was helpful in providing lists of agricultural co-operatives in Ontario that focused on marketing meat products. The request letter (attached as Appendix 1) was sent to these participants.

The researcher made two community presentations, one in Sudbury and another in Spring Bay (Manitoulin Island) in order to share past research and build relationships with farmers, abattoirs and retail food co-ops in these districts. One event on January 18th, 2012 included a presentation to the Manitoulin Cattlemen's Association at their Annual General Meeting on the topic of value added meat products and co-operatives. Another presentation

on September 30, 2011 was at the Northern Ontario Food Symposium, hosted by the Conseil de la coopération de l'Ontario (CCO) in Sudbury. These presentations created opportunities to network and get to know co-operative members, farmers and business owners. These events were beneficial in building relationships by meeting farmers face-to-face and creating rapport. Through these community presentations, four research participants were identified through organizations and farmers who were in attendance. Other research participants were identified through a 'snowball sampling' process where participants would suggest other potential participants for the research project. Through this method, two additional participants were identified and contact was made through the request letter.

3.3 Data collection and procedures

Data collection took place between October 1st, 2011 and January 31st, 2012. Data was collected from participants through semi-structured interviews that were audio recorded using a laptop computer and later transcribed. These interviews provided in-depth analyses on Northern beef marketing co-operatives and businesses that sell or process local beef. Interview questions were developed through the literature review and were based on the research questions. Approximately thirty open-ended interview questions helped to guide the conversation with the participants. Eleven interviews were conducted with participants; four interviews were conducted in person; and, seven were conducted over the telephone (see Appendix 3, 4 and 5). Each interview took approximately one hour to complete and the number of questions varied with every participant. Separate outlines of interview questions were developed to guide the discussion with abattoirs, retail co-operatives, technical experts, farmer co-ops and businesses (see Appendix 3, 4 and 5). Interview questions generally focused on organizational characteristics, structures, pricing methods, benefits, barriers to growth and issues around market access.

Consent forms were used for informants who took part in interviews (attached as Appendix 2). Participants were advised that they could withdraw from the research at any time and that any audiotapes, data files or transcripts would be locked in filing cabinets at NORDIK Institute for a maximum period of five years, and then destroyed. All research participants were notified that they received a final copy of the final report, which was sent electronically. The consent form also explained that they were given an option for their name to be used in the report. Each interview participant was asked for their permission to be recorded before the interview began. The consent form outlined that participants were free not to answer any question they were not comfortable with answering.

Each interview began with informal conversation that led into questions about their personal experience working within their organization to frame the discussion. Interview participants were encouraged to talk at length about different aspects of their organization and specific issues were probed through follow-up questions. The interview questions helped to guide follow up questions. At the end of the interview, the researcher closed the conversation, stating that they would send the final report upon completion.

3.4 Data interpretation and analysis

The interviews were digitally recorded and transcribed verbatim into Nvivo 8 computer software by QSR International. Nvivo 8 enables its users to input text and highlight text data into themes or 'nodes'. From each transcript, paragraphs of text that contain one or more ideas are highlighted and then are assigned specific themes. One node (theme) indicates the number of sources who discussed the theme (ranging between 1 and 11 participants) and indicates the number of times it was referenced by one or more participants. A participant's answer to each interview question was assigned one or more nodes that were organized into a hierarchy of themes. Each line of text from the interview was assigned to a particular node. After each transcript was coded, the nodes were organized into a tree or hierarchy of nodes so that they were categorized to easily locate specific nodes. The

themes were then ranked in importance based on their distribution (number of sources used) and intensity (number of references cited). The most important themes were analyzed in the findings and quotes were used to highlight the issues. Some themes that connect more than one source were shared to relay important information. An example of this analysis may be: 5 of the 11 sources stated that they sell products at a farmers' market.

3.5 Limitations

Many farmers in the Algoma District of Northern Ontario already know that the researcher works for NORDIK Institute (Algoma University), and is working on a Master's program with research related to agriculture. Other farmers that were contacted for interviews may not have known that the researcher has experience in farming and agriculture. This perception may have affected how informants answered questions and divulged information. Such perceptions may have been that the researcher does not have experience in agriculture. To mitigate this perception, the researcher attempted to meet face-to-face whenever possible. The researcher noticed that it was difficult to schedule interviews in the fall when most beef farmers move their animals to sale and slaughter. Therefore, the researcher was flexible with farmers to schedule interviews over the phone or by visiting their farms to conduct the interviews. Some of the project's limitations included only getting a sample of eleven participants. A more comprehensive sample would include more than two abattoir groups. Since the fall is the busiest time of the year for abattoirs, it was difficult to schedule interviews with abattoir workers.

It was also identified that some informants may try to promote their organization and may not want to discuss internal weaknesses and external threats of their organization. To alleviate any apprehension, the researcher spent the beginning of the interview sharing information that was of interest to those who were being interviewed. To create rapport, the researcher shared what was being learned in the literature review and related that information to agriculture in Northern Ontario. It was also identified that co-

operative members did not have the knowledge or expertise in the field of developing marketing co-operatives or meat processing value chains. For validity, the researcher sought out the expertise of seasoned co-operative developers and owners of meat processing facilities who could answer questions that required specialized knowledge.

3.6 Ethical considerations

The researcher had already established strong relationships with some of the farmers in this proposed research project through previous employment at NORDIK Institute. This research relationship has benefited both NORDIK Institute and Penokean Hills Farms; both organizations have common values, as they both seek holistic alternatives to real world problems. The relationship with Penokean Hills Farms may have impeded the relationships the researcher wished to build with other farmers and marketing co-operatives in Northern Ontario. Others may have seen the research as an attempt to analyze the competition, and may not have trusted the researcher's motives. In order to overcome this perception, the researcher stated in the request letter that he (David Thompson) has worked with Penokean Hills Farms Inc. in the past through NORDIK Institute. This was also made explicit upon starting each interview with research participants.

3.7 Chapter summary

The methodology section for the project outlines the procedures used in data collection and interpretation. The research project consists of interviews with farmers, managers, board members and owners that have positions of leadership in a value chain for selling and processing beef in Northern Ontario. These interviews highlight opportunities, barriers, internal strengths and weaknesses in the ways a Northern value chain functions among multiple partners. An action research approach was taken to the research design in order to engage value chain leaders in the process of understanding problems, developing and planning a directed action and

undertaking analysis around those actions. The researcher has already engaged farmers from Penokean Hills Farms Inc. in a process of action research to understand problems that arose as a result of the BSE crisis. The researcher worked with Penokean Hills Farms Inc. to plan and develop actions to take in response to the problems.

This project has provided an opportunity to analyze those actions and the actions of other beef farmers and abattoirs. Throughout the project, the researcher built relationships with other farmers, abattoir owners and technical experts to understand how they dealt with similar problems and developed solutions. Relationships were built through snowball sampling techniques and community presentations that were done throughout Northern Ontario. Data collection procedures consisted of recording semi-structured interviews with participants in the value chain. The data was interpreted by thematically coding interview transcripts and analyzing the distribution and intensity of sources and references who were assigned themes. This chapter also explored the limitations of the research project, ethical considerations, and outlines the justification for the research project's validity.

4.0 Findings and Discussion

Throughout this chapter, the researcher will give an interpretation of the research findings in light of the research questions, which include:

How can marketing co-ops and place-based businesses in Northern Ontario stabilize or raise incomes in the value chain through selling differentiated local beef products in the Northern Ontario market?

Secondary questions:

- 1) What is the demand for differentiated beef products in the markets of Northern Ontario?
- 2) How can Northern beef farmers work effectively within a value chain to achieve a greater market share for their products?
- 3) What factors influence the participation of Northern Ontario beef farmers in marketing co-operatives and place-based businesses that sell beef products in the local market?

The producer groups (including five key informants) that will be mentioned throughout the findings include Penokean Hills Farms Inc., Golden Beef Producers Co-operative, Fitzroy Beef Co-operative and Ontario North East Meats Inc. The abattoirs (including two key informants) mentioned in the findings include Rainy River Regional Abattoir and Creative Meats. The local food co-ops (including two key informants) include Eat Local Sudbury Co-op and True North Community Co-operative (see Appendix 6). The other two informants interviewed in this study are individuals with technical expertise in co-operatives and animal processing.

The findings are organized into recurring themes that emerged from the analysis of qualitative data that was collected through semi-structured interviews. The data is presented based on the major themes in the following sections:

- Consumer preferences, direct and intermediary marketing of local beef

- Northern value chains and small abattoirs
- Membership engagement within co-operatives and place-based businesses

4.1 Consumer preferences and marketing

Gathering feedback from customers has led producer groups to form and develop processes and protocols around their products. Seven (out of eleven) participants mentioned the importance of understanding what the customer is demanding. Three participants stated that producers need to know what the market is dictating, by having mechanisms in place to gather feedback. "You have to produce what they want; it's not a sales mentality anymore, it's a marketing mentality" (Technical expert). All four producer groups and both abattoirs are responding to market needs by marketing their products as having no antibiotics and no growth hormones; while two producer groups have a protocol for grass-fed beef. When producers started to fulfill the customer's demand for locally grown beef, there was an increased interest by consumers for sourcing other species like pork, chicken and lamb.

One of the local food co-op stores explained that they are unable to keep local meat (lamb, bison, pork, and beef) on the shelves for very long. "People who come in and buy meat regularly will come in and buy \$200 worth of meat and come back in two weeks and do the same thing. Meat is our biggest seller" (Co-op store manager). The producers are aware that there is a growing desire for credence attributes that emphasize local, healthy and sustainable meat.

Beef products are sold to consumers in the form of individual cuts or in bulk quantities. Some beef producer groups explained that their customers were looking for individual cuts of local beef. "Everyone we talk to seems to have the same answer, they'd just rather buy it more frequently instead of having it bulk in the freezer" (Producer). However, other producers expressed that bulk boxes were beneficial for their operation. These bulk

packages of assorted cuts are divided into a 15, 25 or 50 pound box of assorted cuts or a whole side of beef (approximately 350 pounds). "We have six different boxes; it can be a 15, 25 lbs. box. They've proven to be quite beneficial from our perspective" (Producer). Boxes of beef and individual cuts are sold at farm gate, farmers' markets and through other retailers to the consumer.

Producer groups are aware of the consumers' experience in grocery shopping and both they and local food co-ops recognize that more consumer education is needed about the producers' reality. "For example, a consumer found it difficult to understand you only get two flank steaks per animal. It's a learning process for all" (Producer). Producers were able to bridge the knowledge gap by providing information and recipes or through their involvement with local food co-operatives.

Some rural communities (i.e. 'mill towns') did not show a strong interest in purchasing local beef. Producer groups noticed that interest was higher in some communities over others. "We've had more sales in larger population centres; other mill towns were not that good. They think they should get it for free" (Producer). People in these communities may not have had good experiences buying local meat, or they may be highly price sensitive. These factors influence how producers choose their target market, which may not include some communities. Farmers and co-op store managers spoke with confidence of who their target market is. "They are the eco people with environmental interests. They are middle class people with some extra money who are educated" (Co-op store manager). For one producer, a major factor driving consumer demand was "an increasingly important role of local food and the quality of the food we eat" (Producer). The target market of producer groups are those who see the value in purchasing locally, which is driven by interests in protecting the environment and human health.

From the findings, it appears that there is a greater interest in differentiated local beef products in larger cities where a high percentage of

the population is highly educated and has enough disposable income to spend on differentiated beef products that have credence attributes (no antibiotics, no growth hormones and grass fed). These Northern cities include Thunder Bay, Kenora, Sault Ste. Marie, Elliot Lake, Sudbury, Timmins and North Bay. One region may have a different type of customer with different needs than a customer in another region. It was apparent that consumers were more than willing to buy local beef, but this is likely dependent on a number of factors including convenience, quantity and price. Some producers expressed concerns that the efforts of producer groups to compete with the dominant system can be a losing battle.

