



OKANAGAN FOOD AND INNOVATION HUB BUSINESS PLAN

Prepared for
District of Summerland
February 2022

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Disclaimer

In 2019, Engage, Business and People Solutions updated the Business Plan for a South Okanagan Food Hub (the Food Hub), formerly known as the Okanagan Agriculture Innovation Centre. In 2021 and 2022 Greenchain Consulting and associates further updated the business plan under the new name Okanagan Food and Innovation Hub (OFIH). The purpose and scope were to:

- Determine whether there is still a need for an agri-food innovation and processing Hub for the South Okanagan region;
- Determine the structure and governance model for the Hub;
- Identify a building partner;
- Identify core users of the Hub willing to invest in it;
- Determine the Hub's services and equipment;
- Determine building design, space requirements, and costs;
- Determine human resources requirements for the Hub;
- Create a marketing plan;
- Create a phased financial model for the Hub.

The material included in this document is based on information gathered from:

- Interviews with agri-food businesses in the South and Central Okanagan;
- Focus groups with entrepreneurs that expressed interest in using the Food Hub's services and programs, as well as Food Hub partners, including municipal, provincial and federal government representatives; academic institutions; scientists and researchers; economic development offices; and industry associations;
- Interview with Plenty & Grace Food Hub, Surrey, BC;
- The MDB Insights: South Okanagan-Similkameen Economic Development Group (SOSEDS) Foreign Direct Investment Strategy Final Report (October 2016);
- South Okanagan Investment Attraction Strategy (Dec 2016);
- The Okanagan Agriculture Innovation Centre Business Plan (June 2018);
- Penticton Priority Cluster Identification Report (Dec 2018);
- Okanagan Bioregion Institutional Procurement Report (April 2018);
- Regional Agri-food Centre Business Plan (Prepared for the City of Quesnel & BC Ministry of Agriculture – January 2019);
- Lillooet Agriculture and Food Society storage facility business strategy report – June 2021; and
- Best practices from domestic and global Food Innovation and Processing Hubs.

Budget and financial information was gathered from equipment suppliers, on-line search, previous studies, such as some of those listed above, and discussions with other food Hubs. This information helped provide budget estimates for the space and start-up activities for this project.

The budget estimate for the projected period (Fiscal 2023 to 2025) is subject to the proposed organization's ability to sustain interest and commitment from the partners of this business plan in addition to favourable economic conditions within the region. Many other factors may affect the results of this analysis, such as shifting market demands, focus group and survey respondents finding solutions to their current business gaps before the Food Hub is launched, and changes in government programs.

Due care has been taken to compile the information in this Business Plan. Recommendations for further study or next steps are not a part of the scope of this project. The consultants who assisted in this project does not assume any liability for any financial or other loss resulting from this report in consequence of undertaking this project and respective activities. The prospective user of this report is encouraged to carry out additional due diligence and gather any information he/she feels necessary for making an informed decision. Investors and lenders are encouraged to conduct in-depth analysis of their own to ensure they obtain the highest returns or meet their lending requirements.

Acknowledgements

Greenchain Consulting & associates and Engage, Business & People Solutions would like to acknowledge the thoughtful insights of community members, farmers, entrepreneurs, regional, provincial and federal government agencies, industry associations, accelerator and incubator programs and partners of this project who have shared their enthusiasm, creativity, knowledge and experiences in farming, new product development and processing, technological developments and innovations in the sector, as well as in community, business and economic development and growth.

Greenchain Consulting & associates and Engage, Business & People Solutions would also like to acknowledge the partners/associates in this project:

- District of Summerland
- Summerland Research and Development Centre (SRDC)
- UBC-O
- Okanagan College (OC)
- Kwantlen Polytechnic University (KPU)
- Agriculture Innovation and Tech Information Committee (hosted by OC)
- Community Futures Okanagan Similkameen (CFOS)
- K'uL Group (Penticton Indian Band)
- Accelerate Okanagan (AO)
- City of Penticton
- Summerland Credit Union
- Economic development offices and Chambers throughout the South Okanagan and Central Okanagan
- Oliver Eats
- Direct Organics Plus
- Okanagan School of Arts (OSA)
- Okanagan Sustainability Leadership Council (OSLC)
- Okanagan Crush Pad (OCP)
- NRC IRAP (National Research Council of Canada)
- Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNR)
- Ministry of Agriculture
- BC Food & Beverage (BCFB)
- BC Tree Fruits Cooperative (BCTFC)
- BC Fruit Growers' Association (BCFGA)

- BC Cherry Association (BCCA)
- Small Scale Food Processors Association (SSFPA)
- The many farmers and food entrepreneurs who provided input and feedback

The consultants would also like to thank the District of Summerland, the Economic Trust of the Southern Interior, and the Rural Dividend Fund for funding this project and for their enthusiasm and desire to steer this project through to completion.

Finally, a special thank you to the District of Summerland for accommodating the meetings and focus groups; the Food Hub Finance Working Committee and the District's Agriculture Working Committee members for giving their time to review and provide guidance and expertise on the financial model for this project.

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Executive Summary

Introduction

In 2019, the Ministry of Agriculture announced the establishment of a provincial Food Hub Network and a series of inter-connected regional food hubs across the province. The food hubs are designed to offer regionally tailored and scalable shared food innovation and processing facilities to their surrounding regions. The Ministry provided funding for both the planning and operation of food hubs across BC.

In response to market research findings and new funding available, the District of Summerland hired Engage, Business, People and Solutions, to update the business plan for a South Okanagan Food Innovation and Processing Hub (Food Hub) in 2019. Soon after the business plan was finished in 2020, COVID halted the project.

With new funds from The Economic Trust of the Southern Interior BC (ETSI-BC) the District of Summerland revived the project in October 2021 and hired Greenchain Consulting and Associates to update the 2020 business plan and manage an Expression of Interest process to identify a building partner. The project has been renamed Okanagan Food and Innovation Hub (the Food Hub) to reflect the benefits to the wider region. Greenchain Consulting and associates completed the following tasks:

- Revised the 5-year business plan, adopting a phased expansion model that reduced the required funding from \$2.3 million (in the 2020 plan) to a projected \$1.4 million in the first 3 years.
- Secured Okanagan Crush Pad (OCP) as the developer/landlord of the Food Hub and established an MOU between OCP, the District, and Community Futures Okanagan Similkameen (CFOS).
- Developed schematic plans of the Food Hub outlining its size, layout and site position.
- Created a hybrid non-profit/trust governance structure in partnership with the District and CFOS to better attract grant funds and hold key food hub assets separate from the Food Hub.

Overview of Food Hubs and the Local Food Sector

USDA defines food hubs as “a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.” Over 350 food hubs operate across North America with average annual sales of \$2.8m. In more general terms, a food hub is a local food enterprise or network of local food enterprises in which small and medium sized producers or processors work together to produce local food products and provide them to wholesale or retail customers in the local/regional marketplace. These products are typically sold on a direct to buyer basis without middle agent markups and in a manner that preserves the identity of the initial producer/processor. First food hub in BC was established in 2019. Since then, 11 other food hubs have been established in the province.

A food hub in the Okanagan (headquartered in Summerland) will help grow the local agri-food economy by offering food producers, value-added processors and agri-tech businesses access to commercial production spaces with specialized food processing and packaging equipment and learning spaces to help them scale up their food enterprises. The Food Hub also improves food security by promoting local food production and increasing access to more fresh and diverse foods.

The Okanagan agri-food business sector is well positioned for growth and investment. The Okanagan Valley is a productive agriculture region and the South Okanagan-Similkameen region is a leader in fruit and vegetable production. About 260 food processors operate in the Okanagan and that number has grown significantly in the last five years. A vast majority of these are small-scale food processing businesses, many of which began as a hobby operation and lack the business and technical food skills to effectively market their products, access new markets and scale up production.

The food and beverage processing industry is growing and has created interesting opportunities for local food producers and processors to market and sell unique, value-added food products. Busier lifestyles and more affluent consumers have increased demand for snack foods, processed frozen and dried fruits and vegetables, pre-made meals, healthy soups, pre-mixed drinks and other food products.

Two food hubs operate in the region that offer some of the services of the proposed Food Hub but are more likely to complete it rather than compete with it. These are described below:

- **Zest Commercial Food Hub, Salmon Arm** – opened in November 2021 offers shared food and beverage processing space, equipment and services.
- **The Stir, Kamloops** – to open early 2022 will provide kitchen space rentals and business mentorship to help local food entrepreneurs scale-up their business. The Stir will specialize in canning and dehydration, specialty food processing and packaging, storage, and a retail store.

Other regional enterprises that offer individual components of the proposed food hub include:

- **Saj's Common Kitchen** in Kelowna is the most comparable commercial kitchen in the region.
- **The Valley Kitchen** in the Slocan Valley provides access to commercial ovens, walk-in fridge and freezer, mixers, dishwasher, and cold and dry storage and has an artisan cafe.
- **Valley Direct Foods** is a brokerage and distribution services that sells local products to restaurants and grocery retailers in the Okanagan, Kootenays and Langley areas.
- A food testing lab including **CARO Analytical** (soil, water, foods and cannabis focused); **BCBTAC** (fermented beverage focused); and **Innovate Phytoceuticals** (natural health products, foods, agriculture, meat and dairy, cosmetics, pet products, cannabis, and other).

A definite gap in the market exists for the proposed services the Food Hub intends to offer. No commercial processing facilities offer the range of equipment needed by food entrepreneurs or meet the health standards required by grocery retailers and distributors. In addition, no 'one stop' referral service exists to help entrepreneurs navigate the complexities of the agri-food industry.

A key premise of the Food Hub's model is collaboration and partnerships for effective and efficient delivery of services. The idea is to refer clients to the right resources, based on their skills, knowledge and business goals. The Food Hub also provides an opportunity for agri-food businesses to share marketing, sales and distribution services through a common facility. It is important that the Food Hub does not duplicate services that are already provided effectively in the region, but instead fills a gap and/or compliments service offerings provided by others.

Operations Plan

The Food Hub needs to balance financial fiscal responsibility and the ability to provide adequate services and facilities for its clients. Most North American food hubs are either non-profits or for-profits that take a few years to reach profitability and then earn minimal profit. This allows the food hubs to provide services, facilities and programs at a price that allows small and medium sized businesses to grow their business and reach new markets. Because the Food Hub does not have large, guaranteed sources of funding, it is prudent for the Food Hub to use a phased expansion approach. These phases are described below.

- **Phase 1 – Pre-launch planning.** This phase has already started and will continue until the Food Hub is operational, or the project is put on hold. This phase is a large undertaking and will need to be steered by a project manager who is well connected in the regional agri-food industry. The top priority for the project manager will be to secure sufficient funding from various sources to cover the costs to set up the facility and cover operational losses for the first year or two.
- **Phase 2 - Initial service offering.** The second phase represents the first year of operations once the Food Hub has been built. To help manage costs and based on the needs of core users the Food Hub will initially provide the following programs and services: HACCP certified food processing facility, dry/chilled/frozen storage, co-packing services, distribution and brokerage, meeting space, business and technical consulting services, business accelerator, brand consulting and equipment rentals.
- **Phase 3 – Program expansion.** As the Food Hub becomes established and it understands its clients' needs better, it can refine its service offering. At this stage the Food Hub will likely expand the processing facility area and purchase larger processing specialised equipment, which will be provided at an additional charge.
- **Phase 4 – Expanded distribution and food testing.** In this phase, the distribution and brokerage service expands to serve a larger geographic area, working with 3rd parties to distribute product across Canada and into the States. By year 5, the Food Hub will hopefully become a one stop shop for food processors offering all the services and facilities they need to get product to market.

The developer of the Food Hub, Okanagan Crush Pad (OCP), proposes to build the facility at their Garnet Valley Ranch at 26405 Garnet Valley Road, Summerland BC. The site is in the Agricultural Land Reserve and is zoned A2, which allows for agriculture, food preparation, winery and food packing uses.

The building will house three primary occupants in the following spaces:

OCP (landlord)	13,500 sq ft
Food Hub	10,000 sq ft
LocalMotive Food Delivery	4,500 sq ft
Shared	<u>1,000 sq ft</u>
Total	29,000 sq ft

The plan layout for the Food Hub is provided in **Figure 1**. In keeping with the phased approach, the Food Hub will use 7,000 sq. ft. in years 1-3 and expand to 10,000 sq.ft. in phase 4.

Figure 1 OFIH Plan diagram Phase 1 (Source: MOTIV Architects)



Marketing Plan

The Food Hub's **value proposition** is to provide services and programs through a single location and an aggregated service portal that supports the growth of small and medium sized food processors and producers in the region. The target markets for the food hub include:

- **Primary target market** - existing wholesale ready food producers (farmers, ranchers, foragers, etc.) and agri-food processors that reside primarily in the South Okanagan-Similkameen and Central/North Okanagan regions. Another primary client group includes wholesale ready entrepreneurs wanting to re-locate an agri-food business to the region.
- **Secondary target market** - small-scale producers and processors that typically sell through direct-to-consumer sales channels but that want to scale up production. This target market group needs help from the Food Hub to learn how to process larger volumes of product and access new wholesale markets.
- **Tertiary target market** - community members, agri-food suppliers, industry associations, government/non-profit agencies, agri-tech businesses and others that want to use the commercial kitchen and/or participate in networking events and/or educational programs.