“Once you get into working with groups, you're in bigger quantities and fighting the same battle as the bigger companies. You're basically doing what the big corporations are doing on a smaller scale. There's a reason why they're huge, because of the small margins” (Producer).

The findings also present that farmers understand what the consumer is looking for, but there are challenges in meeting the customer's expectations.

4.1.1 Direct marketing

The direct marketing of beef between local producers and consumers has been successful in bridging the knowledge gap while building relationships of trust. All of the producers interviewed stated that they sell their products at farmers' markets in different communities across Northern Ontario. “Taking the farmers' market as an example, about 20% of revenue is through orders there” (Producer). Some producers are required to travel (in some cases great distances) to more than one farmers' market to sell their products. “We find that if we're out there the revenue flows, but when customers are at our counter they buy more than the product, they buy [with] the relationship too” (Producer). Selling through the farmers' market does take a lot of the producers personal time, but the intrinsic value for customers that are created are worth the effort. Building such a relationship

is more difficult if a product is sold at a retail location where the farmer is not present.

One producer was instrumental in starting the farmers' market in their own city by being on the board of directors and by consulting with workers at the city. "I stayed on board there for a couple of years, which was an important step for the co-op to have that outlet" (Producer). Farmers in producer groups (co-ops or businesses) have shared the responsibility to sell product at the farmers' market, a collaboration which lessens the burden on individual producers.

In addition to farmers' markets there is a growing awareness of CSA and one producer group in this research schedules drop off locations with their consumers who place orders of beef, which is a similar to the CSA model. Some producers and food co-ops have found that there is a high demand for beef products in remote communities whose access to fresh food is limited and some local food co-ops and abattoirs have organized themselves to provide a meat CSA program to provide ground beef and pork into several of these.³

"We have a North to North initiative and we connect with regional members mostly in remote First Nations. The CSA program delivers food biweekly to seven remote First Nations" (Food co-op President).

The CSA program in this instance was organized by a local food co-op which is a supplier for Nutrition North Canada, which subsidizes the delivery of food to remote Northern communities.

"By being a Nutrition North supplier, it does not matter where the members of the co-op ships from. They are still eligible to apply the shipping subsidy" (Food co-op President).

This model of a CSA is unique since it applies government subsidies to the commitment of buyers and since it operates in a decentralized model of

³ There are 15 remote communities in Northern Ontario that are eligible for the Nutrition North Canada food subsidy program, which provides funding to registered retailers, wholesalers, processors and distributors to transport foods to communities. These communities lack year-round surface transportation, which makes food access limited (Nutrition North Canada, 2012).

distribution. The model also does not match traditional CSAs where farmers meet with consumers in drop off exchanges. Other producer groups that sell directly have not explored the CSA model as one that would work for them.

The findings demonstrate that Northern Ontario beef farmers have systems of direct marketing that work for them in their regional context. Farmers' markets are essential to direct marketing as they add intrinsic values to the shopping experience, but their success depends on the volunteer hours of farmers who support their development. With direct marketing there is no added intermediary who would receive a commission on the product sold. The findings illustrate that there are opportunities for Northern value chain partners to work together to coordinate markets across great distances to remote communities. CSA is an emerging model that producers are using to directly market to these communities.

4.1.2 Intermediary marketing

Producer groups are also choosing to use intermediaries to sell their products, which include restaurants, institutions and retailers. Three out of the four producer groups sell their product through retailers; both abattoirs have producers that sell through retailers. These retail operations range from butcher shops, local food co-ops, bakeries, health food stores and grocery stores. The retailers receive a percentage commission of what is sold; in some cases the product is sold out of freezers or from butcher counters.

The greatest concern among producer groups was that it is difficult to communicate what the farmer has to offer when working with a retailer. "When I personally get to go and sell the product, a lot of people listen and I know they know that I know my animals and I raise them properly. That is a big factor" (Producer). By having a producer present, customers are able to ask questions and have a conversation, which adds significant value. Without a producer present, it is much more difficult to build a relationship. "It's hard to get that additional satisfaction for the client if it's frozen in a freezer in a health food store" (Producer). The findings show that there are

communication barriers when an intermediary is used due to the extra degree of separation between the consumer and the farmer. Retailers may not have enough information about the farmer's product protocols or practices, which are important to the consumer. Even though an intermediary offers outlets to sell products, the personal connection with farmers is diminished.

Retailers (such as butcher shops or grocery stores) may also have misperceptions on the value of local meats, which is reflected in the price that producers require and how local meat is differentiated. "It's hard to get stores involved and promote local because they are focused on price, that's what's important to them" (Producer). Another producer expressed that some retailers have misperceptions about local beef in how it compares with commodity beef.

"They often do not understand how to market a local product that should be marketed differently than commodity beef" (Producer).

With some retailers, producers have difficulty marketing their product's attributes and getting a price that they think is adequate. In order to market other features of the product, additional resources are required such as additional marketing costs and human resources (either hired staff or other producers) to have open lines of communicate with retailers. Farmers' must be able to creatively market their retail products in a way that develops a personal relationship with local farmers. Some of this personal connection may be developed through social media or other direct marketing such as at farmers' markets.

4.1.3 Restaurants

Two of the producer groups have been successful in regularly supplying local beef to restaurants in their area. These groups had to come to agreeable terms to supply restaurants that considered the constraints of what producers had to offer.

"I expect that half our sales would go through the restaurant or catering people. The ones we deal with do a lot of stews, ground beef, large roasts and that makes it a lot easier for us to handle" (Producer).

Producers have a preference for restaurants that serve roasts and ground beef because they are able to easily meet the demand for these cuts. A restaurant serving steak may not be able to get a consistent supply from local producer groups.

For these producer groups, restaurant sales were driven mainly by restaurant preference to purchase locally and not strictly motivated by price. Restaurants provide an excellent opportunity to market local farm products on the menu or by mentioning the farm in the day's special.

"Those (restaurants) are ones that not only put that its local, but will put the farm on the menu; will be very transparent and is sort of targeting a similar market to us" (Food co-op President).

Putting the farm on the menu is a way for restaurants to show their concern for the community, marketing to a similar clientele than producer groups. Culinary events have proven to be successful for restaurants and producers to market and exchange products, and meet one another.

"Through these meet and greets...we've made contacts with catering people and restaurant chefs. That has proven to be a very good avenue for us" (Producer).

These culinary events were driven by groups in communities with support from government and local businesses.⁴ In Algoma, one example of a culinary event was the Wawa Fishing Derby, which was accompanied by a mobile farmers' market. The market traveled over 200 kilometres from Sault Ste. Marie to Wawa to set up and sell beef and vegetables.⁵ Another example is the collaboration between Sylvan Circle Tour (an artist and artisan tour) and Johnson Township Farmers' Market, which brings a

⁴ One example is La Foire Gourmande, an annual food fair that promotes food and agriculture in l'Abitibi-Temiskaming, Temiskaming District (Foire Gourmande, 2012).

⁵ <http://www.DiscoverWawa.com>

considerable amount of visitors through the Algoma District to purchase food and art.⁶

The two producer groups that did not express an interest in supplying to restaurants were those who felt that providing a consistent supply of certain cuts would be problematic. The findings indicate that selling to restaurants can be beneficial for beef farmers. However, the restaurants must be responsive to the capacities of beef farmers and be willing to work with their capacity and limitations. The findings show that restaurants provide farmers with opportunities to partner with chefs and market products on menus. Restaurant sales can be a way for Northern beef farmers to work within the value chain to sell larger quantities of product.

4.1.4 Local food co-ops

Some food retail co-ops in the North have had to shut down their operations due to bankruptcies or mismanagement and five producer informants were aware of these difficulties. Despite the struggles of some, there have been two newly formed local food co-ops in the last five years, one in Sudbury and the other in Thunder Bay. The two retail stores work with local producers and consumers to sell local food and coordinate delivery to consumer or commercial members. Both of these co-ops sell local meat from producers in their respective region. Producers started using these co-ops over the past few years and have experienced an increase in sales.

“The ones doing it (producers selling to local food co-ops) are really happy and they’ve increased volumes by a third” (Abattoir owner).

These local food co-ops have helped to alleviate farmers of the burden of marketing and selling products. Both of the local food co-op participants who were interviewed have some producers engaged on their board of directors. “They [the farmers] do not need to be engaged at all levels, but are certainly engaged consistently” (Food co-op President). Having producers give input is an important aspect of the co-ops operations. Both co-ops

⁶ <http://www.sylvancircle.ca/>

recognize that a reliance on external government funding can be problematic when attempting to sustain retail food co-ops. One co-op manager explained that a reliance on funding has frustrated local farmers.

“The way funding is and timelines and stuff, people start a job on a Thursday and they are supposed to be a vegetable expert or know how to butcher a cow by Monday. So the staff continuity has created problems in keeping the producers happy” (Food co-op manager).

Some government funding programs assist organizations in obtaining staff, but most programs have restrictions on the amount of time a staff worker can be employed (e.g. one-year internships). To combat this funding cycle, another local food co-op has taken an approach that relies on their base of volunteers.

“We’ve been conscious of where we seek funding and do everything based on volunteering and community strengths” (Food co-op President).

According to the findings, there is a considerable degree of innovation that can happen at local food co-ops that enable farmers to work with other farmers and processors in ways that create opportunities for each partner in the value chain to benefit. One co-op has separate member groups of farmers and consumers respectively, while the other co-op just has member consumers.

The biggest strength of the food co-ops is their ability to pull different stakeholders together, i.e., consumers, food businesses (restaurants or caterers), volunteers and producers. One co-op has offered incentives to food processors and chefs to make value added products by selling food products at fair value (not including additional mark up or commission).

“For those who do prepared foods, we put in a structure where they can trade at the market value. We work through the co-op and we’re able to piece it together” (Food co-op President).

This activity was successful in opening up opportunities for caterers and chefs to incorporate more local food in what they offer to their customers. For example,

“it was successful in getting people who make soups or cabbage rolls to use local meat in their product... we give them incentive to do that and they jump at the opportunity” (Food co-op President).

Even though the co-ops provide a significant benefit for consumers and farmers, some face difficulty in providing stable employment. The findings show that in order to properly meet the needs of producers, local food retail co-ops require a dedicated group of volunteers when scaling their operations.

4.1.5 Institutional market

Two producer groups and both food retail co-ops mentioned that they are making attempts to supply local food to public sector institutions in Northern Ontario, such as hospitals, universities, colleges and schools. The producer groups felt that Northern beef farms would be well positioned to sell meat products to the public sector:

“There are not a lot of fresh fruits or vegetables in Northern Ontario, so beef is one thing that the institutions could get locally, and the institutions would feel a lot more secure buying from a [local] brand” (Producer).

Despite the strong base of beef producers in the North, there has been some reluctance in selling to institutions due to infrastructure gaps. For example, both producer groups found that they were unable to supply their products to the public sector as they were unable to access federally inspected processing facilities. “We’ve found out one big problem to get into those institutions is you have to be federally inspected” (Producer). Both of these producer groups received funding from the Ontario Ministry of Agriculture Food and Rural Affairs to increase Ontario foods purchased through public sector food services.⁷

⁷ Funding was received through the Broader Public Sector Investment Fund, which is a partnership between the Greenbelt Foundation and the Ontario Ministry of Agriculture and Rural Affairs (The Greenbelt Foundation, 2011).

One producer member, however, felt that selling to institutions was not in the best interest of their group: "They have strict budgets and probably a premium food product (grass-fed beef) is not something they are looking at" (Producer). Producer groups that market premium products with a higher price premium may not be able to be competitive in that market. One producer group is exploring a partnership with a First Nations corporation to supply meat products to institutions located in First Nation communities: "Our partner on that is a First Nations corporation, and they are working with us to get institutional partners and institutional sales up in remote communities" (Producer).

Producer groups did express that food institution sales may be a way forward, but have not been able to overcome market barriers, including the federal inspection of meat products. The local food co-ops also expressed concerns with meeting the needs of institutions, which are mainly due to either supply constraints or the relationships with those working within institutions. "What we're finding is that the consistency of supply they require (like a restaurant) we cannot promise" (Food co-op manager). One food co-op had an ongoing relationship with Aramark, the food service contractor at a University, but they expressed difficulty in getting a consistent supply of food. Both local food co-ops felt that they had success in supplying products for student groups and restaurant co-ops at the universities and colleges. "There is movement that way but like anything else it depends on the individuals that are participating" (Food co-op manager). Both of the food co-ops set up farmers' markets at their local Universities to sell local food through partnerships with student groups.

The findings suggest that there is general uncertainty around approaching the public sector due to the premium price the producer groups sell their product at; the lack of federally inspected facilities; and a lack of supply that some groups face. Local food co-ops, however, are engaging institutions by setting up farmers' markets at the institutions. The findings also show that direct marketing and establishing restaurant co-operatives

can be a way to successfully make connections between public institutions and producers.

4.2 Northern value chain

The Northern value chain for beef producer groups consist of a number of links that include the producer, an abattoir and/or processor, distribution, retail or direct markets and the consumer. First, the producer group raises animals (some with certain protocols) and schedules their delivery to the abattoir. Producer groups shared that they were pleased with the way their product is raised and finished. "We have very little negative feedback on the quality, flavor, and the taste." (Producer). A government inspected abattoir is required by legislation to kill, hang and refrigerate all animals sold to consumers.

All abattoirs in Northern Ontario are provincially inspected and are widely dispersed over the region's vast geography. For example, the next closest abattoir to Northern Quality Meats Abattoir in Desbarats is 150 km away in Massey, Ontario. Animals may receive a grade (e.g. A, AA, AAA) that indicates the quality of the beef carcass; however, some abattoirs may choose not to grade. An animal carcass may be cut, wrapped and priced at the abattoir or sent to another location for processing and pricing. For a detailed diagram of the value chain process, see Appendix 7.

Communities and producer groups see abattoirs as a positive Community Economic Development driver that create jobs and provide local market opportunities for livestock farmers in the North.

"The intent was more than the abattoir, it is Community Economic Development. We lost a district abattoir back in the late 90s, the community been going downhill for agriculture infrastructure ever since. It was partly largely economic, but there was less activity locally in the slaughtering of meat. As a group we felt that if we do not do something, farmers will essentially disappear" (Producer).

Other producer groups have experienced some difficulty with accessing abattoirs in their proximity and have tried to start up abattoirs, but this is not an easy process.

“A lot of the Northern communities are not always set up for industrial development. We need to hook into town water, sewer, three phase hydro and natural gas. The problem is that there are only a few locations where it could go” (Producer).

There is a strong need for abattoirs to maintain farming in the North; producer groups have invested heavily in their development. One producer group has made significant investments in their current abattoir:

“We have a pretty good thing going and we’re going to have a tracking inventory system we’re installing so we’ve invested some money in a storage freezer with them at their facility” (Producer).

Another challenge for the Northern value chain is recruiting and retaining skilled staff at abattoirs. One technical expert explains how difficult it is to keep staff in the North:

“When you're losing high paying jobs and replacing them with service industry jobs, you do not keep people, they move away. To get qualified individuals that are going to stay, it's rare” (Technical expert).

It is increasingly difficult for Northern businesses to retain skilled labour due to the pull of opportunities outside the area and the seasonal nature of employment in rural areas.

Economies of scale have been explored by producer groups and some have evaluated the number of cattle needed to be processed annually to generate adequate economic benefits:

“They were hoping to kill 150-200 a year at least, but I think some want to get bigger to supply another district” (Producer).

As the above quote indicates, scaling up production may encroach on other producers that sell into local markets, yet some producer groups face an uphill battle in maintaining their own financial viability due to insufficient markets in their local area.

“There are 560 beef slaughtered a year, we need to be doing a thousand...To create a network of marketing takes time, we’re trying to buy more time” (Producer).

Producers have planned out how many head of beef they need to put through their system, which requires additional marketing of their product and the co-operation of abattoirs.

4.3 Challenges facing small abattoirs

Scaling up has been difficult for some producer groups as they face challenges in maintaining product quality, due in part, to problems at the processing plants. “We do have negative feedback on the way it’s prepared, the way it’s presented, and the way it’s processed” (Producer). Getting a consistent and quality product from abattoirs was a big concern among one producer group:

“You have no quality control there [at the abattoir]. The expenses are ridiculous and there is nothing you can do about it. It would be fine if it’s expensive with a good product, but you cannot control it” (Producer).

Given these concerns, some abattoirs have concerns over the quality of animals that farmers are producing for the local market. One abattoir owner voiced concerns with the difficulty of maintaining a quality product in a local value chain by having animals that do not grade.

“To get a grass-fed beef to grade A or AA it’s very hard. What happens if you get one and it does not grade? Those big packers have all sorts of things they can do with it after, but a smaller slaughterhouse, if you find out they aren’t fat enough or won’t grade, well what do you do with that product?” (Abattoir owner)

Grading is one way to test product quality, and some producer groups have set guidelines for grading.

“We don’t try to go for AAA grading, we just try to get everything between A and AA, but unfortunately our abattoir doesn’t have the grading capability” (Producer).

Producing a consistent, quality product is both the responsibility of the farmer and the abattoir. Both stakeholders need to be committed to producing a quality product for any value to be generated.

Another challenge within the abattoir is their ability to obtain government funds that could assist with operations. Abattoir owners may know that funding is out there, but lack the technical skills to actively apply.

“Most butchers are not that computer literate. The guy that’s struggling doesn’t have time to go on the computer and look at all these things while they could be working and make some kind of profit” (Abattoir owner).

Additional assistance is needed to alleviate the many pressures abattoir owners face by applying to grants to upgrade facilities or purchase equipment. Maintaining a quality product is difficult given the resource challenges that small abattoirs have. This ultimately results in a poor quality product that turns off consumers to purchasing local meat.

An ongoing difficulty most abattoirs face is adhering to increasing government regulations that result in ongoing, required upgrading of their facilities. One abattoir owner spoke at length about how every year the abattoir undergoes an audit that identifies these necessary upgrades. This continuous and frequent change to regulations puts the financial viability of the business at risk:

“And they give you a year to fix it up and the year after that you get another audit. After my last audit I went to my financial institution. I said I needed a loan to fix all of this because my audit said so. They refused because they said how do we know next year that the audit won’t be bigger or something else?” (Abattoir owner)

There is a high degree of uncertainty for abattoirs in planning or anticipating future costs:

“Since my plant is all concrete blocks they will tell me that I can’t have that; that I’ll need to put some kind of fibre board on my walls. So you’re talking \$6-10,000 and it won’t make me any money. Right so it’s just money spent and nothing coming back” (Abattoir owner).

The abattoirs involved in this research believe that government inspection is a necessary function to ensure food safety, but they are experiencing financial difficulty in upgrading facilities to meet the standards.

“Every plant is struggling. We’re not complaining about the inspection, I know it has to be there and there is a purpose for it, but now either they are going overboard or they need to help out the plants, somehow” (Abattoir owner).

It has been more difficult to market local beef in certain parts of the Northern Ontario due to increased competition from other provinces or companies. Producers and abattoirs need to drive sales that results in a consistent throughput of animals.

“We would like to achieve more direct sales between farmers and stores and businesses. We’ve got these two processing facilities (for-profit) in the district not at capacity. If we get more for them it results in more flow in our abattoir” (Abattoir board member).

Northwestern Ontario, for example, faces strong competition from outside the region: “We have done a bit in terms of marketing local beef in the region but it’s tough competing with Sysco and Alberta beef” (Producer). Other external factors that have impacted abattoirs are the decline in the market for cow hides. “In 1990, the hides were worth 60\$ a hide. If you’re killing 20 animals that’s 1200\$ in hides back then; now it’s around 25\$ a hide” (Abattoir owner). These external forces have intensified the ability of abattoirs to be competitive and generate a surplus.

The findings show that Northern abattoirs are in a precarious state due to increasing capital costs brought on by government audits and the decline in the market for hides. The findings also demonstrate that increase in capital assets for the abattoirs does not provide direct benefits that increasing their bottom line.

4.3.1 Improving Northern abattoirs

Two of the study's producer groups and two abattoirs stressed the importance of strong management at the abattoir, recognizing that both management and qualified butchers are essential to success.

"Knife skills are part of it, not all of it; managing people, managing supply and managing markets are the key ingredients. You have to be able to keep people with a living wage and benefits" (Technical expert).

Being able to manage both the human as well as the physical resources are essential elements. The abattoirs that producers used were either not-for-profits, corporations with share capital, partnerships or sole proprietors. The producer groups differed as to how abattoirs should be best structured. Most producers have had better experiences with sole proprietorships or partnerships. One producer reflected on his experience with the local abattoir:

"If there was a sole proprietor there, it would work better. I suppose it's an example where there are 30 owners (mainly farmers), where each owner has his own ideas of how it should work, and there has never been a successful merging of the visions of the 30 owners" (Producer).

One technical expert believed that a co-operative model should be explored for Northern abattoirs wherever possible:

"If we developed a co-operative mentality we could sustain a viable beef operation; beef and other multispecies. It really doesn't matter what you're running, but the shackles have to be full" (Technical expert).

In order to run at capacity, an abattoir would need to stagger its supply so that it could meet its fixed and variable costs. This research shows that whatever model is employed, it is critical to properly manage the abattoir, and attract the necessary skilled human resources, which are difficult to attract and retain. Employees also need to have the technical skills

to research funding opportunities or work with other stakeholders to apply for government grants.

One of the participating abattoirs has a diversified operation through value-added processing by making cured meats (jerky).

“The money you make is on the value-added products. The kill and chill part of it will pay your bills and your labour; if you’re lucky you might get a bit left at the end. If you ask any slaughterhouse they’ll tell you that” (Abattoir owner).

For the abattoir, value is added by providing services to farmers and hunters to butcher and smoke pork, beef, venison or moose. The Meat Inspection Act prohibits abattoirs to sell venison or moose that are not farmed, but value can be added for hunters. One producer suggested that meats other than beef were a necessary part of the business’s viability:

“There isn't a butcher shop in the world that gets rich on beef; it has to be pork, lamb, chicken and turkey. The beef will pay the bills and nothing more. You have to have something else to make it viable” (Producer).

Every producer group recognized that they should work closely with pork, sheep and goat producers to increase their product offerings.

The findings show that the success of producer groups, abattoirs and processors is dependent on how they work together to add value and develop markets for their product. This is proving to be increasingly difficult due to competitive forces. There is a greater need among abattoirs and processors to work with producers to develop direct marketing opportunities and to open up additional markets for value added products.

Producers and abattoirs need to work together to drive direct marketing sales in their respective regions. Producer groups and abattoirs agreed that abattoirs need a stable and consistent supply and a defined market to sell product.

“You're going to have to fill the shackles every day you're open. I don't know any other way to make anything viable than to run at capacity or close to capacity as possible” (Technical expert).