The Food Hub's **unique selling propositions** include the following:

- Full suite of services and equipment in one facility.
- Ability to scale up hobby-scale food enterprises with full set of services.
- Brokerage and distribution services to find clients and get products to market.
- HACCP certification support in a HACCP certified facility.
- Reduced costs through access to shared equipment and services.
- Supportive environment with dedicated support team.
- A geographic area with a strong local food culture and excellent climate.

The following strategies will help attract clients to use the Food Hub and its services:

- A customer Relationship Management (CRM) database.
- Case studies that highlight typical client challenges and how the Food Hub can overcome them.
- Tailored marketing collateral and promotions.

- Direct selling by the CEO and salesperson/distribution coordinator.
- A strong information and e-commerce website supported by a social media presence.
- Search engine optimization and digital advertising.
- Press releases targeting regional newspapers and magazines.
- Co-marketing partnerships.
- Trade shows, events and word of mouth.

Governance and Management Plan

The Food Hub will be governed by a Trust/Non-profit hybrid governance structure. The trust will be established before the non-profit society is established so it can receive grant funds and equipment and hold it in trust until the non-profit is established. Trustees will be key partners of the project and will include the District of Summerland and Community Futures. The trust will give granting agencies greater comfort that the funds will be used in the most efficient and prudent manner.

Once enough grants have been secured and agreements have been put in place with the landlord and other key partners, then the non-profit will be established with a board of directors represented by key users of the Food Hub and other key payers. The non-profit will initially employ a CEO/project manager to implement the pre-launch aspects of the Food Hub (e.g. work with the landlord and trust to build the building, purchase equipment, secure clients, promote the Food Hub, develop service offerings, and establish policies and procedures). When the Food Hub is launched, the non-profit will lease the building from the landlord, lease equipment from the trust and operate the day-to-day services of the Food Hub.

The Food Hub will be set up as an incorporated, ordinary society under the BC Societies Act since it will need significant grant funds during its first few years of operations and many more funds are available to non-profit organizations than “for-profit” companies. The Food Hub will be classified as an agricultural organization (code 05 under CRA) since it is organized and operated for the purpose of the advancement of agriculture and agri-food in rural communities in BC.

A strong volunteer board will govern the non-profit where at least half of the board directors will be from the region’s agri-food industry. Six to eight board members will be appointed and the term for each director will be limited to 2 years with up to 2 renewal terms.

The Board composition will fairly represent the composition of key stakeholders in the region and will likely include representatives with knowledge and experience in:

- Agricultural education/research/innovation
- Accounting/financial management/legal
- Strategic business management (operations, HR, marketing)
- Operating agriculture and food processing businesses (especially Food Hub users)
- Agriculture and food processing business consulting and training.

During the start-up/implementation phase, the Food Hub will recruit an acting CEO/project manager (on contract) to implement the pre-launch aspects of the business plan (e.g. MOUs, recruit staff, renovations, equipment installation, food health and safety compliance, etc.). After the Food Hub has launched (target date June 2023), additional staff will be hired on term contracts, with the opportunity to become permanent staff later. Some roles may be done by the same person, depending on demand and staff qualifications and experience.

Coaches and trainers will be hired on contract to deliver workshops and programs as required. A nutrition specialist may be recruited later to help with recipe/product development and labelling. Drivers will also be hired on contract when the brokerage and distribution services are launched.

A key success factor for food hubs is to establish partnerships with local community organizations. The value that partners bring to the Hub include:

- A collaborative effort that expands the network and leverages budgets.
- A better, seamless client experience.
- New innovative programming that may not otherwise be possible.
- Community access to equipment and facilities.
- Innovation by working together in a shared space.
- Enhanced social enterprise development in the region.

Specific potential partnership organizations include the following:

Primary food hub partners	District of Summerland Community Futures Okanagan Similkameen (CFOS) Okanagan Crush Pad (OCP) – Food hub building partner
Other food hub partners	Accelerate Okanagan (AO) City of Penticton K’uL Management Group
Education and Research partnerships	Okanagan College (OC) Beverage Technology Access Centre Summerland Research and Development Centre (SRDC) UBC-Okanagan (to be confirmed) Kwantlen Polytechnic University (KPU) School District 67
Industry partnerships	Small Scale Food Processors Association BC Tree Fruit Cooperative BC Fruit Growers Association BC Cherry Growers Association Farmers Market Association Okanagan Tree Fruit Project PACS Organic Certification
Funding partnerships	PacifiCan Investment Agriculture Foundation (IAF) Canadian Agriculture Partnership (CAP) Sustainable Development Technology Canada BC Lean for Food Processors Program

Financial Plan

The **start-up costs** for the Food Hub range from about \$800,000 to \$1 million. About \$300,000 to \$400,000 of the start-up costs are for soft items such as planning, marketing, research, and design labour while the remainder are for capital expenses. These soft costs are significant due to the complexity of the Food Hub with a wide range of revenue streams and the need to make careful selections of several expensive pieces of equipment. The Five-Year financial summary projections are provided in Table 1.

Table 1 Five-year summary projections for the Food Hub

Revenue/Cost Categories	Year 1 Total	% of revs	Year 2 Total	% of revs	Year 3 Total	% of revs	Year 4 Total	% of revs	Year 5 Total	% of revs
Network Revenues										
Memberships and sponsorships	\$15,000	4%	\$26,250	3%	\$44,000	4%	\$51,750	4%	\$60,000	3%
Ecommerce wholesale customers	\$14,400	4%	\$24,336	3%	\$31,752	3%	\$41,760	3%	\$51,840	3%
Order fulfillment program	\$17,280	5%	\$33,138	4%	\$46,570	4%	\$65,041	5%	\$85,536	5%
Brokerage service	\$13,500	4%	\$55,080	7%	\$99,878	9%	\$143,661	11%	\$229,925	13%
Distribution fees	\$3,750	1%	\$8,670	1%	\$9,884	1%	\$14,592	1%	\$20,296	1%
Consulting services	\$2,625	1%	\$3,728	0%	\$6,480	1%	\$7,665	1%	\$8,325	0%
Training programs	\$5,000	1%	\$7,875	1%	\$9,188	1%	\$11,000	1%	\$12,375	1%
Dedicated space rentals	\$58,729	16%	\$63,648	8%	\$64,921	6%	\$4,415	0%	\$4,503	0%
Commercial kitchen space rentals	\$97,152	26%	\$160,921	21%	\$206,300	19%	\$260,839	19%	\$326,084	19%
Equipment training by kitchen staff	\$5,625	2%	\$10,200	1%	\$11,700	1%	\$13,250	1%	\$15,188	1%
Processing equipment use fees	\$40,917	11%	\$147,290	19%	\$202,283	19%	\$251,704	19%	\$320,479	18%
Co-packing service fees	\$62,000	17%	\$173,500	23%	\$263,600	25%	\$311,500	23%	\$364,000	21%
Product testing fees	\$0	0%	\$0	0%	\$0	0%	\$72,000	5%	\$120,000	7%
Equipment rentals	\$350	0%	\$2,160	0%	\$2,331	0%	\$2,514	0%	\$2,709	0%
Storage space rentals	\$26,400	7%	\$38,336	5%	\$54,210	5%	\$70,518	5%	\$91,480	5%
Additional storage related fees	\$3,312	1%	\$4,820	1%	\$6,831	1%	\$9,613	1%	\$12,501	1%
Other Revenues	\$3,660	1%	\$7,600	1%	\$10,599	1%	\$13,318	1%	\$17,252	1%
Total Network Revenues	\$369,700		\$767,550		\$1,070,528		\$1,345,140		\$1,742,492	
Cost of sales	\$242,574	66%	\$445,920	58%	\$596,696	56%	\$712,877	53%	\$888,668	51%
Gross margin %	34.4%		41.9%		44.3%		47.0%		49.0%	
Overhead labour	\$198,000	54%	\$165,000	21%	\$187,000	17%	\$234,969	17%	\$304,379	17%
Non-labour expenses	\$275,028	74%	\$325,436	42%	\$360,326	34%	\$387,663	29%	\$437,556	25%
Profit/loss	(\$345,902)	-94%	(\$168,805)	-22%	(\$73,494)	-7%	\$9,630	1%	\$111,889	6%

These show the revenues of the Food Hub rising from \$370,000 in Year 1, then more than doubling to almost \$770,000 in Year 2 after most of the remaining capital equipment is installed. Revenues continue to rise each subsequent year to about \$1.75 million by the end of Year 5. The Food Hub is projected to have losses totalling about \$600,000 over the first three years of operation. From that point the Food Hub is expected to be profitable and to generate modest profits of about 5-7% from year 5 onward.

For those revenue streams that have higher upfront investment costs, we assessed the relative time it would take for the investments to be re-couped from the gross profits of those activities. This analysis revealed the following:

Revenue Stream	Initial Amount Invested	Estimated years to recoup investment from gross profits
Online ordering and fulfillment	\$60,000	3 years
Commercial kitchen rentals	\$250,000	4 years
Processing equipment fees	\$717,000	5 years
Product testing	\$75,000	5 years
Storage space rentals	\$80,000	3 years
Total capital investment	\$1,334,000	3.5 years

Payback periods of five years or less are generally considered reasonable and every revenue stream falls within this timeframe. Because some revenue streams have very little upfront investment cost, the average period to re-coup investment costs from gross profits across all revenue streams is 3.5 years.

In Table 2, we present the sources and uses of cash over the five-year period. This shows what is required to keep the Food Hub cash flow positive over the first five years.

Table 2 Sources and uses of cash for the Food Hub

Cash/asset Category	Pre-launch	Year 1	Year 2	Year 3	Year 4	Year 5
Sources and uses of cash						
Opening cash balance		\$297,000	\$31,098	\$66,668	\$45,424	\$58,929
Cash from operating income		(\$345,902)	(\$168,805)	(\$73,494)	\$9,630	\$111,889
Grants	\$1,200,000	\$400,000	\$175,000	\$100,000	\$75,000	\$50,000
New loans/lines of credit		\$200,000	\$75,000	\$50,000	\$50,000	\$25,000
Start up costs	\$350,000	\$0	\$0	\$0	\$0	\$0
Capital expenses	\$553,000	\$505,000	\$25,000	\$75,000	\$50,000	\$125,000
Interest expense on loans		\$15,000	\$20,625	\$22,750	\$21,125	\$17,875
Repayment of debt		\$0	\$0	\$0	\$50,000	\$75,000
Closing cash balance	\$297,000	\$31,098	\$66,668	\$45,424	\$58,929	\$27,944
Value of physical assets at end of	\$512,000	\$1,017,000	\$919,960	\$884,565	\$828,417	\$854,007
Depreciation of assets		\$122,040	\$110,395	\$106,148	\$99,410	\$102,481
Principal value of loans		\$200,000	\$275,000	\$325,000	\$325,000	\$275,000

It reveals how much money the Food Hub must raise, which includes:

- \$2 million in grants over five years, with \$1.2 million in the first year
- An additional \$400,000 in debt financing, likely secured by capital assets.

Below we present one possible funding scenario for raising the grant funds.

Regional District of South Okanagan (\$50k secured + \$150k matching)	\$50,000
Matching funds for the Food Hub (above \$200k funding)	\$150,000
Social Research and Demonstration Corp (SRDC) Canada	
Okanagan College	
Accelerate Okanagan	
Municipal governments (e.g. Penticton, Oliver, Peachland)	
Industry Associations	
PacifiCAN Jobs and Growth Fund (up to \$2 million)	\$1,200,000
Funding from the BC Ministry of Agriculture	\$250,000
Funding from the Social Finance low interest loan Fund	\$250,000
Grants from a range of foundations interested in local food	<u>\$100,000</u>
Total	\$2,000,000

One key piece of the financial plan for this type of business is to estimate the impact on the local food economy by the end of 5 years. The figures below show that food hub will increase regional food sales by over \$12 million per year.

Product Revenues	Year 1	% revs	Year 2	% revs	Year 3	% revs	Year 4	% revs	Year 5	% revs
E-commerce sales	\$150,000	8%	\$253,500	6%	\$330,750	5%	\$435,000	5%	\$540,000	4%
Brokerage service	\$337,500	19%	\$1,377,000	30%	\$2,496,960	37%	\$3,591,526	40%	\$5,748,121	47%
Processing product revenues	\$1,291,799	73%	\$2,891,320	64%	\$3,979,818	58%	\$4,902,729	55%	\$6,031,069	49%
Total Product Revenues	\$1,779,299		\$4,521,820		\$6,807,528		\$8,929,255		\$12,319,190	

Risk Mitigation Strategies

Below we identify the key risks to the survival of the food hub and the mitigation strategies to overcome those risks.

Market Risk Mitigation - Strong business development is key to the sustainability of the Food Hub, especially when cashflow from funding programs significantly decreases after the first three years of operation. The Food Hub marketing budget provides for a well-designed website; healthy social media and other digital marketing platforms; and direct marketing via trade show attendance and hosting events.

Client Retention Risk Mitigation - The Food Hub will achieve a good level of client retention so long as the Food Hub provides high quality services. On-going customer engagement with existing and prospective clients will ensure Food Hub services and programs remain relevant.

Financial risk mitigation - A real risk is that required minimum funding for this project will not be achieved. While the business plan already includes a phased development approach, this could be extended further by launching with an even smaller facility or working extra hard to secure committed users and therefore raise funds on the strength of those commitments. To reduce financial risks once the Food Hub is launched, the business model relies on a wide range of revenue streams such that if revenues fall short in one service area there is chance that they will potentially be exceeded in another area.

Governance and management risk mitigation - Strong efforts will be made to hire a highly qualified CEO and recruit a diverse and skilled board. Further, the Board and the CEO will meet quarterly to discuss progress against the Food Hub's goals and business plan implementation. This will ensure any challenges and issues that arise are addressed and managed effectively.

Production risk mitigation - The facility operations will be HACCP ready, which will reduce food safety risks. The Food Hub will hire a Compliance Manager during the pre-launch phase who will consult with the kitchen/processing design consultants and building contractors to ensure all building codes and operations meet food health and safety regulations. Staff will also be trained on HACCP product handling and storage processes to prevent cross contamination and risk.

1 Introduction

1.1 Background

For years, the District of Summerland, Summerland Chamber and several regional partners have explored ways to leverage community assets in agriculture and accelerate growth and innovation in the agri-food and agri-tech sectors. Stakeholder discussions began in 2013 with the concept of precision agriculture and opportunities to develop the value-added agriculture/agri-tech sector in the Okanagan-Similkameen region. Several economic development initiatives and sector studies revealed a shortage in food processing capacity and entrepreneurship programming for the agri-food and agri-tech sector. A supplementary information report provided with this business plan provides detailed information on dates of engagement of these initiatives.

In 2019, the Ministry of Agriculture announced the establishment of a provincial Food Hub Network, including a Food and Beverage Innovation Centre at the University of British Columbia (UBC) Vancouver and a series of inter-connected regional food hubs across the province. The food hubs will offer regionally tailored and scalable shared food innovation and processing facilities to their surrounding regions. The Ministry provided funding for both the planning and operation of food hubs across BC.

In response to market research findings, and with new funding available in the agri-food processing sector, the District of Summerland hired Engage, Business People and Solutions, to update the business plan for a South Okanagan Food Innovation and Processing Hub (Food Hub) in 2019. Soon after the business plan was finished and two buildings were identified to house the Food Hub, COVID halted the project. The buildings are no longer available and the needs of businesses in the region have changed.

In October 2021 the District of Summerland was awarded a grant from The Economic Trust of the Southern Interior BC (ETSI-BC) for the Food Hub project. With the grant funds, the District hired Greenchain Consulting and associates to update the 2020 business plan and manage an Expression of Interest process to identify a building partner. The project has been renamed Okanagan Food and Innovation Hub (the Food Hub) to reflect the benefits to the wider region.

Greenchain Consulting and associates, under the direction from the District of Summerland, completed the following tasks:

- Revised the 5-year business plan, reflecting the needs of potential core users while adopting a phased expansion model to improve financial viability. This reduced the fundraising requirement to a projected \$1.4 million in the first 3 years versus \$2.3 million in the 2020 business plan.
- Identified and secured a partnership with Okanagan Crush Pad (OCP) to be the developer and landlord of the Food Hub. This included a Memorandum of Understanding between OCP and the District of Summerland and a draft Offer to Lease agreement, to be finalised when the Food Hub meets in minimum fundraising goal to proceed.
- Developed schematic plans of the Food Hub outlining its size, layout and site position.
- Refined the governance structure in partnership with the District of Summerland and Community Futures Okanagan Similkameen, that allows the Food Hub to attract grant money and reduce the risks for parties involved.

1.2 Vision, Mission, Goals and Benefits of the Food Hub

Based on the above findings the Food Hub's vision, mission, goals and benefits for the region are outlined below. However, as the Food Hub develops the appointed board and CEO should redefine these.

Vision (what we aspire to be)

To be the world leader in innovating, creating and marketing sustainable agri-food products and technologies and redefining the food system.

Mission (what we do, and for whom)

- Build regional agri-food capacity and connect agri-food and agri-tech entrepreneurs to the right resources to develop, successfully commercialize and market new products.
- Help Okanagan communities and its food system become more sustainable, ecologically resilient and economically robust.

Values (what we stand for)

- Integrity matters
- Think like a customer
- Spirited fun
- Collaborations and partnerships are critical
- Approachable, respectful, accountable
- Dare to innovate
- Efficiencies and adaptability
- Sustainability all the way – think it, breath it, love it
- Professional, honest
- Insatiable appetite for learning and growth

Goals (how we will be measured)

Financial stewardship

- Ensure sustainable revenue generation and utilization of the Hub's facilities/resources to ensure long-term viability.
- Monitor and report on new agri-food products, Hub operations and services, and economic impact of the agri-food sector in the region.

Sustainable business and economic growth

- Connect entrepreneurs to a leading-edge support network of innovative agri-food expertise and competitively priced commercial kitchens/food processing equipment.
- Develop innovative marketing strategies to accelerate the commercialization of regional food products, technologies and/or patents.
- Build a strong brand of safe, fresh, high-quality Okanagan-made food and beverage products. Market and sell a diverse mix of regionally made products.
- Increase the number of new products/services that are provided within the region.
- Attract/retain new agri-food businesses and create new jobs in the region.

Program and community leadership

- Advance research and development and encourage innovation through strategic collaboration.
- Deliver meaningful, high-quality programs and services; help individuals towards self-sustainability.
- Help agri-food businesses navigate the complexities of the agri-food industry and accelerate product/service commercialization.
- Redirect and/or reduce agri-food waste in the region.
- Encourage First Nations/Indigenous participation in the Hub.
- Respect indigenous values and traditional knowledge of the land.

Specific targets for the Food Hub will be set by the implementation team.

2 Market Overview

2.1 Overview of Food Hubs and their Merits

USDA defines food hubs as “a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distribution, and/or marketing of locally/regionally produced food products.” The National Good Food Network (NGFN), which co-ordinates food hub benchmark studies, estimates that over 350 food hubs operate across North America, with average annual sales of \$2.8m. In more general terms, a food hub is a local food enterprise or network of local food enterprises in which small and medium sized producers or processors work together to produce local food products and provide them to wholesale or retail customers in the local/regional marketplace. These products are typically sold on a direct to buyer basis without middle agent markups and in a manner that preserves the identity of the initial producer/processor. A food hub can fill many gaps that prevent local food from reaching its full potential and capitalize on the many benefits inherent in the design of food hubs.

Since 2019, the BC Ministry of Agriculture, Food and Fisheries has been developing a Food Hub Network, which consists of a Core Food Innovation Centre at UBC as well as multiple regional food hubs across British Columbia. In 2019, the Ministry formed a partnership with Commissary Connect to be its first pilot food hub. Its primary goal is to test the structure and operation of a food hub and how it enhances the value chain of the regional food system. Since then, 11 other food hubs¹ have been established or initiated in other communities across BC.

A food hub in the Okanagan will be a valuable catalyst to connect agri-food businesses; post-secondary, innovation, and research institutions; local and First Nations governments and other players along the agriculture value chain. This collaborative and regionally tailored Food Hub (headquartered in Summerland) is dedicated to growing the local agri-food economy by offering food producers, value-added processors and agri-tech businesses access to specialized equipment and integrated support services. These services include product development, testing and commercialization; applied research, industry training and coaching; customized business and technical advisory services; brokerage and distribution services; and access to investment.

¹ <https://www2.gov.bc.ca/gov/content/industry/agriculture-seafood/growbc-feedbc-buybc/feed-bc-and-the-bc-food-hub-network/bc-food-hub-network/regional-food-processing-and-innovation-hubs-in-bc>

The Food Hub gives users access to commercial production spaces with specialized food processing and packaging equipment and learning spaces to help them scale up their food enterprises. The Food Hub also improves food security by promoting local food production and increasing access to more fresh and diverse foods.

2.2 Examples of Successful Food Hubs in North America

Below we provide some examples of successful food hubs across North America that highlight a food hub model is sustainable and can support dozens of local food businesses.

Plenty & Grace Food Hub, Surrey, BC

Plenty & Grace Food Hub is part of the BC Food Hub Network and focuses on processing of local B.C. fruits, vegetables, tree nuts and herbs for value-added product production. Key products include salsas, jams, sauces, syrups, antipasto, relish, pickles and spreads. Their facility opened in July 2020 in south-east Surrey, BC, adjacent to prime agricultural land in the Fraser Valley. The HACCP certified building is 4,500 sq. ft., plus an additional 1,500 sq. ft. of dry storage space in a neighbouring unit. The facility is leased at \$8,000/month (\$20/sq. ft, including triple net). They obtained only one grant for \$750,000, which was from the Ministry of Agriculture's Food Hub Network and all additional investment was made solely by the owners or from loans.

The food hub offers the following services:

- Facility rental between \$30 to \$45/hour.
- Storage rental – just dry storage for long term and an overnight cooler. All coolers are small reach in coolers due to space restrictions. However, there is a big need for cooler space from clients.
- Co-packing & private label production.
- BC ingredient sourcing – only as part of co-packing service.
- Food safety and labeling advice – the food hub charges consulting fees and design fees. They have a food safety scientist on contract who they charge out.
- Research and development – focusing on how to produce larger volumes of product.
- Product development.
- Lab services – just pH testing, otherwise they send products out for testing.
- Branding & label design – they have done this for 3 businesses so far, but also recommend other brand agencies.

The facility has the following sections:

- Prep & production room
- Cleaning room
- Packaging & labelling room
- Cold storage – reach in only
- Dry storage – shelving, 500 sq. ft. plus 1500 sq. ft. in another warehouse.
- Staff room & lockers
- Anchor client stations

The facility has the following equipment available:

- 2 Firemixer gas kettles
- Robot coupe vertical mixer
- Steam kettle
- Simplex single head semi-automatic filler
- Accutek single chuck capper
- Vacpack machine
- Automated top labeler with inkjet printer
- Commercial dishwasher

Canada's Smartest Kitchen, Holland College, PEI

Canada's Smartest Kitchen (CSK) is an offshoot from The Culinary Institute of Canada at Holland College. Several staff at the institute identified a gap in the market from repeated requests they were getting from the industry that needed specialized fee for services. CSK, in partnership with Cavendish Farms, built a \$7m building that provides:

- R&D Kitchen
- Smart boardroom
- Sensory lab
- Photo studio
- Demonstration kitchen

CSK offers the following services to small and large businesses across a broad section of categories including seafood, beverages, pulses, alcohol, flavour houses and edible cannabis:

- Food product development
- Sensory & consumer science
- Market insight
- Food styling
- Corporate chef services

CSK also has close partnerships with other organizations in the region that offer services and facilities CSK doesn't have (e.g. co-packers and processing facilities). Around 50% of their clients are from the Atlantic Canada region and the remaining 50% just outside this region, with contracts tends to be from \$2k to \$70k. CSK still relies on some grants for revenues and employs 12 highly qualified staff.

Food Starter, Toronto, ON

Food Starter is a food incubator program in Toronto that includes a 20,000 square foot shared processing and packaging facility, business advisory services, and a structured training program to help entrepreneurs build and grow their food processing business. It is designed to mentor entrepreneurs over a one-year period. They have five shared use kitchens designed to process: soups and sauces, prepared meals, salads and condiments, catering and food truck items, and commercial bakery products. The kinds of specialized equipment provided in these kitchens are listed below. It generally costs \$25 to \$35/ hour to rent the kitchens. The City of Toronto and Growing Forward 2, a federal-provincial-territorial initiative, support this enterprise. This example provides a good illustration of the kinds of specialized equipment that food entrepreneurs might need to access.

Selected equipment available through Food Starter

Kitchen equipment

- 57 litre bowl mixer
- Reversible dough sheeter
- Hot water bath for delicate foods
- Immersion blender
- 60-gallon steam kettle
- Gas top braising pan
- Hot and cold filler mixer
- 2 speed commercial blender
- Heavy duty food cutter
- Bottle and jar capper
- Semi-automatic bun divider

Packaging equipment

- Heavy duty weigh scale
- Printer and labeler
- Vacuum Sealer
- Packing equipment

Western Montana Growers Coop

Western Montana Growers Coop is one of the largest aggregators and distributors of local foods in Montana. They launched with just 7 growers in 2003 and have since grown to 65 Montana producers. About 50% of their sales are produce (25% are eggs and the remainder are other food products like honey). They deliver to over 300 wholesale customers to about 2/3s of Montana. About 65% of their wholesale customers are retailers, while 25% are restaurants and 10% are institutions and 5% are other. They also offer a CSA program to 350 subscribers. They operate out of a 6,500 square foot warehouse and have 4 large delivery trucks.

By keeping its operating costs low, the Coop has managed to be fairly price competitive with products imported from outside the state. This is possibly the single biggest reason that the Coop has managed to grow to more than \$3 million in annual revenues. Because of its Coop

philosophy, WMGC is much more open to distributing its products through third party channels and even through direct competitors to reduce its overall distribution costs. A key success factor for the co-op is that it is 100% producer owned so all decisions made by the co-op are aimed at improving the welfare of each producer.