The road to sustainability requires adequate cash flows to pay staff and related expenses; the biggest difficulty is developing markets to maintain that flow. One producer suggests that to overcome the issue of market access may be addressed by centralizing operations.

“on a larger scale you could probably do all the cattle in Northern Ontario if you had a big feed lot in Northern Ontario... but again it goes back to the same model the industry has. For me personally the best thing to have is a direct finisher that wants to take cattle and finish them into a value added system” (Producer).

There are examples of value added finishers in Southern Ontario that accept animals bred under certain credence attributes. However, the amount that cattle producers receive on a grid-based pricing system through cattle sales would be more attractive.⁸ According to one producer who used one such finisher,

“They were buying them but weren't paying much more than what the grid is. Maybe a little more, by the time you pay the extra shipping it was pretty minor” (Producer).

Another option that is being explored is scaling up operations for federal inspection.

4.3.2 Federal inspection

There has been an increase in public funding for creating new Northern abattoirs in the last three years, with one new abattoir in Rainy River District, another under construction on Manitoulin Island and expressed interest from a producer group to start a new abattoir in Cochrane District (Ontario Ministry of Agriculture, Food and Rural Affairs, 2011; Egan, N., 2010; Northern Ontario Business, 2011). With the start-up of these new abattoirs

⁸ Grid-based pricing systems price cattle on the basis of carcass quality, measured by different elements including carcass grade, carcass weight, yield grade and rib-eye size (Brocklebank & Hobbs, p. 3).

there is a desire to build new abattoirs to federal specifications for federal inspection.

“Originally it’s built to federal specifications and run provincially to get our sales up and running; and work towards HACCP (hazard analysis and critical control points) and federally registered” (Producer).

Building to federal specifications has implications for the Northern value chain as it opens new markets. Federally inspected abattoirs are able to ship inspected meat products shipped outside the province or the country. The constitution permits both provincial and federal governments to legislate the field of meat inspection. The major difference between federal and provincial inspection is one of scale and scope:

“There are 33 registered federal abattoirs in the province yet they process 85% of livestock. On the other hand, there are 191 provincially licensed abattoirs which account for only 15% of the slaughter” (Haines, 2004, p. 466).

The major difference between federal and provincial plants is plant construction and design and the requirement of federal plants to have an available on-site veterinarian to examine abnormal animals. “Most provincial plants could not meet the construction requirements for federal plants” (Haines, 2004, p. 466). To move to federal inspection, a lot of plants would need to rebuild their operations to meet construction standards. Moving towards meeting federal specifications is a growing trend among existing abattoirs.

“They [government] just want everything to be HACCP approved or as close to federal as possible and they are really pushing towards it” (Abattoir owner).

Although a voluntary HACCP standard has been implemented in Ontario, there is growing pressure for HACCP to be mandated under legislation (Haines, 2004). Other producer groups feel that some regions would not be able to support federal plants.

“First to have a federal plant in this area, you would never be able to financially support it because you would have to be killing every day.

You don't have the animals in the area to supply this plant" (Abattoir owner).

Additional costs are incurred; including having an on-site veterinarian that would be expensive and not necessary as their services are rarely needed.

Being able to process in a federally inspected plant requires an increased throughput of product to cover fixed and variable costs. One producer felt that the multiple producer groups collectively could support the creation of one federally inspected plant in Northern Ontario.

"As of now you have a small group of 5-7 producers here, and 5 in Sault Ste. Marie, maybe 5-10 in Cochrane. If you'd have all farmers together and saying we need a federal plant, and we need that. It would almost be necessary to really expand like we would want to" (Producer).

Other examples of federally inspected plants in Northern Ontario consist of Vitto Brand Foods and Bavarian Link Meat Products, which both process value-added meats including sausage and deli products that are sold across the country (Vitto Brand Foods Ltd., 2010; Bavarian Link Meat Products Limited, 2010). Federal abattoirs and processors would be beneficial for producers to market their products to large retailers or distributors. However, being provincial licensed is still a viable option for meeting market demand in the region.

"If there's no thinking to export eventually, there is no sense going federal. Stay provincial. Then your markets are restricted, but a lot of people buy provincial meat" (Technical expert).

The findings show that there is a growing trend towards federal inspection for new and existing plants. Even though some producer groups and abattoirs are planning to upgrade to federal standards there is some hesitation. The findings show more cooperation across the North is necessary to support such a plant, but there is still a need for smaller abattoirs.

4.4 Membership engagement

For most of the producer groups, running the business is a time consuming process and it takes a lot of resources to transport, store and sell products. Producer groups found that when they started working together it was important for them to socialize and to organize the farming community. One producer recalls when their group first started organizing their neighbor farmers to form a co-op:

“It was a little bit of social time as well which was good. We didn’t recognize that at the time but I think it helped some of them just to be able to realize that they weren’t the only ones in the situation” (Producer).

This early stage was important for producers to work together to address the full impact of the BSE crisis and to build social capital. Each of the producer groups stated that they formed a co-op or a business as a result of the drop in cattle prices during the BSE crisis. One technical expert who develops co-ops puts groups through a benchmark that will determine a group’s feasibility.

“They have to have a steering committee that is active and actually doing work between meetings and organizing neighbors, getting more members involved” (Technical expert).

For groups that have gotten beyond the initial stage of forming the co-op, most are still required to put in a lot of volunteer time and effort. Being on the board of a farmers’ market, business or co-operative increases the workload of producers, but their action is necessary in order to develop markets.

Coordinating value chains require a lot of work for producers that have established beef marketing co-operatives or businesses. All producer group members interviewed stated that they spend a large amount of time with business activities at the co-op. Most of the producer groups own freezers or

trailers to transport and sell their products at retail locations and farmers' markets and a great deal of time is spent transporting product, visiting point of sale locations, developing new markets and following up with customers. "To get all these things organized and to get into and find new retailers that was a lot of my personal time and work" (Producer).

Some producers have expressed frustration with the constant travel to deliver product, given that they are not seeing financial returns in the short-term.

"We do a lot of running around delivering meat here and there. If you only make an extra 100\$ an animal and run to the city twice you're not making any money. You got to put that extra time, which is the biggest thing for me. You keep saying you're just doing that for now, but that's been for five years so obviously it's not been working" (Producer).

One producer is not sure when the company will be successful due to the challenges involved.

"I think it's going to be a successful company in 10 years, but between now and ten years I don't know. The majority of our members I think are digging pretty deep to make it work. I don't see anybody regretting it" (Producer).

If the net economic benefit of being involved in the business continues to be delayed, producer members will be less willing to stay engaged.

Another producer group states that being involved in the co-ops has helped to raise farm income if the valuing of volunteer hours is excluded from the analysis. The producer states,

"It has raised the income; it doesn't if you count all the hours we put in, it isn't enough. But it has raised about 20% higher than the market prices on average" (Producer).

The delay of getting needs met by the co-op may only last so long. One technical expert on co-ops states,

"Some people are patient and continue to believe and hope it'll be successful 3 years down the road and hold this vision. If that doesn't get fulfilled you're not going to keep the members, they are going to leave" (Technical expert).

Three producer groups acknowledged that the weight of responsibility for making the cooperative ventures successful has been placed upon one or a few producers in the group.

“I have been working on it for 5 years now in a volunteer position; that’s what happens, volunteers come on board and they get tired. And there are not always other volunteers to step up to keep it going” (Producer).

The findings show that some producers are experiencing fatigue in developing the co-op over the long term. This may cause producers to become disengaged due to needs that are not being fulfilled by the producer group or the co-op. Keeping farmers engaged in marketing and distribution is a difficult task due to the amount of work involved with running this end of the business. Most of the producers feel that it is an inordinate amount of work, and there are mixed feelings if the work is worth doing in the long run.

Farm and business succession is another growing concern among most of the producer groups; three groups expressed a need to grow the number of member producers. A significant human resource gap widens with the lack of young beef farmers in the North. According to one producer, “I don’t know any other young beef farmers. I think a lot of the younger farmers now are market gardeners and do more direct sales” (Producer). One member producer states how the current members need to take on more producers: “the clock is ticking, they’ll move on and do other things; likely retire completely. We have to bring in more producers” (Producer). One producer thinks that taking on additional producers will be a difficult task due to the recent rising price of beef.

“It was not hard to sell the idea [of a marketing co-op] when the prices were so low. Now they are much higher. Right now soy beans and corn are getting good prices, some farmers are looking at it and want to grow [cash] crops [rather] than having to go out and feed cattle every day” (Producer).

Global forces will continue to affect how individual producers make decisions to address their immediate cash flow concerns. One technical expert explains

this attitude is prevalent among producers who seek alternatives away from marketing co-ops with shifts in food prices. "As soon as the price of their main commodity goes up, they're gone. They are back to the farm, not interested in working together" (Technical expert).

Each producer group has experienced some degree of membership loss for a variety of reasons including retirements, lack of compliance with the group's protocols, or due to differing values. One producer explains that "farmers are by nature independent minded. They are not very good generally at working for other people or subverting their belief or their vision to another's vision" (Producer). One co-op developer emphasizes the difficulty of setting up farmer co-ops: "the fundamental challenges with setting up producer coops or marketing coops, is that farmers are extremely independent people" (Technical expert). The findings show that an aging farm population, global forces and a strong individuality among farmers can impede the work of co-operatives and producer groups who strive to work together on a long-term vision.

Even though all of these groups hired staff or consultants, the member producers still spent a lot of time on business activities. In order to alleviate the stress of volunteering and gaining needed skills, some producer groups have brought in non-producer members to sit on their board of directors and share their expertise. One producer group invited a few individuals with business experience to help them with marketing and accounting. The producer explains the impact of non-producer members: "the ideas that come forward are broader and more diversified and I think that's quite important, and I think that has helped us significantly" (Producer). The contributions have helped to address gaps where producers do not have the expertise to market products (e.g. writing copy for advertisements or building a website).

Volunteers at both of the local food co-ops are engaged in the work of the food store. One food co-op member explains that there are consumers who are interested in participating in a new local food economy.

“In this way you might be passionate about local food; a student or professional and want to do more than just buy food, but you're not going to start a farm right? So this is like that middle role they can step into and have a new relationship with the food” (Food co-op President)

Local food co-ops are one model where multiple stakeholders (consumers, workers and farmers) come together to share the work of bringing local food to consumers.

“So they [volunteers] care about the food aspect of it and they obviously enjoy themselves while they are here and they keep coming back which is great for us” (Food co-op manager).

The board of one local food co-op decided on a working board model where each board member is an active volunteer in the organization.

“We found with other organizations the staff were sharing concerns over disconnected boards and that's something we really wanted to foster is the community strength piece where we call it a working board” (Food co-op President).

Inviting non-producers into the membership to participate has been beneficial by bringing in needed expertise and sharing the burden of work. The findings show that a working board model has been one way that non-producer volunteers and farmers can build a local food system in a way that alleviates the burden on the farmer. Local food co-ops are one way in which young and active volunteers can be brought into the work of supplying local food and farming.

4.4.1 Collaboration between co-operatives and farmers

With all the commitments, it is difficult for producer co-operatives to share their experiences with other co-operatives or groups that are looking for similar models. “It’s a time factor because I guess if I was paid and that was your sole job, then that would be different. I’m getting on to be doing some retirement as well” (Producer). One technical expert explains that this is common with co-ops that have a lot of volunteers, and that there is an inherent danger in becoming isolated:

"It's very hard to move away from your own little world into that bigger picture and to find the time energy and resources to support that. It is a danger for local co-operatives to become internally focused and only worry about themselves and they become isolated. Once the original leadership cadre either leaves or ages, the coop can lose its way." (Technical expert).