Sprout Kitchen, Quesnel, BC

Launched in February 2021, Sprout Kitchen is a small-scale food processing and innovation hub that serves the North Cariboo Food Hub Region, which has a population of around 40,000 people. A member of the BC Food Hub Network, Sprout Kitchen provides space and support for emerging and existing food entrepreneurs to get their ideas off the ground or scale their business for new markets. Sprout Kitchen is an initiative of the City of Quesnel with generous support from the BC Ministry of Agriculture and Northern Development Initiative Trust.

Sprout Kitchen spent \$400,000 on leasehold improvements, including the old cooler and freezer, to an old 7-Eleven. The spent ~\$250,000 on equipment which will include a refrigerated delivery vehicle. Ongoing rent is \$2,000/month, including utilities with staff wages around \$3,500/month. Their revenues come from a mix of the following services:

- Kitchen Rental - starting at \$20 per hour (up to 8 businesses at one time)
- Workshops - \$50 - 75 per person
- Consulting - \$75 per hour
- Delivery Vehicle \$7-12 per delivery
- Co-packing \$25 - 30 per hour
- Cold Storage Rental - \$70 per shelf per month
- Sales of packaging supplies - will vary month to month
- Food lab tests - \$35 per test
- Advertising Alliance - based on membership fees
- Member Fees - range from \$100 to \$350 per year

Facilities and equipment include testing and packaging equipment, cooler and freezer storage, delivery and distribution infrastructure, outside vegetable washing station, and a rentable pop-up canteen and food truck. The kitchen has a strong connection with Long Table Grocery, which already provides local grocery home delivery to over 300 households in the region.



Figure 2 Sprout Kitchen, Quesnel under renovation. Photo courtesy of Sprout Kitchen

2.3 Overview of the Okanagan Food Economy

The Okanagan agri-food business sector is well positioned for growth and investment. The Okanagan Valley is a productive agriculture region and the South Okanagan-Similkameen region is a leader in fruit and vegetable production. Cherry production has increased significantly since 2016, faster than any other fruit crop. In a typical growing season, 10 and 25% of total fruit production are culls so a major opportunity exists to divert it back into the food system for value-added processing.

No Okanagan value-added food product co-packers are listed in the BC Food and Beverage Association (BCFA) directory and only two commercial kitchens in the Okanagan rent out commercial kitchen space.

According to the Interior Health Authority (IHA)'s Inspection Records, 260 food processors operate in the Okanagan and that number has grown significantly in the last five years. A vast majority of these are small-scale food processing businesses, many of which began as a hobby operation and lack the business and technical food skills to effectively market their products, access new markets and scale up production.

Growth of the food processing industry has been a global phenomenon. In BC, food and beverage manufacturing generated over \$10 billion in sales in 2018, a 4% increase over 2017, and almost 15% over the previous five-year average. BC consumers and companies are the main buyers of BC products, They purchases \$6.4 billion worth of BC products while \$4 billion worth were sold to other parts of Canada and \$6.4 billion to global markets. Demand is rising for local foods, sustainable products, global and cultural foods with authentic tastes, plant-based foods, food that meet specialty diets (e.g. gluten free, dairy free, low sugar, etc.) and clean, natural, low-processed ingredients.

In Canada, snack foods are one of the fastest growing product categories. Other categories experiencing rapid growth include ready-made meals, sauces/dressings/condiments, sweet spreads, frozen processed and dried fruits and vegetables, meat substitutes and ready-to-drink coffee and tea products. These products all align nicely with the Okanagan's agri-tourism and wine and craft alcohol sectors.

The growth of the food and beverage processing industry has created interesting opportunities for local food producers and processors to market and sell unique, value-added food products. Busier lifestyles and more affluent consumers have increased demand for snack foods, processed frozen and dried fruits and vegetables, pre-made meals, healthy soups, pre-mixed drinks and other food products.

BC public institutions plan to source 30% or more of their purchases from BC agri-food businesses but they are challenging to serve because they are very price sensitive, require certifications, and need large and consistent supply. However, a Food Hub can help to reduce these barriers.

2.4 Needs of Agri-food Businesses in the Region

This section highlights the results of the amalgamated feedback, including the services and equipment required by agri-food businesses in the region. A supplementary information report provided with this business plan provides detailed information from the engagement sessions with key stakeholders. Feedback from potential users was obtained in multiple ways including:

- Focus groups (30 people) and personal interviews (82 people) conducted in 2017 with agri-food and agri-tech entrepreneurs and industry stakeholders.
- A focus group in fall 2019 with 14 agri-food businesses that had an interest in using a food hub as well as personal interviews with 85 other food producers and processors.
- Interviews and surveys conducted in March 2021 by a graduate student with several potential businesses/farmers from Central Okanagan and South Okanagan - Similkameen.
- Personal interviews conducted in 2021 with 9 agri-food businesses (core businesses) that signed a letter of support for the Food Hub.

Potential user needs from the above outreach include:

- No shared food processing facility exists in the region.
- Suitable commercial kitchen and food storage space is lacking in the region.
- Users need business and technical/scientific support to develop or market new products.
- Users find it difficult to access capital or it takes longer to acquire than anticipated.
- A food hub could provide networking opportunities, pitch sessions to investors and access to financing for new food businesses or business wanting to expand.
- Dozens of food producers stated they would use one or more services of a food hub.

Core user needs from the above outreach include:

- Nine businesses (the “Core Users”) expressed a willingness to invest \$5,000 to \$20,000 in the Food Hub as they see it as vital to the expansion of their business.
- Equipment needed by these core users includes: fruit slicer, corer, de-stemmer/pitter, destoner/puree blender, steam kettle, line bottle filler, carbonated filler, processing vats/canning, hot and cold fill, chamber pasteurizer, labeler and coder, cold water bath, chamber dryer, and freeze dryer.
- Three of the core users said that a HACCP facility would be essential to their business.
- Two Okanagan groups stated they would likely rent seed cleaning equipment.
- Other core user needs for a commercial kitchen at the Hub include:
 - Wash and prep space with compartment sink and stainless-steel counter tops.
 - Gas cook tops and convection/conventional oven.
 - Commercial dishwasher, stock pots and pans, bowls and industrial mixers.
 - Plenty of lockable dry storage room.
 - Flash frozen, cold press and cold pasteurization technologies.
 - Two temperature-controlled spaces (e.g. cool side for baking and room temperature for fermented foods).
 - The core users plan to process the following plant-based foods in the Food Hub: preserved fruits/vegetables; jams and spreads; dressings and marinades, salsas, and sauces; non-alcoholic beverages and mixes; dried fruits and vegetables; bakery products; dried spice mixes and “bar” wrapping (granola bar, fruit leather, energy bar).
- The core users will likely use the facility for 250 days/year from May to December while other businesses would likely use the facility for 130 days, primarily from June to November.

- Most core users expressed strong interest in using additional Food Hub services such as co-packing, training, product development, marketing, distribution (especially to customers outside the Okanagan) and storage.

Further details on the market research and the market overview can be found in a supplementary information report provided with this business plan.

2.5 Current Food Hub Type Services in the Region

There are several services in the region that would be typically found in food hubs. These services could also be deemed regional competitors of the proposed Food Hub. These are described below:

Food hubs. Over the past few years the BC Ministry of Agriculture has supported the development of a food hub network² around BC. Two of these food hubs are 2 to 3 hours drive from Summerland. While they are not considered direct competitors or fill the needs identified above by regional producers, because of their location, they define the Food Hub's region around Summerland. These food hubs are:

- **Zest Commercial Food Hub, Salmon Arm**³ – opened in November 2021 offers shared food and beverage processing space, equipment and services.
- **The Stir, Kamloops**⁴ – to open early 2022 will provide kitchen facility rentals, business mentorship, and community support to help local food entrepreneurs start and scale-up their business to reach a wider market. The Stir will specialize in canning and dehydration and will offer; specialty food processing and packaging equipment, dry and cold storage, warehouse space, as well as a retail store and pop-up event space.

There were other food hub type services in the region, but they no longer operate or don't operate as a shared facility:

- **Kootenay Boundary Food Hub, Rock Creek and Greenwood** – opened in 2020 and offered a co-packing and processing kitchen to meat producers in Rock Creek and a bakery test kitchen to processors in Greenwood. There is a lack of information about the status of the food hub, but it is assumed it is not operating anymore and private businesses are using the facilities.
- **Okanagan Food Hub Co-op** - was an aggregation and distribution service for local farmers and didn't quite get off the ground.

² <https://www2.gov.bc.ca/gov/content/industry/agriculture-seafood/growbc-feedbc-buybc/feed-bc-and-the-bc-food-hub-network/bc-food-hub-network/regional-food-processing-and-innovation-hubs-in-bc>

³ <https://zestfoodhub.ca/>

⁴ <https://www.thestir.kitchen/>

- **Okanagan Nation Alliance, West Kelowna** - has a commercial kitchen and distribution arm and was considering operating as a food hub but decided to focus on its own products and its member fisheries.

Commercial kitchens. Three community kitchens operate in Summerland that are available for rent: Harrold Simpson, Summerland Arena and the Anglican Church. These kitchens typically charge \$25/hour. One community kitchen in Oliver offers rates that are well below that (\$300/mo; \$50/day).

Most communities in the Okanagan have municipal parks and recreation facilities and local community halls with commercial/community kitchens for rent. These kitchens have major limitations, such as no permanent storage with lock-up, restricted rental days/hours, and facility's programming interruptions. In addition, most are not set up for commercial production as they do not meet the minimum standards required by grocery retailers and cross-border sales.

Saj's Common Kitchen in Kelowna is the most comparable kitchen in the region. They charge \$18/hour for full-time clients and \$25/hour for part-time clients but do not have processing or packaging lines.

The Valley Kitchen in the Slocan Valley rents its commercial kitchen to local food businesses and community groups to host educational workshops, food events and pop-up restaurants. It also has an artisan café that sells locally produced foods. Equipment includes commercial ovens, range, walk-in fridge and freezer, mixers, dishwasher, and cold and dry storage.

Co-packers. Most value-added co-packers in BC are in the Lower Mainland. Okanagan Mobile Juicing is the only Okanagan co-packer listed in the BC Food and Beverage directory and it provides mobile juice press and packaging services in the region. Kelowna based Natures Formulae used to offer custom manufacturing, co-packing, and private labelling of natural health products, leaving an opportunity in the market for another business to offer this service. However, they never offered 'wet' food processing or dehydration services.

Brokerage and distribution services. Distributors and local food delivery companies distribute produce and value-added food products throughout the region. Most charge a fee of 30 to 40% of wholesale prices, leaving limited profit margin for the value-added producers. Most do not offer marketing and sales support as part of their client agreement. These companies include:

- **Valley Direct Foods** – sells local products to restaurants and grocery retailers in the Okanagan, Kootenays and Langley areas.
- **Canadian Choice Wholesalers** - an importer & distributor of natural specialty & organic foods and beverages in Western Canada.

- **Indigo Natural Products Management** – distributes natural foods to natural and organic food retailers, grocery stores, Costco/Club and others across Canada.
- **Left Coast Naturals** – organic/natural food manufacturer and distributor of 27 brands, 200 bulk foods and their own brand to grocery, specialty, and natural food stores in Western Canada.
- **Nationwide Natural Foods** – distributes domestic & imported products to retailers across Canada that offers natural, organic, gluten free, vegan, & vegetarian products.
- **Snow Cap Enterprises and Snow Cap Interior Food Service** - large supplier and distributor of fine baking, pastry, and food service ingredients to British Columbia and parts of Alberta.
- **Sysco Canada** – a major distributor, mostly to restaurants and public institutions across Canada.
- **Centennial Foodservice** - a seafood, poultry and premium meats foodservice and distribution company servicing Western Canada.
- **LCG Foods**: distributes to over 500 independent Natural Food retailers across Canada. They distribute unique, organic, gluten-free, low carb & keto compliant wholesale health foods.
- **Tree of Life Canada** – a distributor of natural and organic food, on-trend products.

Most of these distributors require a minimum sales volume, which most food producers/processors cannot meet and therefore their products do not get considered.

Food testing Laboratory. Four food and beverage testing labs operate in the Okanagan, including:

- CARO Analytical (soil, water, foods and cannabis focused);
- BCBTAC (fermented beverage focused);
- Okanagan Wine Lab (wine focused); and
- Innovate Phytoceuticals (natural health products, foods, agriculture, meat and dairy, cosmetics, pet products, cannabis, and other).

Classroom/large meeting room rental. Most chamber offices, parks and recreation facilities, libraries and other venues offer meeting room rental at about \$20 to \$25/hour. Some of these facilities only have small, 10 to 12-person meeting room spaces and aren't large enough to accommodate workshops and networking events for larger groups (20+ people). Very few facilities in the region offer larger classrooms for rent, but those that do typically charge \$45 to \$50/hour.

Agri-food Business Accelerators –Bioenterprise Corporation, a national business accelerator in the agribusiness and agri-food sector has collaborated with Farm Credit Canada (FCC), a national agriculture lender. The partnership provides regional resources across Canada to deliver mentorship and support services to agri-food and agri-tech entrepreneurs. Businesses have direct access to Bioenterprise’s expertise and additional resources can be accessed through a services network.

Conclusion About Regional Competition

A definite gap in the market exists for the proposed services the Food Hub intends to offer. No commercial processing facilities offer the range of equipment needed by food entrepreneurs or meet the health standards required by grocery retailers and distributors. In addition, no ‘one stop’ referral service exists to help entrepreneurs navigate the complexities of the agri-food industry.