Some co-operatives are collaborating in unique ways across sectors. For example, one local food co-op collaborates with the local credit union. "We have a shared newsletter and have a lot of members that overlap inherently in the same neighborhood" (Food co-op President). Producer groups think that there are opportunities to collaborate with one another:

"People look at that and see all three of us claiming that we're good and all that; some people get turned off and buy commodity beef. If we have one brand from Northern Ontario, that would be strong with no other competition pretty much" (Producer).

Another producer group states additional collaboration would be well received:

"It opens up opportunities or ideas that let you look at what you're doing from someone else's point of view. We could share research and experience in solving problems" (Producer).

The findings show that producer group co-operatives and businesses are busy with their own operations, but are willing to explore collaboration. This collaboration can be in the form of forming alliances for product marketing, sharing best practices and current research. Other unique partnerships between producer co-operatives, credit unions or local food co-ops can be beneficial for groups to exchange products or services, and provide opportunities to enhance growth of local food consumption.

4.5 Chapter summary

Northern city dwellers are willing to pay for beef with credence attributes that emphasize local, healthy and sustainable food. Other opportunities for market expansion within the region include establishing distribution systems that reach remote communities, particularly First

Nations, though this market at this point is largely unknown and unexplored by the producers. Farmers' markets and other direct marketing activities are essential to educate consumers and develop a relationship between consumers and producers, but require significant investments of time and human resources.

The producer groups' experience with retailers has opened up convenient outlets for consumers, but there is a need for stronger lines of communication to ensure that the relationship between consumer and producer is not compromised. For the retail market, producer groups must be able keep up with the cost of marketing and distribution, which is proving to be a difficult task. Selling to like-minded restaurants and caterers, a growing market, is an opportunity for moving whole animals which producer groups should pursue, as it reduces the demands on their time, and is a valuable way of promoting local food consumption.

Local food co-ops can create opportunities for farmers, processors and commercial business to collaborate and create new products and open markets for farmers. These local food co-ops need the dedicated support of partners in the value chain to be viable. The public sector/institutional market is being approached with uncertainty, but there are opportunities to engage students at universities and colleges which could provide valuable assistance in accessing this point of sale. Opportunities with First Nation institutions may also be worthy of exploration, as one producer group has discovered.

There is a strong need for abattoirs in the North to preserve farming and the supply of local beef. It is critical to properly manage abattoirs with the necessary skilled human resources, which are difficult to attract and retain in the North. The success of producer groups, abattoirs and processors is dependent on how well they work together to add value and develop markets for their product. Northern abattoirs are facing pressure financially from capital costs brought on by government audits with the growing trend towards federal inspection for new and existing plants. Expanding federally

inspected abattoirs will require co-operation between producers across the North to coordinate their value chains, and this will be an essential factor in growing the potential market in First Nation communities. Maintaining a high quality product is difficult given the resource challenges that small abattoirs have.

Producers are experiencing fatigue in developing and operating marketing co-operatives and place-based businesses which is causing some producers to become disengaged. An aging population, global forces and a strong individuality among farmers are factors that are challenging the work of producer co-operatives and businesses.

Inviting non-producers into the membership can alleviate the burden on the farmer and bring needed expertise. Involving non-producers can create new models of co-operation to energize producers with new ideas and new ways of collaborating. Even though producers are busy with their own co-operatives or businesses they are still open to exploring how they can collaborate with other co-ops. This collaboration can include sharing research and experiences and coordinating production and marketing into a centralized value chain.

5.0 Conclusion

The study set out to answer research questions surrounding ventures that sell local beef products in Northern Ontario: *“How can marketing co-ops and place-based businesses in Northern Ontario stabilize or raise incomes in the value chain through selling differentiated beef products in the local market?”* This question was expanded upon by questioning how products are perceived by customers, how products are processed in a value chain of stakeholders and how these groups organize themselves through co-operatives and place-based businesses.

In this chapter, the findings will be discussed as they relate to theory and practice in order to understand the implications for Community Economic Development (CED) practitioners, value chain stakeholders (farmers, processors and retailers) and academics. This chapter will highlight how the findings relate to the context of Northern Ontario; direct marketing and consumer preferences; small abattoirs and Northern value chains; and producer cooperation. In addition, this chapter will highlight potential research projects for future researchers to undertake.

5.1 Summary of the study

The study sought to understand how these producer co-operatives and place-based businesses were providing value to farmers in the North. To do this the researcher intentionally sought the expertise of leaders within these organizations. Leaders were found through community presentations in parts of Northern Ontario and through social networks that the researcher previously developed. The researcher determined that including other technical experts and value chain stakeholders would help to answer the research questions by triangulating research results. The design of the project included conducting, recording and interpreting interviews in order to answer the research questions. The following research questions were brought forward and discussed:

1) What is the demand for differentiated beef products in the markets of Northern Ontario?

The research findings highlighted that urban areas in the North have a high demand for differentiated beef products that emphasize credence attributes including grass-fed, no hormone additives, no antibiotics and locally produced. The demand for beef products came in different quantities with some customers who sought bulk purchases while other consumers preferred individually packaged cuts. There was also a growth in demand for Northern meat products in remote communities; including First Nations communities that are only accessible by air. Direct marketing was seen as an important driver to increase demand due to the relational connection that is generated between farmers and consumers. The research findings highlight that producers and abattoirs in the North should be partners to encourage more direct marketing to take place between farmers and consumers to increase overall throughput of product.

2) How can Northern beef farmers work effectively within a value chain to achieve a greater market share for their products?

Abattoirs and processors require a stable flow of production to ensure operations can run smoothly to cover current liabilities. The research findings found that abattoirs are under increasing pressure to upgrade their plants to comply with government regulations. Abattoir owners are experiencing difficulty in making these investments since most abattoir operations are not experiencing an increase in surpluses. With new abattoirs opening in the North there is a need to develop new markets in the North with retailers, butchers, restaurants, local food co-ops and public sector institutions. Producer groups have had success in supplying restaurants and local food co-ops with differentiated beef products in the value chain. By being involved in supplying food to these groups, additional spin-off opportunities develop, including making new products and networking with local chefs and caterers. Producers and abattoirs require additional capacity

that adds value to products (smoking and curing meats) and improves management procedures (inventory control, traceability systems and financial controls). To further develop markets in the larger retail sector or the public sector, Northern abattoirs need to become federally inspected, which would require significant investments.

3) What factors influence the participation of Northern Ontario beef farmers in marketing co-operatives and place-based businesses that sell beef products in the local market?

The largest factor for participating in these co-operatives and businesses were getting a higher margin for their product after the effects of the BSE crisis on farm incomes. The BSE crisis influenced many beef farmers to meet together to discuss alternatives. It was important in the beginning of each venture that producers spent time meeting together to socialize, plan a course of action and identify the strengths of their members. It was attractive for farmers to work as a group so that they could collectively organize production, distribution and marketing. These groups had a great deal of assistance in getting their ventures started through community support, government funding, educational institutions, consultants and other co-operative organizations. These producer groups are still operating with momentum, but most producers are overburdened from the amount of work and resources that they have put into their venture. Some factors that contribute to this include an aging farmer population, the rising price of beef globally and issues that pertain to governance within these co-operatives and place-based businesses.

4) How can marketing co-operatives and place-based businesses in Northern Ontario stabilize or raise incomes in the value chain through selling differentiated local beef products in the Northern Ontario market?

Some producer groups have seen an increase in their members' farm incomes by participating in these co-operatives and place-based businesses, but the increase doesn't take into account the additional

resources that farmers have committed to operate their venture. The findings note that producer groups must properly price their products at a premium in order to gain any economic benefits. There is a need for beef producers to focus on fulfilling regional market needs, but this must include other producers that produce other species in order to provide more throughputs for local abattoirs. Northern beef farmers alone cannot raise incomes for those in the value chain alone; it also requires that abattoirs and processors have efficient systems to manage product inventory and control costs. Abattoirs and producer groups recognize that upgrading to HACCP federally inspected plants and developing value-added meats would be ways for the value chain to develop additional benefits. Producer groups also agreed that more collaboration between regions is necessary in order for different stakeholders to benefit. Local food co-operatives are one way in which producers and other stakeholders in the value chain are working to provide consumers with Northern meats. A local food co-op can be in the form of a retail store or an online store.

5.2 Discussion

Direct marketing

Farmers echoed the importance of direct marketing and exchange to their operations as it added significant value to their products, especially at farmers' markets. This confirms with the literature that the face-to-face bonds generated in forms of direct exchange are critical to developing local food systems. Some farmers' even expressed that scaling up by adding an intermediary (i.e. retailers and butchers) is difficult because the intrinsic values that are generated through the direct exchange is lost. Without a farmer present in the transaction, farmers felt that consumers are not getting sufficient information to make informed choices. This confirms Kirwan & Morris' (2010) view that the consumer's need for detail will increase and the interpretation of information will become increasingly vague with the additional of intermediaries. Rural events (including culinary or art events)

have a significant impact in strengthening bonds between consumers and farmers.

Local food co-ops in the North have attempted to bridge this gap by establishing new spaces and territories where farmers, consumers and other place-based businesses can build bonds of trust by organizing new forms of engagement between producers and consumers. Also, the engagement of local food co-op consumer members creates an alternative identity that cannot be easily replicated through the conventional food system and may be able to maintain the intrinsic values inherent in the direct marketing of local food. Producer groups and local food co-ops, however, expressed that even given this increased engagement the need for reliable information and communication between farmers and consumers still persisted due to staff turnover.

Consumer preferences

The value-added credence attributes (including grass-fed, no growth hormones and no antibiotics) developed by beef producer groups reflect what consumers are requesting according to the literature. Also, it appears that these groups are paying closer attention to experience attributes (such as tenderness, freshness and consistency) in the finishing of their products, genetics, third party certification programs and the incorporation of tested research. Some producers experience a loss of control over these qualities (experience attributes) at the abattoirs and processors who lack a consistent quality control system or lack the ability to grade. Other abattoirs state that the poor quality (experience attributes) is an issue that producers need to address and more needs to be done to develop protocols that emphasize quality. According to the literature, the lack of experience attributes generates a greater degree of ambiguity and has an effect on how much retailers and butchers are willing to pay (Brocklebank & Hobbs, 2004). If quality issues are not addressed, retailers and customers will be less willing

to become return customers. The general knowledge of properly finishing animals to generate experience attributes is sporadic in the North.

Small abattoirs and Northern value chains

It is also apparent that multiple asset-specific investments are needed in Northern abattoirs; including multiple physical assets (upgrading infrastructure to adhere to government regulations). There is also a need for transparency between abattoirs, processors and producer groups so that communication and information flows easily (Handfield & Nichols, 2002). Human capital investment is an essential component for abattoirs and processors in order to expand markets; manage finances and train staff. Some producer groups expressed that abattoirs and producers need to be interested in one another's well-being, which is congruent with successful value chains (Donkersgoed, E., 2003). Other groups expressed their current relationship with their abattoir as not ideal, but were making steps to change the situation.