A key premise of the Food Hub’s model is collaboration and partnerships for effective and efficient delivery of services. The idea is to refer clients to the right resources, based on their skills, knowledge and business goals. The Food Hub also provides an opportunity for agri-food businesses to share marketing, sales and distribution services through a common facility. It is important that the Food Hub does not duplicate services that are already provided effectively in the region, but instead fills a gap and/or compliments service offerings provided by others.

2.6 Expected Benefits to the Regional Agri-food Sector

Economic stimulus. The Food Hub will significantly increase local incomes, employment, tax revenues, business development and exports. The agri-food processing and agri-tech sector has extensive linkages with many other sectors. The Food Hub should also help attract seed and early-stage financing to the region, creating spillover benefits for the wider regional economy. Further, businesses with access to business/technical expertise and programs (that the hub offers) have a greater chance of success.

Increase farmer income through increased sales of a more diverse mix of value-added products. The Food Hub will help farmers develop new value-added products and scale-up production, giving them access to new channels and greater market reach. Producers should also receive significantly higher margins for their products by transitioning into value-added processing. Moreover, the Hub’s food preservation, packaging and other specialty equipment will help them extend their sales season and possibly allow them to achieve a higher price point.

Expected Social Impacts

Job creation. The Food Hub will provide access to higher paying jobs for seasonal workers, technical staff and managers. Through the services offered by the Food Hub, growers can convert more of their crops into value-added agri-food products, as well as scale-up production and generate higher sales year-round. Moreover, the agriculture employment multipliers are high within the agri-food production and processing sector - 1.5 to 5x (Dr. Roly Russell, 2017).

Improve community health and access to locally produced foods. The Food Hub will increase the availability of healthier, fresher, value-added products for local consumers to buy.

Environmental benefit and food security. Many Okanagan farmers/food innovators must travel to Vancouver or Alberta for food processing and product development. The Okanagan has sufficient agricultural production in chickens, fruit and other crops to warrant a local processing facility, particularly in peak months. This reduces the travel costs for producers and reduces the need for consumers to buy imported products that travel long distances. It also improves food security by reducing dependence on imported foods that may have shortages during extreme weather events.

Innovation growth and skills development that meets local needs. The Food Hub partnerships will provide business, technical and scientific workshops, training, a proposed sustainable farm school and apprenticeship opportunities to agri-food businesses, youth and students (See Operational Plan). Moreover, the Food Hub's facilities and services promote opportunities for social networking and cross collaborations with stakeholders, such as researchers.

Conclusion of the Benefits of a Food Hub in the Region

The full impact of the Food Hub may take a few years to materialize, but when it does communities will enjoy better food systems, greater food security and stronger economic/revenue growth. A three-year study by Cornell researchers suggests that growth in local farm aggregation and distribution businesses may provide economic benefits to local communities. Another U.S. Department of Agriculture study found that medium-scale farms benefited the most from the services that food hubs provide, especially freight and storage facilities, and access to new wholesale markets. Those businesses, in turn, were more likely to spend their money in the local economy than commodity-based businesses and had important "multiplier" impacts. In summary, the region is well poised for welcoming a food innovation and processing hub that can be a catalyst for growth in the agriculture and agri-food industry. A strong and sustained commitment is essential to leverage the assets, resources and people that we have in this region.

3 Operations Plan

The following chapter outlines how the Food Hub will be developed in phases and the services it will offer at each stage. It will also describe the potential location, space requirements, and layout of the Food Hub facility.

3.1 Phased approach

The Food Hub needs to balance financial fiscal responsibility and the ability to provide adequate services and facilities for its clients. Most North American food hubs are either non-profits or for-profits that take a few years to reach profitability and then earn minimal profit. This allows the food hubs to provide services, facilities and programs at a price that allows small and medium sized businesses to grow their business and reach new markets. Because the Food Hub does not have large, guaranteed sources of funding, it is prudent for the Food Hub to use a phased expansion approach. Adopting this approach allows the Food Hub to reach financial breakeven sooner and at a lower cost while providing key services and facilities to the initial users. As demand for the services and facilities grows, the Food Hub can then offer additional services and facilities. These phases are described below.

Phase 1 – Prelaunch planning

This phase has already started and will continue until the Food Hub is operational, or the project is put on hold. This phase is a large undertaking and will need to be steered by an appointed staff member, ideally a project manager who is well connected in the regional agri-food industry. Currently, the project is being jointly managed by the District of Summerland and Community Futures Okanagan Similkameen. The top priority for the project manager will be to secure sufficient funding from various sources to cover the costs to set up the facility and cover operational losses for the first year or two. Once funding is in place, the project manager will need to focus on the following key areas:

- Formalise the relationship with the landlord and work with them to design, plan and construct the Food Hub facility. Further details can be found in the Location and Facility Overview chapter.
- Establish a governance and ownership structure and formalize tenancy agreements with the initial core users.
- Buy the equipment and complete the leasehold improvements that the core users need.
- Develop protocols and procedures for the shared use of the facility.
- Employ and train staff.

- Finalize the list of initial services and facilities, including the related fees and operational details.
- Promote the Food Hub with the goal of signing up additional users, prelaunch.

A detailed list of further steps in this phase is outlined in the Implementation Plan.

Phase 2 (year 1) – Offer services to the initial users

The second phase represents the first year of operations once the Food Hub has been built. To help manage costs and based on the needs of core users the Food Hub will initially provide the following programs and services:

- A shared use, HACCP-certified, 3,000 sq. ft. food processing facility for processing plant-based foods (mainly fruit). Clients will be able to rent space for a minimum of 24 hours a month for 4 months and have access to basic commercial kitchen equipment and storage space.
- 1,000 sq. ft. of storage space for all three temperature zones: dry, chilled, and frozen. For clients to rent daily or long term to store food and packaging.
- 1,000 sq. ft. of office space and meetings rooms available to clients.
- Qualified food processing staff to help clients with their production needs.
- Product development consulting services to support clients with product development, processes, ingredients, and regulations.
- Co-packing services where client provides the raw ingredients, packaging, and recipes for the Food Hub to process and package their food products.
- A distribution and brokerage service that primarily focuses on servicing outside of the Okanagan. This service is to be provided when there is a wide enough range of products to offer wholesale buyers.
- Business accelerator that provides courses and workshops on business management, food processing, marketing etc. provided by 3rd party partners such as Community Futures and the Ministry of Agriculture.
- Brand consulting services to support clients with brand development, package design, labels etc.
- Off-site equipment rental for those clients wanting to rent equipment longer term to be used at their own facility. For example, there is a need for seed cleaning equipment in the region.

Further details can be found in the Programs and Services chapter below.

Phase 3 (year 2) – Expand services and programs and launch a distribution and brokerage service

As the Food Hub becomes established and it understands its clients' needs better the Food Hub will have a clearer idea of which services and programs to expand and which new ones to offer. At this stage it may also secure longer term users and operators. If the current facility, services, and programs is meeting the needs of its clients then the Food Hub will not expand its offering. Based on previous feedback it is envisioned at this stage the Food Hub will look to expand the processing facility area by up to another 2,000 sq. ft. and 1,000 sq. ft. of storage. With this additional space the Food Hub will purchase larger processing specialised equipment which will be provided at an additional charge. It is also envisioned the Food Hub will offer the following:

- Specialized processing equipment provided for an additional charge with qualified food processing staff to help clients with the equipment.
- Once it starts to offer a wider range of local products, the Food Hub could establish a wholesale online marketplace. This will attract additional buyers and make it easier for current buyers to order additional products.

Further details can be found in the Programs and Services chapter below.

Phase 4 (years 3 to 5) – Expand distribution/brokerage service and launch food testing service

As the distribution and brokerage service becomes established and product volumes increase, it will be expanded to cover a larger geographic area, possibly working with 3rd parties to distribute product across Canada and into the States. The service could also distribute product for non-Food Hub users.

While food testing services are already provided in the region, the Food Hub could also offer this service because it will have become a central location for multiple food producers. By year 5, the Food Hub will hopefully become a one stop shop for food processors offering all the services and facilities they need to get product to market.

Further details can be found in the Programs and Services chapter below.

3.2 Programs and Services

The Food Hub will provide the following services based on feedback from food producers and processors.

Production – commercial kitchen/processing facility

Many interesting food and beverage products are available at local farmers' markets or at farm gate, but a very small proportion of those products are sold outside these channels. Other channels such as the specialty grocery chains require consistent and large volumes of product on a weekly or bi-weekly basis. Small-scale food processors find it difficult to invest in equipment to scale-up production or do not have production space that meets food healthy and safety regulations required by these buyers. The Food Hub will be HACCP certified and have food production equipment on site to eliminate these market barriers and meet Interior Health Authority's food premise regulations. See the Supplementary Information document for a list of equipment.

Commercial kitchen/processing facility. Entrepreneurs will be able to access the Food Hub on a subscription basis. Because the facility will be HACCP certified there will be no drop in opportunities, because the orientation will be too timely and costly. The facility will be open 24 hours 7 days a week.

Commercial kitchen equipment. Basic commercial kitchen equipment will be available to clients and be included in their hourly rental rate. Specialised equipment will be an additional cost (see below). Basic equipment includes:

- Wash and prep space with compartment sink and stainless-steel countertops;
- Gas cooktops and convection/conventional oven;
- Commercial dishwasher, stock pots and pans, bowls and industrial mixers;
- Two temperature-controlled spaces (e.g. cool side for baking and room temperature for fermented foods).

Client Fee. Clients will need to commit to a minimum number of hours to be used within a year. Fees are based on a sliding scale depending on the number of hours they need.

Type	Hourly Rate
75 to 100 hours	\$40
100 to 200 hours	\$35
200 to 300 hours	\$30
300 to 400 hours	\$25
>400 hours	\$20

Pricing Strategy. A fixed pricing - value pricing strategy was used that considers the value a food producer places on accessing the facility and equipment (e.g. savings in labour, increased product output available for sale, more time with family, etc.). Pricing worksheets for equipment rental were created that consider equipment capacities, time savings and average volume of input. Further review should be implemented once equipment specs are finalized. Discounts may be considered to encourage kitchen use during non-peak hours.

Large onsite specialised equipment rental. In addition to the basic commercial kitchen equipment some clients will need specialized equipment such as a chamber dehydrator, radiant buoyant dehydration system (also known as a refractance window dryer) and packaging equipment. In year 2, if the Food Hub can raise capital, these will be available to clients renting space in the processing facility and will be charged by the hour. In most cases the equipment will come with qualified staff from the Food Hub.

Qualified food processing staff. An Operations Technician will be on hand for clients needing specialist support for their processing needs. In year 2 they will be required to operate and run specialized processing equipment (included in the hourly fees) and food processors will be able to assist. If the batch run requires additional labour or if the client requires additional support elsewhere, the client will need to inform the Client Services Coordinator in advance to make arrangements. An additional fee of \$25/hr will be charged.

Orientation. All members will need to participate in an orientation session prior to using the equipment at the Hub. The orientation session will include information on standard operating procedure, safety, culture, cleaning protocol, booking/scheduling and other areas.

Scheduling platform. Members will be able to schedule equipment/rooms at any location on the Food Hub network using an [on-line booking tool](#) featured on the Food Hub website. The Ministry of Agriculture has proposed to provide a common technology platform that will be able to manage facility bookings and administration across the different locations.

Product development consulting services. Food scientists/technologists and subject matter experts will provide technical consultation to clients at the Food Hub facility, partner locations, and/or by conference call on a fee-for-service basis. They take businesses from proof of concept to a viable commercial product. These individuals are part of the network of coaches and mentors that already exists amongst partner organizations.

- **Client Fee:** ~\$75/hour (consultants charge the Food Hub ~\$55/hour)

Storage services

Food Hub facility will provide storage, primarily food storage, but also ambient dry storage for items such as packaging and shelf stable products. A large walk-in cooler and freezer will be partitioned into various sizes with their own entrance and shelving. This will help with security, temperature and quality control and any specific licensing producers need to obtain (e.g. segregation for organic certification). Communal coolers, freezers and dry storage space will also be available for those wanting smaller spaces at more affordable rates.

Producers will have full time access to the storage, which can be rented on a short term or long-term basis. The Food Hub will also offer warehousing services including receiving, stocking, breaking down and prepping orders.

Table 3 List of the Food Hub’s warehouse services and fees

Service	Size (sq. ft.)		Fee Schedule
	Year 1	Year 4	
Cooler (double pallet high)	500	1,000	\$40/month/pallet, \$4/month/box
Freezer (double pallet high)	250	500	\$50/month/pallet, \$5/month/box
Ambient (triple pallet high)	500	1,000	\$30/month/pallet, \$3/month/box
Unloading and stocking			\$15 for 1 st pallet and \$5/pallet
Assembling pallets			\$15
Administrating sales			\$30/30 minutes
After-hours access to hub			\$15/hr
Shipping/receiving station			\$10.00/month
Total	1,250	2,500	

Note: long term storage or service needs can be negotiated on a case-by-case basis. Food Hub users will have first priority to access available space over outside businesses.