The findings show that producer groups are not calculating the true cost of transporting product and the extra work involved in distribution and marketing in the price of their product. This differs from an approach that determines the costs of production along the value chain to determine a selling price that a customer is willing to pay (Handfield & Nichols Jr., 2002). All of the producer groups have established a distinct brand name, which required a high amount of human and physical investment to create and maintain the brand. These groups chose not to rely on processors or retailers to develop their brand, which could have proven to be efficient for a number of reasons. Large processors and retailers have more marketing expertise and experience; they have a size advantage to absorb the capital costs involved in owning a brand name label; and have lower costs to incur since consumers are already educated regarding the quality of their products (Brocklebank & Hobbs, 2004, p. 59). Getting a processor or retailer to brand the product in Northern Ontario would require maintaining a constant flow of

product in large volumes to meet year round demand, which may prove difficult for Northern producers, yet is absolutely necessary to ensure the commitment of value chain participants. Locating a large retailer or processor that would take on such a brand may be difficult to find in Northern Ontario. To achieve greater economies of scale, a brand may need to be developed with other Ontario cattlemen outside the North, but this would not be a localized product.

Producer co-operation

Most producer groups have made site specific and physical investments within their company to produce region specific products, which include freezers and transport trailers. This echoes other research findings (Brocklebank & Hobbs, 2004) that increased levels of commitment from producers are required in the form of capital. If producers continue to exhaust themselves, some may go back to selling into bigger supply chains, retiring from farming or diversifying their production.

The co-ops and place-based businesses involved in the study reflect a pragmatic reform approach to the social economy as outlined in the literature (Lionais & Johnstone, 2009, p. 108). These co-operatives and place-based businesses have experienced a need to move beyond the local area to address social and economic issues in their communities. These social economy organizations are moving beyond the local markets to include other regions, including remote First Nation communities across Northern Ontario. Only a few co-operatives and place-based businesses were engaging First Nations communities in order to partner on value chain initiatives (to create CSAs or abattoirs). Further collaboration with First Nations requires building relationships in order to come to a place of partnership where there is shared benefit.

In some cases, markets that were outside the local area of producer groups had a higher demand for the differentiated value added products that they were producing. Since some districts within Northern Ontario lack

significant markets for their products, producer groups are driven to seek markets outside their district. This confirms an argument posed by Amin et al. (2003) whereby social economy organizations should not be constrained to the local area. The place-based businesses in this project were purposefully rooted to local areas (i.e. assets, farm suppliers and member owners) to address local social needs, while having markets that extend beyond the local area. This reflects Lionais & Johnstone's (2009) example of wealth creation where involvement in value chains can extend to other regions while grounding circuits of capital to the local area, which are effective ways that social economy organizations can address social and economic needs.

First Nations represent a market opportunity which to date has been largely unexplored. Only one of the participating producer groups in this study was marketing to First Nations, yet there appears growing interest, and a growing population base, which is worthy of more research.

In regards to social enterprises, some local food co-ops have experienced what Lionais & Johnstone (2009) address as the internal conflicts between the demands of social goals and economic viability. Another local food co-op in this study was successful, however, in meeting both economic and social goals by demonstrating a strong focus on community strengths and an emphasis on volunteering at the board level (working board).

The research findings reinforced existing literature in regards to the socio-economic challenges in Northern Ontario. There is a strong need for younger farmers to continue working on the farm and within these ventures to bring new ideas forward and accomplish common goals.

5.3 Implications and recommendations

Scaling up beef production in Northern Ontario has a number of implications for value chain participants and CED practitioners that are explored in this section.

5.3.1 Implications for CED practitioners

CED practitioners are usually tasked with building relationships that lead to greater connectivity within both the local area and the external area (Loinais & Johnstone, 2009). To better connect producer groups to the local area, CED practitioners should focus on supporting the development of entities or activities that connect farmers, restaurants (owners & chefs) and other organizations or common interest groups (tourism operators). These activities may consist of developing local food co-operatives or farmers' markets; developing marketing tools that connect producers and consumers; events that promote eating food from the region; and by hosting networking with producers and chefs. The growing interest in culinary tourism and local food can be captured by these different businesses if further collaboration between farmers and restaurants should take place. To better connect producers to the external area, CED practitioners should focus on creating opportunities for local farmers to participate in events that share research on developing culinary tourism, direct marketing, value chain development and co-operative development.

There needs to be more opportunities for producers and abattoirs to be engaged with each other and with provincial organizations to build support and influence policy. Producers and abattoirs need to have ongoing support with resources and supports to be more financially viable and to navigate regulations. There is also a need for more students in meat

processing training programs from the North. Two provincial organizations that actively work to address policy in regards to meat processing are Sustain Ontario and the Ontario Independent Meat Processors (Sustain Ontario, 2011; Ontario Independent Meat Processors, 2011).

Recommendations for CED practitioners

1. Coordinate events that connect farmers, restaurants and organizations of common interest
2. Develop marketing tools that connect producers and consumers
3. Create opportunities to share research
4. Ensure that meat processors and producers are connected with provincial organizations to influence policy

5.3.2 Implications for producer groups

There are *two alternatives* that producer groups may choose to undertake in order to scale up the production of differentiated beef products for Northern Ontario:

- I) Develop a strong direct market
- II) Develop a larger value chain

The first alternative would be to focus on selling differentiated meat products through direct marketing, restaurant sales and local food retail co-ops. This would involve an active participation in farmers' market activities, setting up CSA programs and establishing relationships with restaurant chefs and owners in the area.

The second alternative would be to scale up and cooperate with producers in other parts of Northern Ontario to establish a brand that would be based out of a processor or retailer. This would involve organizing multiple producers in the North (or across Ontario) who have an interest in establishing a common protocol that would include similar credence

attributes such as grass-fed, no antibiotics and no growth hormone additive beef. It would involve identifying or developing a federally inspected abattoir, processor and/or retailer that would support the development of a Northern brand of differentiated beef that would be able to supply the larger retail sector in Northern Ontario or all of Ontario.

Alternative I: Develop a strong direct market

The first alternative for marketing differentiated beef products is to focus on local direct marketing, which would be a concerted effort to organize local producers and stakeholders. It would require producer members to sell at farmers' markets (in some cases, more than one) and establish closer relationships with retailers and restaurants. Joint marketing opportunities with restaurants and retailers would be sought to connect the farmer to the consumer wherever possible. These producer groups would pilot CSA programs for beef and other meats such as lamb, chicken and pork. This would require producers to collaborate with other multi species producers to increase the product mix.

Setting up bulk deliveries of product would be a priority so that smaller deliveries are reduced to a minimum. By fixing costs to delivery activities, producers would be better able to control costs and plan for price changes. Producers must also analyze the level of activity (storage and transportation) and rate of commission that is required to sell product through intermediaries (retailers and butchers). By costing these activities, producer groups can charge higher and appropriate premiums for their products based on their credence attributes. Pricing needs to take into consideration variable costs that include labour, transportation and storage. By detailing these costs, there may be a greater incentive to increase the amount of direct marketing through farmers' markets or CSAs.

It is recommended that abattoirs and processors install traceability or inventory control systems that will increase the ease with which information is transferred between value chain participants (from farm to processor to

retailer). This would create greater efficiencies in delivering and storing meat products.

Developing a customer database should be a priority so that email and social media campaigns are easily communicated. Producers may need to consider extending their membership to non-producers to bring needed expertise to the group. Producer groups would encourage the creation and ongoing support of local food co-ops in communities by being involved on a board of directors or on an advisory committee. For some communities, it may mean that local food co-ops or other models may need to be developed for closer collaborations to take place between consumers and farmers. Developing local food co-ops (through a retail store or online store) is one entity that can be used to sell product in addition to other retailers. Producer groups that are located close to urban communities may prefer this alternative.

Recommendations for producer groups: Alternative I

If producers were to choose this alternative, producers should undertake these recommendations:

1. Focus on marketing through farmers' markets, CSAs, retailers and restaurants
2. Coordinate the distribution of products to reduce inefficiencies
3. Adjust pricing of products to take into account distribution activities
4. Install traceability or inventory control systems
5. Develop a customer database
6. Invite non-producers that have needed expertise
7. Assist in the development of local food co-operatives (retail stores)

Alternative II: Develop a larger value chain

The second alternative is to scale up the production of differentiated meat products by coordinating a larger value chain with a large processor or retailer. This will require that producers develop a common protocol and work with a processor or retailer who would develop a Northern brand of differentiated beef. This model would require producers to share research

and feeding protocols with other producer groups so common experience attributes would be developed. This alternative would require a feedlot that would finish value-added beef, a federally inspected abattoir and a processor or retailer that would coordinate the value chain. This choice would entail producers purchasing shares or paying ongoing membership fees to participate in a marketing alliance. Producers may also be required to undergo third party certification programs to ensure that a common protocol is adhered to. There would also be a need for producers to influence the creation of third party certification organizations that specialize in grass-fed and natural meats (no antibiotic and no growth hormone additives).

It may be difficult to locate a processor or retailer in the North who would be willing to undertake this project due to the consolidation of larger retailers and processors in major urban areas in Ontario. It may be more beneficial to collaborate with producers across Ontario to develop an Ontario-wide value chain for grass-fed and/or no hormone and no antibiotic beef. It is apparent that the second alternative would be a challenge for most producer groups due to transportation logistics and supply challenges.

There are additional factors such as farm scale and distance that may impact a producer's decision to choose one alternative over the other. Some producer groups may, however, be interested in the second alternative due to their isolation from major markets (e.g. Cochrane or Rainy River).

Recommendations for producer groups: Alternative II

1. Develop a larger network of producers to form a group that is committed to selling differentiated beef products into a market that includes large retailers
2. Develop a common protocol (grass-fed, no hormone additives and/or no antibiotics) with beef producers
3. Identify a federally inspected Northern abattoir that could coordinate production in the value chain
4. Identify a Northern federally inspected processor and/or retailer that could work with a producer group to develop a Northern brand
5. Develop a feasibility study or business plan for the marketing alliance

5.3.3 Implications for Academics

The feasibility of a larger value chain for grass fed, no antibiotic and no growth hormone additive beef in Ontario needs to be explored further. This research study indicates that consumer demand for an 'organic' beef is growing and that small farmers could potentially benefit from province-wide collaboration. A feasibility study could explore the nature and extent of such a co-operative enterprise and its relative merits. The feasibility study would need to determine a business case and the supply requirements for the larger retail sector. This research would best be undertaken by an organization that specializes in developing partnerships between sectors in the beef industry, such as the Ontario Federation of Agriculture or the Ontario Cattlemen's Association.

Other potential research avenues for the future would include research within local food co-operatives to understand communication processes in order to develop systems to improve information sharing between members, workers, volunteers, producers and consumers.

Finally, beef producers and other farmers could also benefit from a feasibility study for starting a local food co-op in a Northern community.

5.4 Final thoughts

It is possible for beef farmers in the North to increase their farm income through marketing co-ops and place-based businesses, but more needs to be done to improve internal processes (inventory control). These ventures need to emphasize adding value, co-operation in the value chain and marketing multiple species. The stagnation of small abattoirs is of particular concern since they are hindered by a lack of supply, a skilled labour shortage and regulations that favour large processors.

Momentum to buy local beef is being generated by the emergence of local food co-ops and producer co-ops; however, progress has been impeded by divergent visions, staff turnover and poor communication in the value

chain. More education is needed for member consumers and producers to develop a greater understanding of how the co-operative model can be properly leveraged to meet economic and social needs.

Despite the challenges, these groups in Northern Ontario continue to be resilient in the face of global competition. Co-ops and place-businesses are important entities in supporting regional economies that experience crises as a result of globalization. Underlying socio-economic and geographic challenges such as an aging population of farmers, youth outmigration and the vast distances between producers also hinder the development of these ventures. Therefore, government programs and policies that support the expansion of innovative co-operatives (like local food co-ops) in Northern regions are particularly urgent. There are youth who have a growing interest in food and farming in the North, but they need to become partners in its development.

Glossary of Terms

Community Supported Agriculture (CSA): An arrangement whereby a group of people, one of whom is a farmer, agree to share the costs and products of a seasonal vegetable garden or from raising cattle.

Co-operative (Co-op): A type of business structure which is owned and democratically controlled by its members – the people who use and benefit from the services provided by the business on the basis of the members' use of the co-op.

Credence Attributes: Attributes that cannot be detected by a buyer even after they have purchased and consumed a product (use of growth hormone additives or antibiotics).

Direct Marketing: The trust relationship that takes place between farmers and consumers.

Economies of Scale: The increase in efficiency of production as the number of goods being produced increases. Economies of scale give big companies access to a larger market by allowing them to operate with greater geographical reach.

Experience Attributes: Attributes that can be determined after purchase when product is consumed (tenderness, freshness, consistency).

Place-based Business: Businesses that are purposefully rooted to a local place for social reasons rather than sheer economic motivations of profit.

Social Enterprise: An enterprise that operates like a business, produces goods and services for the market, but manages its operations and redirects its surpluses in pursuit of social and environmental goals.

Value Chain: A long-term network of partnering business enterprises working together to maximize value for partners and the end customer of a product or service.

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Appendix 1: Letter of introduction to research project

Producer Group
Address
Phone #

Nov 25, 2011

Re: "Expanding locally sourced beef in Northern Ontario through the co-operative model"

Hello Research Participant, I'm David Thompson, originally from Thessalon in Algoma District. Currently, I'm doing my MBA from Cape Breton University and part of my program requires that I do a major research essay (MRE). I've decided to do my research on marketing co-operatives and businesses that sell local beef. I was referred to you by (Informant) from (Informant's organization).

Context of the research in Northern Ontario: As you know, the international trade ban on Canadian beef had a devastating effect on family farms across Canada. Since the BSE crisis, cattle farming has been put in to jeopardy and still remains unstable. To overcome these challenges, cattle farmers have diversified production, added value to products, and have worked in co-operation with other farmers.

After years of working with farmers in Algoma District, I have noticed many challenges in marketing locally. Farmers in Algoma experience a lack of resources and time for marketing and weak logistics to coordinate traceability. In light of these challenges, Northern farmers have changed their practices to add value and meet what consumers want: a locally raised product, free of antibiotics and hormones.

Purpose and research questions: The purpose of this research is to explore co-operatives that sell value-added cattle across the North. The project's research questions include the following:

- How can marketing co-ops and place-based businesses in Northern Ontario stabilize or raise incomes in the value-chain through selling differentiated local beef products into the Northern Ontario market?

Appendix 1: Letter of introduction to research project

- What factors influence the participation of Northern Ontario cattle farmers in marketing co-operatives and place-based businesses that sell differentiated beef products into the local market?
- How can Northern beef farmers work effectively within a value-chain to achieve a greater market share for their products in the local market?
- What is the demand for differentiated beef products in the markets of Northern Ontario?

It is the intent of this project for Northern cattle farmers to explore the feasibility of combining strengths and co-operating with cattle farmers in Sudbury, Algoma-Manitoulin, Thunder Bay and North Bay for the benefit of co-op members and farmers. The research process will seek to uncover how marketing co-operative and place-based businesses across Northern Ontario can play a role in transforming the agricultural sector.

What's next? If you wish to participate in the research project, you will need to fill out the attached consent form, which outlines research procedures, risks and benefits. The results of the research will be summarized in a report that will be available for all research participants to read. Confidentiality will be maintained by not linking your name to your responses in any written or oral reports related to the project. If you agree to participate, we will schedule a time for an interview or a focus group at your convenience. I'm looking forward to hearing from you to hear your perspectives.

Sincerely,

David Thompson

Work: (705) 949-2301 x3028

Email: thompsond@algomau.ca

Appendix 2: Consent to participate in research letter and form

CONSENT TO PARTICIPATE IN RESEARCH – Interview

Project Title: Expanding locally sourced beef in northern Ontario through the co-operative model.

Dear Potential Participant,

You are asked to participate in a research study conducted by David Thompson at Cape Breton University (CBU), supervised by Dr. Gayle Broad, Algoma University. This research is David Thompson's Major Research Project for the Masters in Business Administration in Community Economic Development program at CBU.

If you have any questions or concerns about the research, please feel free to contact:

David Thompson – Principal Researcher
NORDIK Institute
Sault Ste. Marie, ON Canada P6A2G4
705-949-2301 x3028 thompson@algomau.ca
Fax: 705-949-6583

705-257-8169 (Cell)

Gayle Broad – Associate Professor, Primary Advisor
Department of Community Development & Social Work
Algoma University
Sault Ste. Marie, ON Canada P6A2G4
705-949-2301 x4351 Gayle.Broad@algomau.ca

Purpose of the study

The proposed research is to justify the creation of marketing co-operatives and place-based businesses that sell local beef in Northern Ontario to sustain farming for a next generation of cattle farmers. The central goal in the research process is to create and maintain jobs in Northern Ontario's agriculture sector (cattle farmers in particular) by rejuvenating small family farms through the co-operatives and place-based business models. The research process will identify factors that will influence such a co-operative, including: coordinating a supply chain over large distances, the regulatory environment of animal processing (cattle) and consumer perceptions surrounding local food.

Appendix 2: Consent to participate in research letter and form

Research procedures

If you volunteer to participate in this study, we would ask you to take part in an interview either in person or by phone (depending on the accessibility of your location) and/or in a facilitated focus group. The interview will last approximately 45 minutes. The questions asked will relate to your involvement in marketing co-operatives or the beef industry. Depending on the results of the first interview, some participants may be contacted for a follow-up interview that would be of similar length. Verbatim comments from these interviews may be used in the reporting of results. The results of this research will be summarized in a report that will be available for all research participants to read. This report will be completed by the end of March, 2012 and can be obtained by contacting David Thompson.

Potential risks

The risks and discomforts associated with this study are minimal to none. If any interview questions create discomfort, you are free to choose not to answer, and if at any time you feel uncomfortable with the interview, you are free to end your participation.

Potential benefits to participants and/or to society

This research will benefit multiple actors in the local and regional agriculture value-chain including cattle farmers, food processors (abattoirs), retailers, and consumers. This research will be important to determine co-operative and business models that will work for marketing beef cattle from Northern Ontario in Northern Ontario. Potential co-operatives and businesses include food stores, farming co-operatives, and consumer co-operatives.

The study will also analyze the regulatory environment and technical assistance needs that are necessary to better coordinate marketing co-operatives and place-based businesses. This information would be useful for economic development agencies and government representatives that work in Northern Ontario. This knowledge will be useful for other individuals and community groups who wish to form marketing co-operatives or businesses in their respective region.

Confidentiality

Every effort will be made to ensure confidentiality of any identifying information that is obtained in connection with this study. Your interview may be taped, with your permission, or the interviewee may only take notes during the interview, again with your permission. Your interviews will be transcribed and you are welcome to contact the researchers to receive a copy of the resulting transcript. These transcripts will be stored in a secure location at Algoma University, NORDIK Institute for five years. Confidentiality will be maintained by not linking your name to your responses in any written or oral reports related to the project.

Appendix 2: Consent to participate in research letter and form

CONSENT FORM

Study Title: Expanding locally sourced beef in Northern Ontario through the co-operative model

Investigator: David Thompson

Supervisor: Gayle Broad, PhD

I _____ agree to participate in a study about regional food systems and agricultural marketing co-operatives in northern Ontario. I understand that this research is being conducted by David Thompson, Communications Coordinator of the NORDIK Institute at Algoma University. I understand that the research involves questions about my role in the marketing of local meat products or the co-operative model.

I have been assured that my participation in this study is totally voluntary, that I may withdraw from the research at any time, that I may skip questions that I prefer not to answer, and that there are minimal risks to me from this research.

I understand that the audiotapes, data files, and transcripts will be kept confidential. Written reports of the research will not identify me personally as an interview participant unless I indicate otherwise below.

I understand that, upon request to David Thompson, a summary of the research will be available to me on completion of the research project.

I understand that any question I may have about my involvement in this research will be addressed if I contact David Thompson by phone, 705-949-2301 ext. 3028, or email thompsond@algomau.ca

Verbal consent by participant _____ Date _____

Signed by researcher _____ Date _____

Where appropriate, I wish my name to be used in reports and publications because I want to be explicitly connected with the issues discussed throughout this process.

YES

No

Note: the consent form is kept in a locked filing cabinet in the NORDIK Institute offices at 1520 Queen Street East, Sault Ste. Marie ON.

Appendix 3: Questions for retail co-operatives that sell local beef

General questions

1. Could you describe the mission and vision of the co-operative you represent?
2. What is your role at the Co-op?
3. Did you have experience in working in co-operatives before?
4. Could you discuss the history of the organization and how it became a co-op?
5. Was the group encouraged by those working in government or your MPs to start the co-op?
6. Is reaching out to other members and getting others involved encouraged at the co-op?
7. Do you have any protocols or standards for products that are coming into the co-op?
8. How much planning has been done before the co-op was formed?
9. Why did the original members decide to form a co-op as opposed to other models?
10. What have been some of the challenges in the first few years of being a co-op?
11. How did you engage members at the beginning stages?
12. How are you engaging members now?
13. What are customers' preferences and demands for meat products? (Fresh/Frozen; bulk/individual cuts; grass-fed; no-antibiotics/no-growth-hormone-additives)
14. How engaged are beef producers in your membership?
15. What are some difficulties that you have with members who supply meat?
16. What do you think are the weak points of the value chain to get beef from the field to retail?
17. How many people work for the co-operative (staff/volunteers)?
18. Do you have difficulty with staff turnover?
19. How does the participation of farmers differ from the participation of consumers?
20. What is your target market?
21. Have you looked into institutional sales?
22. How much are CSAs part of your operation?
23. How much information are customers given about the farmers who produce their food?
24. What are customers requesting from local farmers?
25. What difficulties do you face when working with local farmers in the process of getting their food to your shelves? How much is transportation an issue for the co-op?
26. Is it easier to deal with multiple producers of one commodity (like beef)? Or would it be easier to deal with one entity?
27. What are the current challenges within the co-op?
28. How much of the co-op's revenue is from government funding?
29. How does the board of co-op represent the membership?

Appendix 3: Questions for retail co-operatives that sell local beef

30. What are the major goals of the organization for the future?
31. How does the co-op represent the diversity of that region?
32. Do you see opportunities to work with other producers, food processors or distributors in other parts of Northern Ontario?

Appendix 4: Questions for processing businesses (abattoirs)

1. What is the history of your business? Why the name? Was there a need for the abattoir?
2. What is the structure of the business – do you have share capital, a board, ownership?
3. Do you think this structure is ideal for the current operation?
4. Was it ever considered to form the abattoir as a co-operative?
5. What is your role? Do the rest of the owners have roles of their own?
6. How many staff work for the abattoir? Do they have qualifications in their respective fields?
7. Do you have a business plan that you are implementing?
8. Do you get external funding from provincial or federal government sources?
9. How are farmers invested in the abattoir? Have they financially invested in the operation?
10. Where are the farms that supply this abattoir?
11. Are any of the farms, co-operatives?
12. Is there a need for additional equipment?
13. What have been the challenges in starting or maintaining the abattoir over the years?
14. Is the plant provincially inspected? Is it built to federal specifications and is there an interest to do that? Are local farmers interested in federal inspection? Has the plant had difficulty with meeting provincial regulations?
15. Do you have a traceability system or computerized inventory control? How has that improved operations?
16. How much freezer space do you have and is it controlled in an efficient manner?
17. Do you feel that the abattoirs future is viable, or do you feel there are still challenges that need to be overcome?
18. What is the assortment of beef products that are sold in the retail space?
19. Does the abattoir grade meat and what grades do you sell?
20. Of the beef you sell, what is the preferred weight or age of the animal?
21. Do you do bulk packages or individual cuts? What sells better?
22. Is the beef value-added (grass-fed/antibiotic & hormone free)?
23. Do you sell local meat at your establishment or is it resold to other retailers?
24. How is the retail business marketed?
25. Do some farmers add value to these products that you sell? Grass-fed or antibiotic free?
26. Does the abattoir add value to the product (for example, making jerky or meat smoking)? Are you looking into this in the future?
27. What is the major market for beef products processed by the abattoir?
28. Does the abattoir make money from the storefront (retail)? Or is it mostly made from kill and chill / cut and wrap services?
29. Has there been any interest among beef producers to form a co-op to brand value-added beef?
30. Do you think it would be easier to work with a group of beef producers, rather than individual beef farmers? How would that improve your operation?
31. What are some of the challenges you face when selling into the local market?
32. Do you have a price list that you can share?