Clients will be given information about the facility and services and a tour of the facility before making any commitments. Inventory will be managed by updating inventory in a centralised inventory management database called Sortly, at a cost of \$400/year. Any inventory added and removed from storage will be recorded. All clients will need liability insurance, have their own food safety plan, and must sign the Good Manufacturing Practices (GMP) waiver form and an agreement. Meat producers can only store frozen, government-inspected meat.

Clients can store produce, dairy, prepared meals, and value add products, which can also be stored in the same location (e.g. organic versus non-organic), if all protocols are followed.

Clients cannot use the forklift trucks or reach-in trucks but can access the warehouse at certain times to do their own picking, packing, and stocking. They can also use the pallet jacks and other basic equipment while in the facility. The Food Hub will have procedures for food handling and storage, as well as labels and paperwork for users to use and to make sure the facility and the products maintain integrity.

Meeting room and office space

A large meeting room that can accommodate up to 25 people (700 sq. ft.) will be used for board meetings, networking events, conferences/ seminars and other programs and services. It will also be available to rent to Food Hub members, partners and third-party organizations. The room will be equipped with a large TV for conference calls/webinars, whiteboard and markers, Wi-Fi connection and access to a lunchroom (tea, coffee, water). It will also have a retractable wall so that the room can be split to accommodate two smaller meeting spaces for flexibility. At least one workshop will be delivered at the Hub per month. When the meeting room is not in use, it will be available as a co-working space.

Two small meeting rooms, large enough to accommodate up to 8 people, will also be available for rental (about 100 square feet each). A third room will be an office for the food hub manager.

Table 4 Room Rental Rates

Requirement	Member Rate	Public Rate
Large Meeting Room	\$50/hour, min 3 hours	\$75/hour, min 3 hours
Small Meeting Rooms	\$20/hour, min 2 hours	\$25/hour, min 2 hours
Co-working space	\$300/month \$30/day	\$350/month \$35/day

Co-packing services

Some users have expressed an interest in co-packing and some food hubs, such as [Plenty & Grace](#), state the service is very popular and growing. Co-packing is a service where a business employs the food hub, its equipment, expertise, and staff to make the products on behalf of their client. In most instances the client provides the recipe and the ingredients and, in some cases, the packaging. Sometimes the product and process are developed with the co-packer, using their expertise. Fees will be on a case-by-case basis depending on the level of involvement of the Food Hub (complexity of the process, time involvement of the co-packer).

The Food Hub will consult with the client on their needs, provide recommendations and develop a schedule and fee. Fees are typically charged for a given period (e.g. 8 hours) and/or number of batch runs. Fees typically work out between 25 cents to 75 cents per unit and a batch run costs between \$300 and \$750/run.

The benefits of co-packing to the client are:

- It saves them time and allows them to focus on other areas of the business (e.g. sales, farming).
- Product quality may be higher as it is made by professionals in a purpose-built facility.
- Improved cost control to help manage cash flow and profitability.
- New product ideas working with experienced food processors and new equipment not normally available to smaller processors.

Once the products are made, the client can arrange to ship them to a storage facility or pay the Food Hub to store the product and manage their own shipping to their customers.

Brokerage, distribution and on-lines sales

The Food Hub will pilot a brokerage and distribution service when there is enough range of products available for wholesale buyers. The service will focus on regions outside of the Okanagan where there is an interest from core producers but will also target wholesale buyers within the region whose needs are not being met. Many producers do not have time to market their products given the demands of the growing season, especially for markets outside of the Okanagan.

The Food Hub will hire a Salesperson/Distribution Coordinator to facilitate the sale between the clients and distributors/wholesalers, specialty retailers, restaurants, and other buyers.

Brokerage service

Food producers will provide a list of products to the Food Hub that they would like to sell. This could include products that the producers have not yet produced but will produce if there is a buyer. In this case, the Food Hub will email all potential buyers and determine who may wish to carry to product. Once it has found a buyer to carry the product, the Food Hub will arrange for the sale, receive payment from the buyer, and pay the producer for the product less its brokerage fee. The brokerage service will likely be used to arrange larger orders, especially outside the Okanagan region, that may be delivered over multiple weeks.

Distribution service

Based on feedback and demand, this service would likely start off by arranging shipment to regions outside of the Okanagan. This would begin with 3rd party distributors and potentially expand to the Food Hub's own truck if there is enough volume to make it economical.

- **Third Party delivery** - All orders where the producer has agreed to third party delivery and where the buyer has specified that they want delivery, will be scheduled by the Food Hub. Buyers will also be given a choice to do pick-up for a discount. Third party distributors that handle food and distribute throughout British Columbia and Alberta will be contracted to fulfill orders. Orders will be dropped off at the Food Hub the day before pickup to be picked up by the third parties for delivery the next day. The delivery schedule will be determined by the third parties and posted to the website for customers to see. Working with multiple third parties will broaden the market opportunity. For example, Clark Freightways handles frozen and chilled items, Horizon Distributors has a focus on grocery retail stores and Sysco and GFS deliver to the food service sector, including public institutions.
- **Food Hub delivery** - Once enough volume has built up, the Food Hub will lease or purchase their own truck. The Food Hub will only launch this service if it is confident, it can fill the truck 60% or more for 3 days per week. The Food Hub will initially target selected regions to densify the deliveries (e.g. Calgary, Edmonton and Metro Vancouver). As demand increases in other regions the Food Hub will offer deliveries on their own truck to these regions on a defined schedule. A local driver will be responsible for delivering the orders to each of the customer locations. The delivery vehicle will be enclosed, have air conditioning and be able to carry up to 60 cases or tote bins of products. The truck(s) will be equipped with a loading ramp (for ground or dock level loading), shoring bars (to keep the cases from toppling over), and insulating blankets or dry ice containers to keep products cold.

Wholesale online sales

An e-commerce platform will be added to the Food Hub site that can accommodate wholesale on-line purchases and offer the following features:

- Producers/processors can upload their product information.
- Inventory and accounting programs will be linked to the platform.
- Customers can purchase a range of products and have them delivered or picked up at the Hub.
- The Client Services Coordinator will arrange for packing, storage and delivery of products.
- Regional delivery providers will deliver products on a weekly basis.

Table 5 Service Commission Rates

Type	Commission
Brokerage Services	5% of wholesale price on finished products sold
Distribution Services – 3 rd party	5% of wholesale price on finished products sold
Distribution Services – Food Hub truck	25 -28% of wholesale price on finished products sold

Business advice and technical training

Business advisory services. The Food Hub will actively connect clients to partner services and programs. The Food Hub will have an extensive network of agri-food business coaches and mentors who provide technical expertise and commercialization support. The CEO will collaborate with partners to plan for and execute workshop and program delivery.

Coaching sessions can be delivered at the Hub’s meeting room/office or at another location agreed upon by the coaches and client. Engagement agreements will need to be established (during implementation phase) between client and the Food Hub, as well as between coaches and the Food Hub.

Coach network. The Food Hub will create a database of pre-qualified coaches and mentors that have significant experience in the agriculture and agri-food processing sector and list them on the Food Hub website. Most of Food Hub’s partners already have a network of coaches and mentors for their own program delivery and an MOU will need to be set up to extend the network to the Food Hub.

Ideally, these coaches/mentors have had their own food processing business; are research scientists who have provided technological and scientific expertise to entrepreneurs in the development of their products/services; or are business/marketing/professional consultants who have helped clients in the industry at various stages of their business (from idea to start-up to scale-up mode). This network may also include professors/instructors at educational institutions and industry association representatives.

The Client Services Coordinator will provide general advice and referrals to agri-food businesses, such as access to resources, reports, funding programs, government stats, and professional services firms. One focus group participant said it would be great if there was a 1 or 2 nights/week drop-in option to access mentors in real time to answer questions.

- **Client Fee:** \$75/hour. If clients pay \$1,600 up-front for a 32-hour package (one 2-hour session per week, every week for 4 months), they can receive a 10% discount.

Funding/Investment. The Food Hub also facilitates entrepreneurial access to funding/investor engagement with CFOS, Accelerate Okanagan (AO) and/or other partner members. The Client Services Coordinator will help entrepreneurs identify potential grants and funding revenues. CFOS can finance membership at the facilities and provide loans for working capital and inventory as well as facilitate equity investment.⁵ Summerland Credit Union also has a capital fund program for new business ventures. Valley First, Bank of Montreal, Royal Bank and other financial institutions have business advisory programs that provide customized packages.

- **Client Fee:** MOU established with finance partners. A small referral fee can be considered.

Training and education. Potentially in partnership with AO, Okanagan College (OC), Community Futures Okanagan Similkameen, UBC-Okanagan, government agencies and/or industry associations, the Food Hub will coordinate and/or market workshop and course delivery. These workshops can cover topics such as business planning; food processing operations and technologies; navigating the food health and safety regulations; lean manufacturing; social media and branding; and other training that is customized to the agri-food industry.

In terms of college/university courses, OC will act as a conduit to programming and resources available at other programming institutions throughout the province. The Food Hub website can list upcoming programs and events and provide links to partner organizations.

If a program is developed, promoted and delivered by a partner or third party, then the Food Hub will only charge for the workshop room rental. Memorandum of Understandings will be established between each partner to cross-promote programs and services.

If there is a gap in partner services and client needs, the Hub may choose to co-develop a specific program in the future. The Food Hub will then enter into an agreement with a partner for revenue and cost allocations between partners, resources provided, etc.

The program delivery format will need to be flexible (as many food entrepreneurs have other jobs or are swamped with harvest during peak season). One popular format is where start-up entrepreneurs meet 1 day a week for 1.5+ hours, for 8 weeks. For example, a partner like AO can deliver their own program at the Food Hub Headquarters' classroom. They would coordinate their own resources (e.g. SMEs, lawyers, marketing firms and accountants) and marketing outreach. Another possible format is a roadshow delivery model that spans one half-day session per month for three months.

⁵ Over 35 years, CFOS has provided 710 investments with an average deal size of \$50,000 to start-ups and growing businesses.

- **Client Fee:** \$50/hour on average; half day rates at \$150 on average; Fees to attend conferences and events will vary depending upon sponsorship and partnership contribution.

Food Hub's Client Services Coordinator will coordinate access to the facilities, coaches, training programs, equipment and services, suppliers and others on the agriculture value chain.

Brand consulting services

Initially, the Food Hub will vet several brand consultants that they will recommend to their clients. The consultants will bill the Food Hub and the food hub will bill the client, adding a 15% markup. If the demand grows to a level the Food Hub can bring the service inhouse and has the specialized knowledge, then the Food Hub will employ a brand manager to provide the service in-house. Fees will be on a case-by-case basis but may range between \$3,000 to \$10,000 per contract.

Equipment rental

A key obstacle to growth for food entrepreneurs is access to specialized agriculture or food processing equipment. This service would identify and purchase equipment for rent, storing the equipment when not being used, and maintaining an up-to-date inventory of what is available to rent, for how long, and at what cost. This service would be managed on-line by the Food Hub's staff.

The staff could also conduct market research to identify equipment that is available for rent in the Region that could have strong financial benefits for businesses and entrepreneurs. The staff would then secure access to this equipment, promote it, and generate additional fees from the rental of it. This service would include professional management to ensure that each piece of equipment is cleaned and good working order before being returned to the owner or rented to the next party. This service would include training on how to safely use the equipment and protocols for returning it clean and in good order. Fees will vary based on the type of equipment and length of use, typically fees would range from \$25/day for small equipment to \$500/day for large equipment.

Food testing laboratory services

Food testing services will be provided after year 3 and based on market demand and capacity of the BC Beverage Technology Access Centre Chemistry and Biology Labs (Okanagan College).⁶ The Food Hub Food Lab will complement BCBTAC’s beverage testing lab. A Food Laboratory Technician (contractor to start) will perform analytical testing services for various food products processed in the region to ensure compliance with food and safety regulations and standards. This is particularly important when selling to distributors, grocery chains and public institutions. The technician will provide information on the test results and recommend product improvements.

The lab will be situated at the Food Hub in a separate room (currently designed to be 10’ x 15’, 150 sq. ft.) and will have a separate entrance to reduce contamination. It will be certified to international standards and will require safety equipment, exhaust fan and wash station (with hot/cold plumbing and drains). We estimate that about 8 clients will use this service in its first year, with an average number of 8 tests per client. We anticipate the number of clients will increase to 35 by 2025, and the average number of products requiring testing should double. Further market research to confirm equipment specifications and market demand closer to the proposed installation date is recommended.

Table 6 Lab Fees

Type	Per Test/Kit
Test per sample (e.g. shelf-life stability)	\$75
Metals in Food	\$125
Full panel food test kit	\$250 to \$350
Pesticides in Food Residue	\$400

Sponsorship fees

There will be different tiers of sponsorship that an organization can choose from: Platinum, Gold, Silver, and Bronze. Each of the sponsors will be acknowledged and thanked on the Food Hub website. The Food Hub will promote their logo and brief corporate description in the “About” tab of the Food Hub website. Potential sponsoring organizations that will be targeted include legal, accounting, marketing firm, financial institution, and suppliers (e.g. equipment and ingredients). Sponsorship will range from \$2,500 to \$25,000+.

⁶ BCBTAC provides laboratory testing services only to clients in alcoholic and fermented beverages sectors. Given the ‘newness’ of the BCBTAC, it is too early to determine if they have the capacity to take on food testing services for other clients such as those processing products at the Food Hub. If there is capacity, an MOU would need to be established between the Food Hub and BCBTAC to access and share resources between the two facilities to reduce costs and increase equipment capacity (especially during the start-up phase).

3.3 Location and Layout for the Food Hub

In the fall of 2021 the District of Summerland issued a Request for Expressions of Interest (RFEOI) for a party to provide a facility for the Okanagan Food and Innovation Hub (Food Hub). Okanagan Crush Pad (OCP) was the successful proponent and District Council approved the development of a Memorandum of Understanding (MOU) with OCP to work to build a suitable facility. This design brief provides the most current information on location, building, program elements, and space requirements to help the MOTIV team develop conceptual renderings and other materials to visually represent this information.

It is key to note that the potential site partner, OCP, is amenable to alternative building layouts and designs. The Figures provided here are very preliminary and can be modified based on advice from MOTIV. All figures, except Figure 3, have been drawn from OCP’s response to the RFEOI in December 2021. Figures have been magnified and cropped to fit on to the page and to increase readability. These modifications have not been approved by OCP.

Site location

OCP proposes to build the Food Hub facility at their Garnet Valley Ranch at 26405 Garnet Valley Road, Summerland BC (Figure 3).

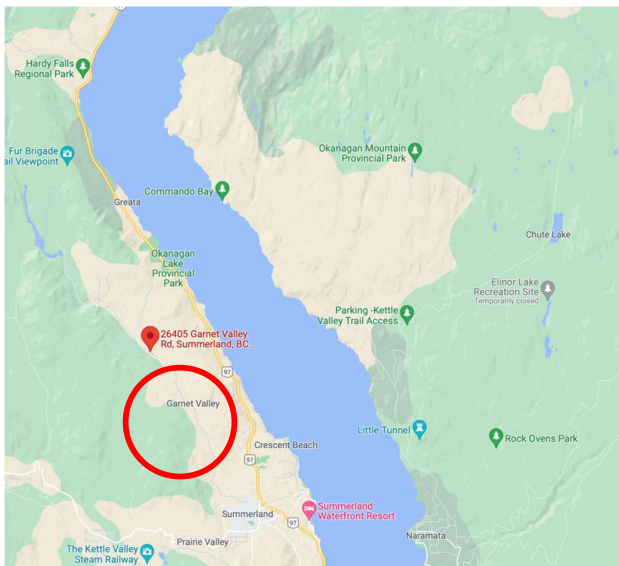


Figure 3 Location of Garnet Valley Ranch

Parcel information

The total area of Garnet Valley Ranch is 1,265,411m² (312 acres). Figure 4 shows the parcel boundaries for this site and the proposed location for the Okanagan Food and Innovation Hub in the Southeast portion of the property. Table 7 provides additional parcel information.

Figure 4: Parcel boundaries and proposed siting of Food Hub (Source: OCP)

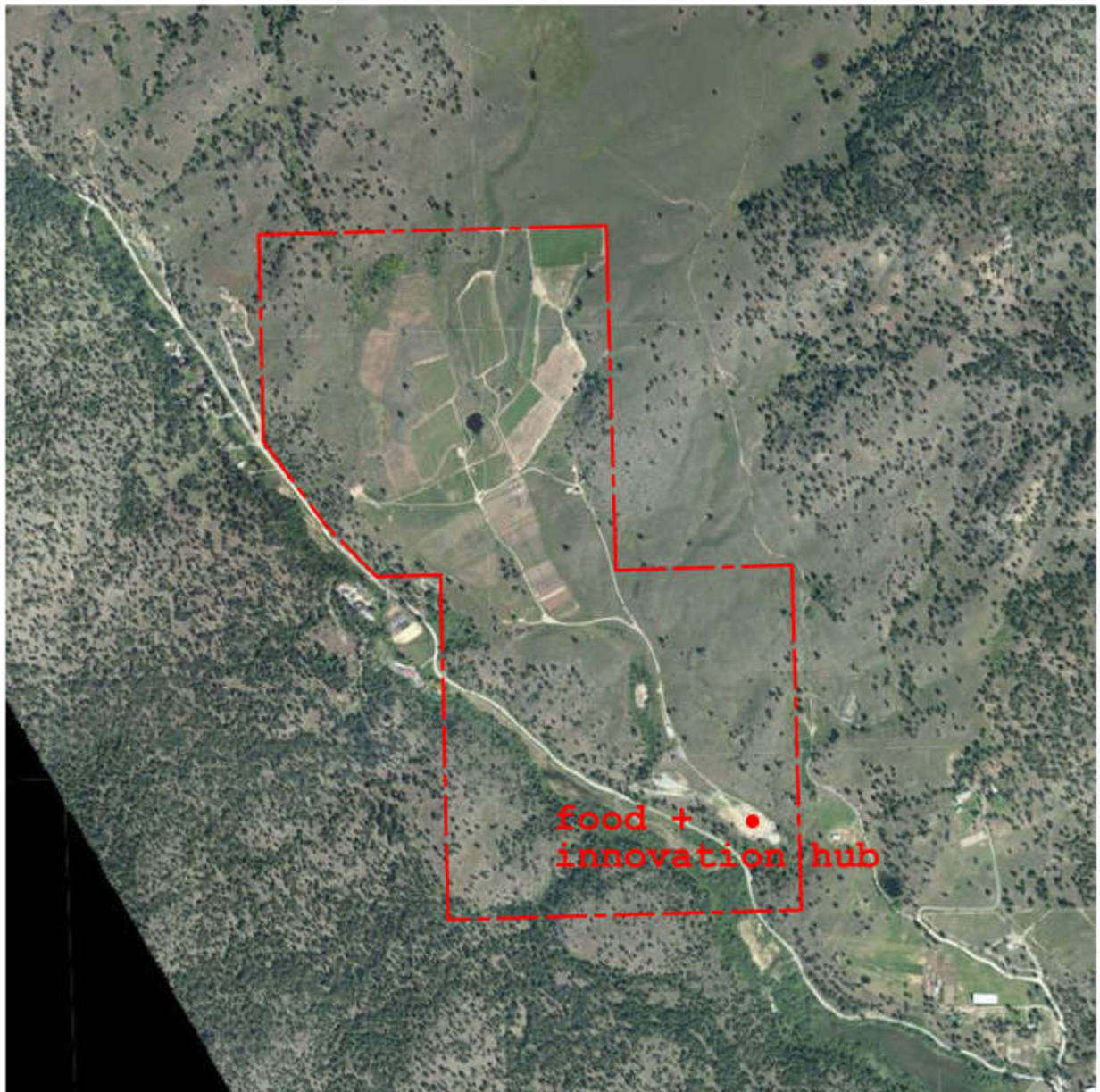


Table 7: Parcel information (Source OCP)

Address	26405 Garnet Valley Rd, Summerland BC	
Legal description	District lot 3195 Osoyoos Division Yale District Except Plan 3038	
PID	001-524-828	
Parcel area	1,265,411 m ²	
Zoning	A2, in the ALR	
Uses	Agriculture, food preparation, winery, food packing	
Setbacks	Bylaw Front: 15m Side interior: 30m Side exterior: 15m Back 30m	Proposed Front: 236m Side interior: 216m Side exterior: 690m Back 290m

Overall Building Information

At this early stage of planning, the proposed new building includes multiple users including Okanagan Crush Pad (owner), Localmotive (tenant), and the Okanagan Food and Innovation Hub (tenant). Table 8 provides an estimate of overall building size by entity. Figure 5 shows the proposed orientation and siting of the facility. Table 9 provides additional information.

Table 8: Overall building size

Entity	Proposed maximum building area needed
OCP	13,500 sq ft
Food Hub	10,000 sq ft
LocalMotive	4,500 sq ft
Shared	1,000 sq ft
Total	29,000 sq ft

Figure 5: Siting and orientation of overall facility (Source: OCP)



Table 9: Building Information

Building Information	
Total Building area	Total- 26,150sq ft
Occupancy	F3, D
Building Height	Allowed 12m, proposed: 8.5m
Lot coverage	Allowed 10%, proposed: 0.02%
Storeys	One storey
Sanitation	Septic field
Hvac	Gas fan-coil units, split ductless heat pumps
Power	Is 1 km away
Water	Well
Ceiling height	18'

Food Hub portion of the building

The Food Hub portion of the building will house multiple programs within it. Table 10 provides core and support program elements with space requirements for Phase 1 and Phase 2. As mentioned in the introduction, the shape of the Food Hub can be modified. Another consideration is that, initially, the use of the building may be more seasonal, but is intended to grow into a year-round operation. It is assumed that the most efficient development strategy would be to construct the building to its maximum size from the beginning. Therefore, the concept drawings and other renderings should use Phase 2 space requirements.

Table 10: Program elements and space requirements

Programs and Space Requirements (Sq ft)	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Space needed for staff office functions	250	-	-	-	-	250
Space for training/meetings	750	-	-	+250	-	1,000
Space for aggregation/packing	1,250	-	-	+250	-	1,500
Space for commercial kitchen	1,250	-	-	+500	-	1,750
Space for product testing lab (mobile)	-	-	-	250	-	250
Space for food processing	1750	-	-	+250	-	2,000
Space to store equipment	500	-	-	+250	-	750
Space for dry storage	500	-	-	+500	-	1,000
Space for cold storage	500	-	-	+500	-	1,000
Space for frozen storage	250	-	-	+250	-	500
Space needed for Food Hub	7,000	7,000	7,000	10,000	10,000	10,000
Space for 3rd party rental (sq. ft.)	3,000	3,000	3,000	0	0	0
Total space required	10,000	10,000	10,000	10,000	10,000	10,000

Food Hub user and product flow information

The table below describes the different users of the Food Hub and an estimate of the patterns of use that they are likely to have.

User groups and product flows	Estimate of user patterns
Estimated maximum number of users at the Food Hub site	<p>At regular times, the expected users are anticipated:</p> <ul style="list-style-type: none"> ○ Staff - 4 people full time expanding to 8 at peak times when operating the processing equipment in July through September ○ Warehouse staff - 2 people every day, peaking to 6 people on packing/distribution days (rising to 4 to 8 people at peak times) ○ Kitchen/processing users - 4 – 6 people per at a time per weekday most months rising to 10-12 per weekday in the peak months ○ Meetings - 4 outsiders coming in for meetings 2 hours per day 3 days per week ○ Conferences workshops - 10 to 25 people once per week ○ 2 days a week, there will be commercial vehicles coming in to drop off product or pick up product (5 -10 vehicles dropping off for 30 minutes each/shipping day, 3-5 vehicles picking up off for 1 hour each/shipping days.) On non- shipping days, perhaps a 5-10 vehicles per day for 15 minutes (dropping off/picking up 2 or 3 pallets each time) ○ Most of the users will have personal vehicles or small vans - perhaps 12-14 parking stalls are needed
Estimated maximum commercial vehicle size	<ul style="list-style-type: none"> ○ Some tractor/trailer trucks would be anticipated, although 5 tonne trucks will likely be the most common size for drop offs and 1 tonne trucks for pick-up.
Raw products vs processed products	<ul style="list-style-type: none"> ○ The hub will bring in large quantities of raw products and those that are using the hub for storage only could also take out raw products ○ A significant percentage of the raw products brought in will be converted into packaged products that a shrunk in volume by about two thirds due to drying and dense packing (the raw products will come in more loose and less dense)

Commercial kitchen vs processing space	<ul style="list-style-type: none"> ○ The kitchen space will be mostly for small batch processing (30-50 cases per day) ○ The processing space will be for large batch processing (15-30 pallets per day)
Products in the aggregation space	<ul style="list-style-type: none"> ○ Aggregation space will equally contain processed and raw product. For example, suppliers will drop off pallets of broccoli, with 30 cases per pallet. Those cases will be broken down and 3 will go to store A, 8 to store B, etc. ○ At the same time all the processed, dehydrated fruit and vegetables will go out as packaged products, some that will be shipped out on pallets to a distributor and some to individual stores (3 cases to store A, 8 cases to store B, etc).
Three types of product flows	<ul style="list-style-type: none"> ○ In and directly back out ○ Products come in and don't get shipped out right away- held in storage ○ Direct delivery of products to those who are working in kitchen and processing area

A two-phase layout and program

Figure 6 provide a plan layout diagram to illustrate uses and spaces of the Food Hub as part of the overall OCP facility.