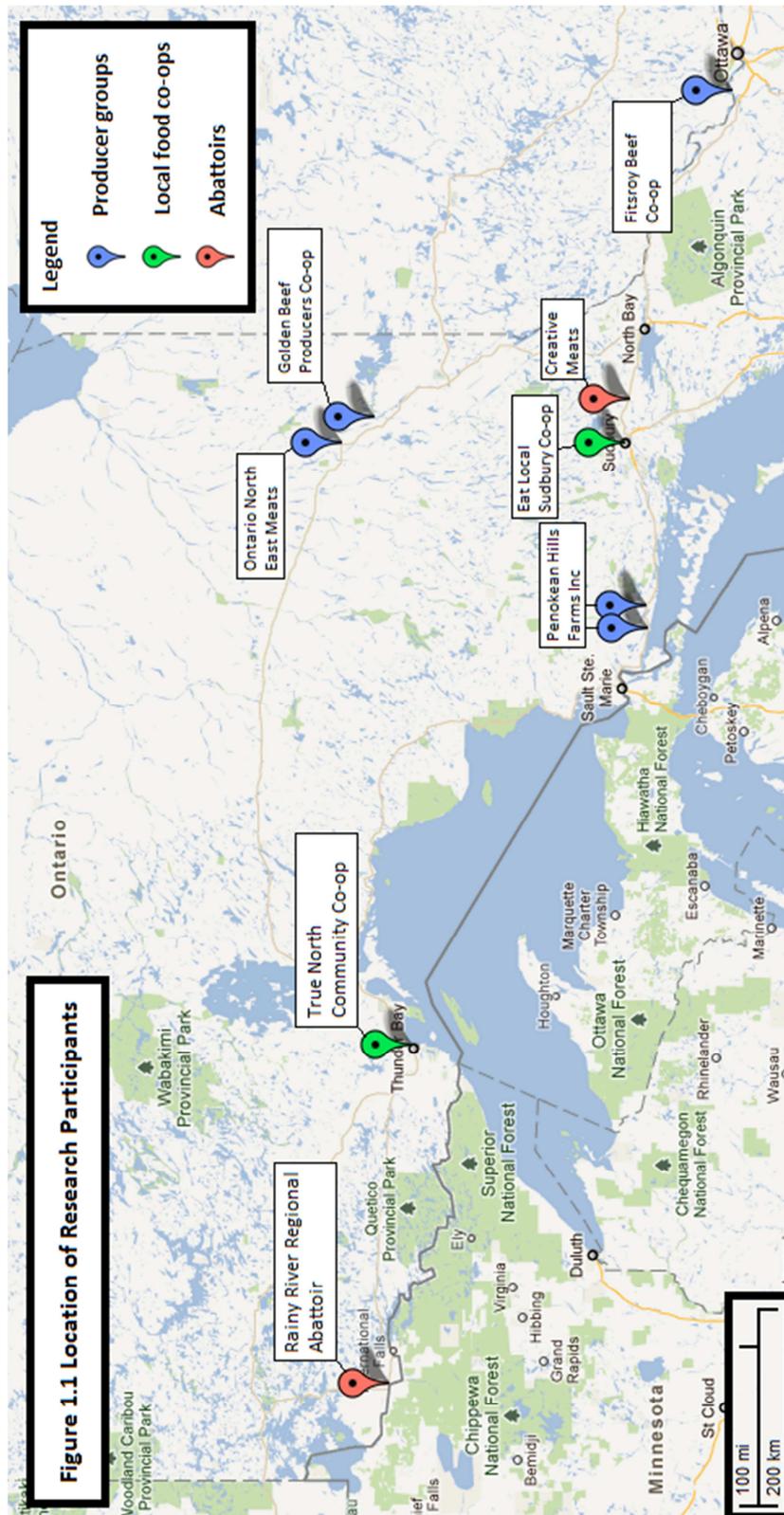
Appendix 5: Questions for producer co-operatives and place-based businesses

1. Could you discuss the history of your organization and how you became a co-op?
2. What were the factors that influenced you and the group to form the Golden Beef marketing co-operative?
3. How much planning was involved before the marketing co-operative started?
4. Did you participate in a co-operative before?
5. Do you belong to other co-operatives?
6. Did some members find it difficult to participate in the marketing co-operative? Why?
7. How much of a volunteer commitment have you undertaken in your role? Is it difficult to make a time commitment to the group?
8. What are the qualities or values of the Golden Beef Co-operative brand?
9. Where do you sell your product? How do you sell it? (by the side, boxes, individual cuts)
10. What are the challenges or barriers with working with retailers and/or distributors?
11. Which retailers do you have a good relationship with? Why does it work?
12. If you could identify your target market, who would that group be?
13. Does the co-op have a manager or coordinator? If so, what is their role?
14. Does the co-op have regular meetings with updated financial statements?
15. What type of co-operative model would be most responsive to the current needs of Northern cattle farmers?
16. How is Golden Beef Co-op involved in the value chain of moving product from the farm to the end consumer (production, packing, transport, storage, distribution, and sales)?
17. Does Golden Beef only exist for a single commodity or do you think this vision will change?
18. How does Golden Beef Co-op add value to the production process?
19. Do you find the current model for Golden Beef Co-op suits its purpose, or do you think it needs to be changed?
20. How are farmers invested in the co-op? Do they own shares and paid dividends?
21. Have you considered involving consumers to become members?
22. Have you considered including other stakeholders in the membership?
23. Has your co-op considered owning assets or do you currently own assets?
24. Would a regional marketing co-operative in Northern Ontario stabilize or raise incomes in the value chain through expanded marketing of locally produced beef?

Appendix 5: Questions for producer co-operatives and place-based businesses

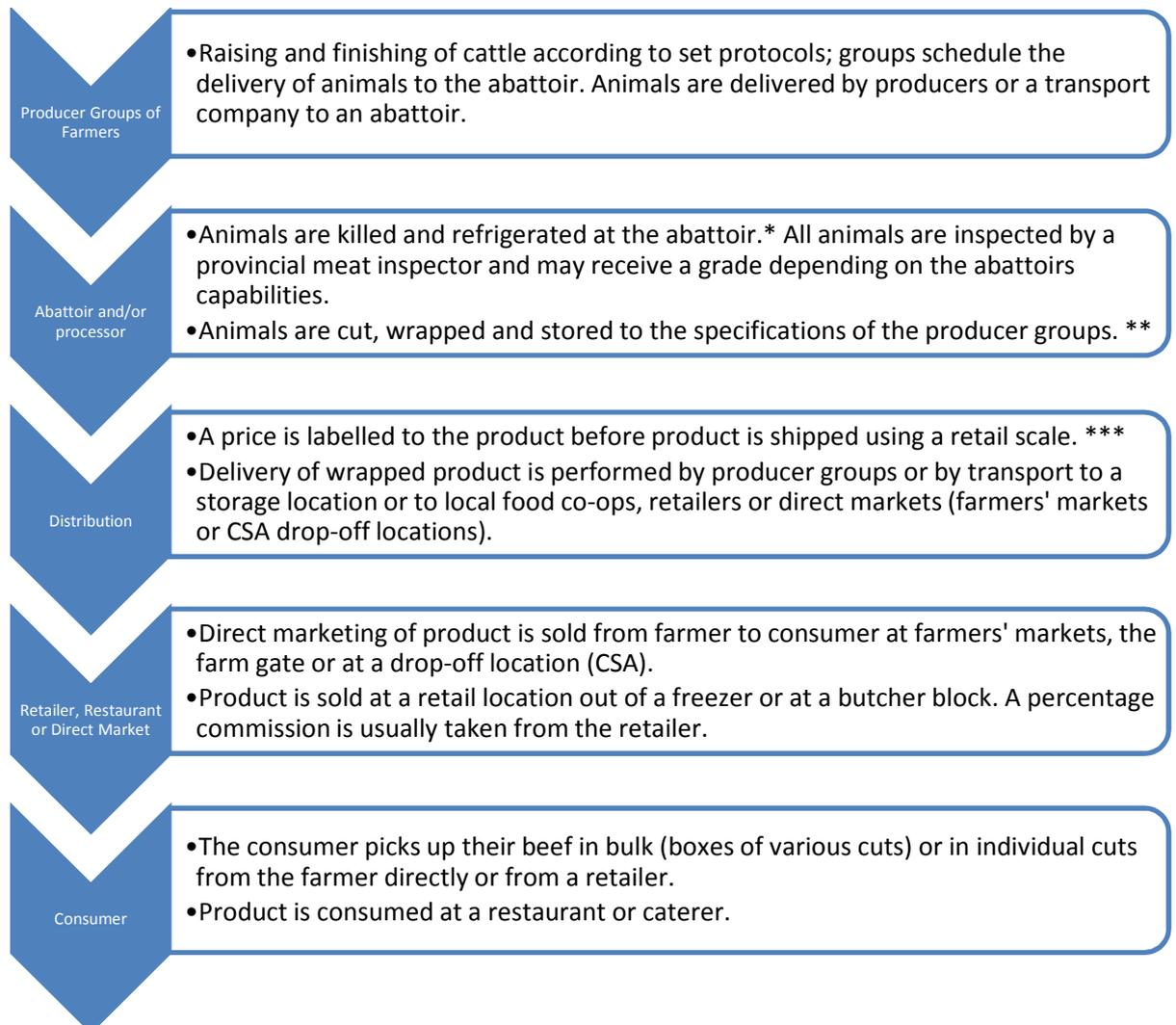
25. Has the marketing co-op stabilized or raised incomes for farmers or are there still challenges?
26. How do you think your group can overcome these challenges?
27. What is your working relationship with local abattoirs? How does that relationship add or take away value to your product?
28. What are the weak points in the value chain from farm to plate?
29. What is the state of your market? Is it growing/shrinking/stagnate?
30. Do you work with other farmers outside your district in northern Ontario?
31. Do you think working with other value-added beef farmers in northern Ontario would be beneficial? In what ways could you work together?
32. Do you have a good working relationship with other retail co-operatives(Eat Local Sudbury Co-op)?
33. Do you think it's necessary for more retail co-ops to start-up; or is it possible to work with existing retailers?

Appendix 6: Location of Research Participants in the Value Chain



Appendix 7: Local beef value chain

Figure 1.2 Diagram of the Northern local beef value chain



*- Abattoirs in the Northern beef value chain are provincially inspected facilities

** - Some processors are located at a different site than abattoirs; most abattoirs and producer groups have their beef cut & wrapped at the abattoir. Some producers have animals killed at the abattoir and processed by a butcher elsewhere (butcher shop or processing facility).

*** - Some producer groups have prices set at the abattoir, while others price their product using their own retail scale at a storage location.