Figure 6a: OFIH Plan Diagram Phase 1 with neighbouring businesses (Source: MOTIV Architects)

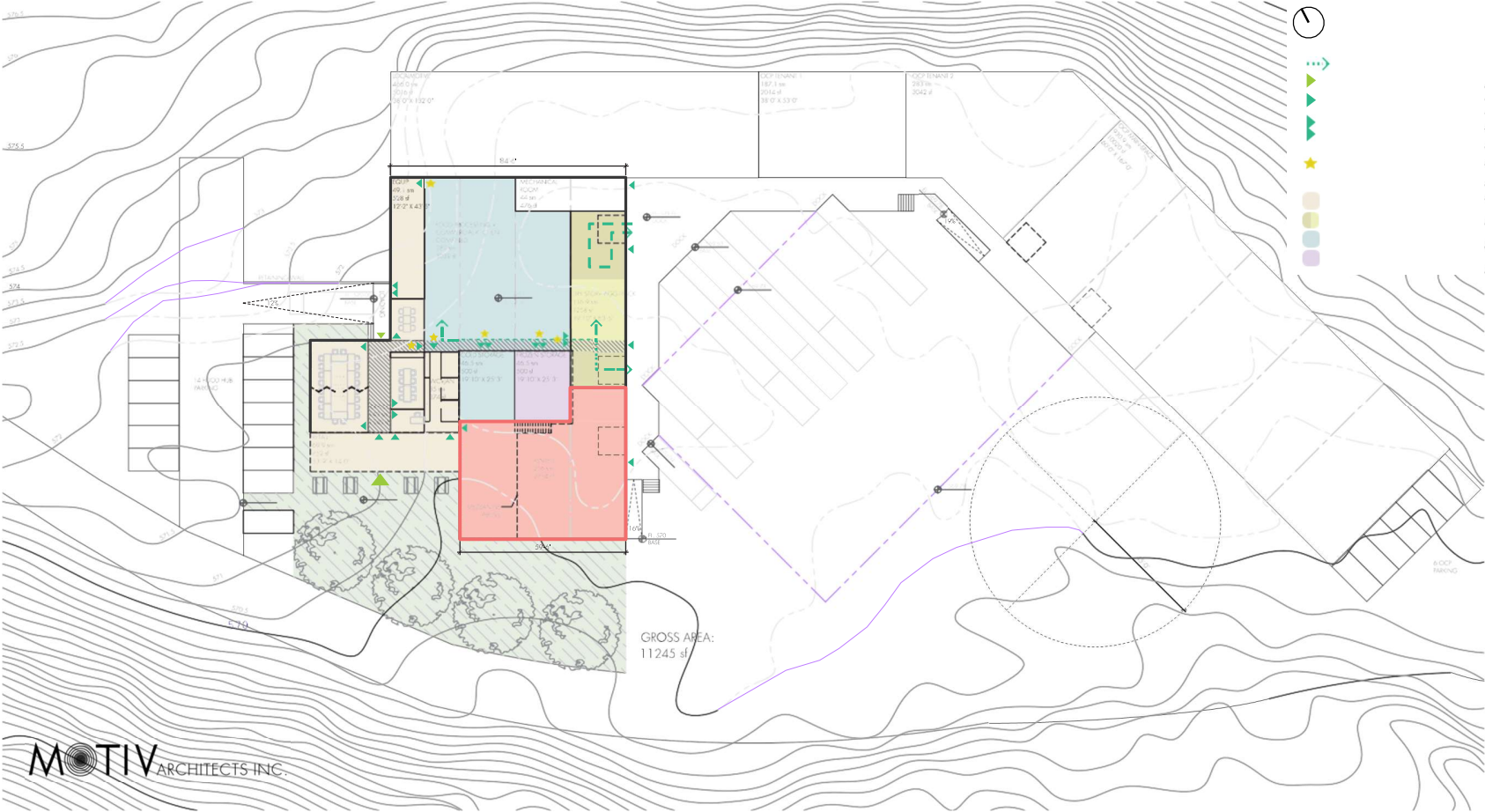
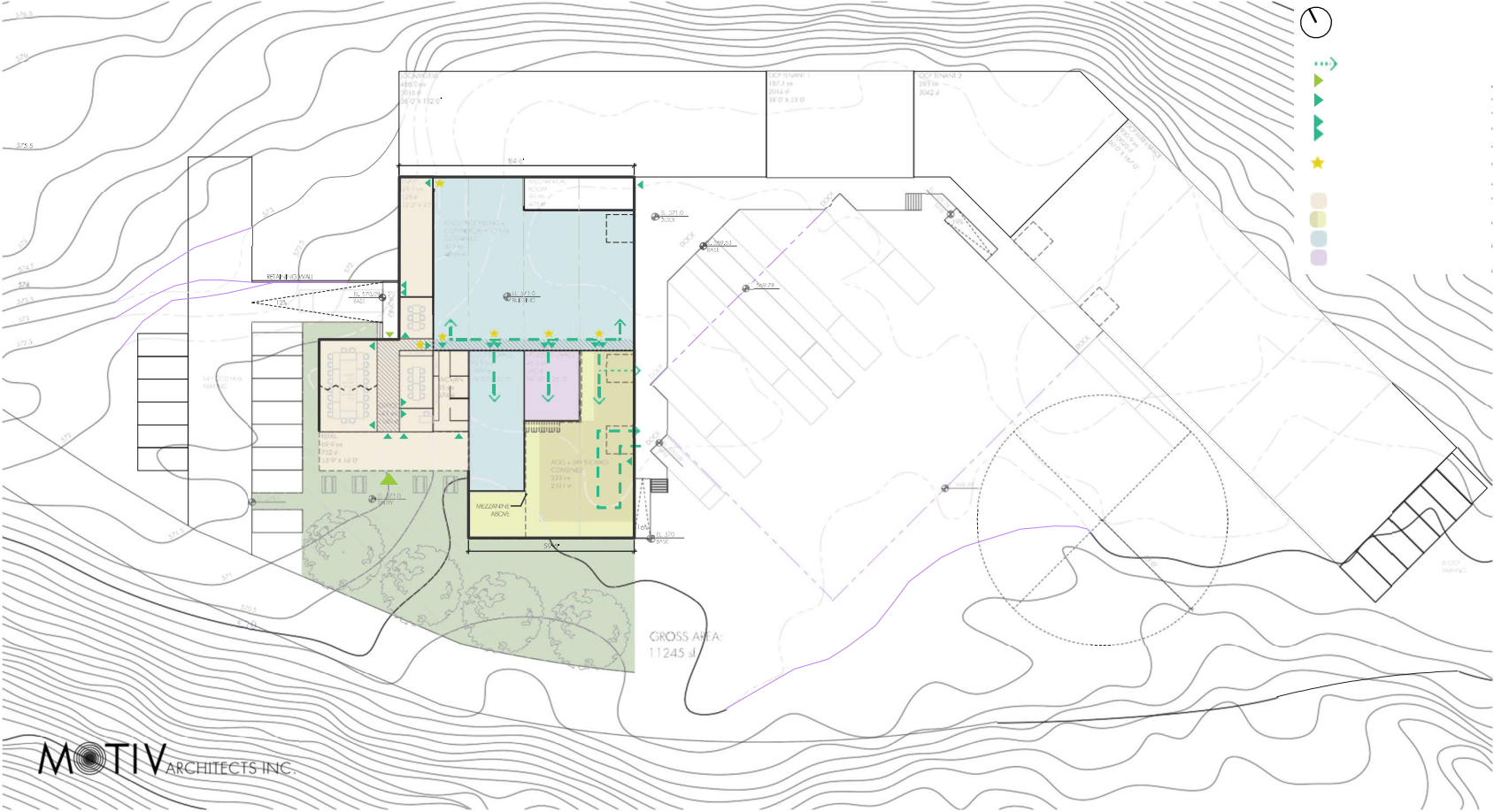


Figure 6b: OFIH Plan Diagram Phase 2 with neighbouring businesses (Source: MOTIV Architects)



3.4 Regulatory Considerations

The potential site for the Food Hub is on land, owned by Okanagan Crush Pad (OCP), which is in the Agricultural Land Reserve. Any building construction and/or road improvements would need to go through both District of Summerland and the Agricultural Land Commission (ALC) application and approval processes. Key considerations regarding the applications and approvals that would likely be required for this project include:

- **OCP meets and exceeds the 50% requirement for constructing on-farm processing facilities.**⁷ As OCP has multiple holdings growing wine grapes, including Garnet Valley Ranch, and they plan to process wine in their portion of the overall Food Hub, the 50% rule is satisfied with OCP operations alone. In addition, LocalMotive is also anticipated to use the food hub to prepare their produce that is grown at Garnet Valley ranch for distribution.
- **Long term leases are considered as subdivisions and require ALC approvals.** The ALC views long-term leases (more than 5 years) as a subdivision and will likely require a subdivision application to be submitted and approved if the project is to conform to the regulations. This would happen in two stages:
 - 1) The proponent, OCP, would submit a subdivision application to the District of Summerland who would need to provide an approval before it is submitted to the ALC for review.
 - 2) The subdivision application is then submitted to the ALC for review. The ALC will then decide and inform the proponent(s)
- **Subdivision application processes take six to eight months.** Generally, the timeline for processing a subdivision application, including both steps noted above, is 6-8 months. This could also be extended if further information is required as part of the subdivision application process.
- **Improvements to the existing road will likely require ALC approvals.** Widening the existing road will likely require approvals from the ALC, which would go through the same process as the subdivision. Early discussions with the ALC indicate that the road improvements and subdivision could be included in the same subdivision application.

⁷ Section 11 of the ALR Use Regulation:

https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/30_2019#section11

- **The ALC has preference for long-term approaches.** The ALC would likely see a long-term lease over multiple owners as preferable. In this way if the Food Hub folds, the ownership of the building is still intact with the landowner.
- **The ALC considers specific and broad rationale in subdivision applications.** As part of subdivision applications, proponents are asked to create a case for support for how the subdivision will benefit agriculture. In the case of the Food Hub there is a strong case for how the facility will support multiple growers, processors and others reaching BC and beyond markets. The link to strengthening local resilience in food supply chains is also part of the rationale behind the Food Hub. Reducing carbon emissions associated with transporting raw products to distant processing facilities, creating local jobs, and reducing food waste by finding processing solutions are all important aspects of the rationale for the Food Hub and OCP facilities.
- **Other applications and approvals will be required.** Should the ALC approve the subdivision application, the proponent will need to secure additional approvals for servicing, roads, and buildings. Further planning and design work will be required at this stage.

4 Marketing Plan

The following chapter outlines the Food Hub's value proposition, its potential key users and what marketing strategies will be used to attract and retain them.

4.1 Value Proposition

The Food Hub's value proposition is to provide services and programs through one location and one aggregated service portal that supports the growth of small and medium sized food processors and producers in the region. To enhance this value proposition, it will also collaborate with organizations to co-ordinate, enhance and promote their collective services. It will also be a key promoter of the region to encourage producers and processors to launch farming or food enterprises and for food buyers and consumers to purchase Okanagan foods.

4.2 Key Customers

Primary Target Market

The Food Hub's primary clients are existing wholesale ready food producers (farmers, ranchers, foragers, etc.) and agri-food processors that reside primarily in the South Okanagan-Similkameen and Central/North Okanagan regions. Another primary client group includes wholesale ready entrepreneurs wanting to re-locate an agri-food business to the region. Note that the sales and marketing strategy includes Food Hub roadshows to attract new clients outside of the region in years 2 to 5.

The Food Hub may attract clients from outside the region (e.g. other parts of BC and other provinces) through its on-line portal and should be considered for membership eligibility. Accepting clients from outside the area for programs such as product development would help bring in extra revenues (especially in the early stages); bring new perspectives and innovations to the area; and raise the profile of the region. In addition, partners such as NRC-IRAP have an extensive network that can provide participant referrals. However, most clients are expected come from the local area. Further details on this sector can be found in the Appendix A - Primary Target Client Profiles.

Secondary Target Market

The secondary target market for the Food Hub is small-scale producers and processors that typically sell through direct-to-consumer sales channels but that want to scale up production. This target market group needs help from the Food Hub to learn how to process larger volumes of product and access new wholesale markets, including:

- **Food Service organizations** – restaurants, cafes and hospitality.
- **Food retailers** - specialty, chain, independent grocers, fruit stands;
- **Distributors** - niche/specialty, local, regional and even national;
- **Institutional buyers** – regional and provincial health authorities, care facilities, educational institutions, and all levels of government; and

Tertiary Target Market

Tertiary customers include community members, agri-food industry suppliers, industry associations, government/non-profit agencies, agri-tech businesses and others that want to use the commercial kitchen and/or participate in networking events and/or educational programs and services.

Future tertiary customers could include agri-tech businesses. These companies may need business advisory services, product development expertise and office/meeting room rental. They may also need access to specialised equipment, which the Food Hub could install if there is enough demand. This business plan does not include this equipment as further research will be needed to confirm the demand. Specialized equipment could be provided through a research agreement with a university or research institution. Further details on this sector can be found in the Appendix A - Primary Target Client Profiles.

4.3 Unique Selling Proposition to Primary Target Market

The Food Hub's unique selling propositions include the following:

- **Full suite of services and equipment in one facility** - The only Food Hub in the region that offers full-service processing capabilities – from primary breakdown of produce to cooking, processing, packaging, storage and sales.
- **Ability to scale up hobby-scale food enterprises** - A full set of services to help small scale farmers and food producers scale up production and create full time jobs.

- **Brokerage and distribution services** - Ability to help find wholesale buyers to buy their products and take care of the logistics to sell, pack, and deliver those products to market.
- **HACCP certification support in a HACCP certified facility** - Allow businesses to increase capacity and commercialize food products in a HACCP ready, provincially inspected facility.
- **Reduced costs through access to shared equipment and services** - Access to state-of-the-art equipment, shared administration services (e.g. invoicing) and shared marketing.
- **Supportive environment with dedicated support** - A dedicated team of well-respected, knowledgeable coaches/mentors, researchers, partners and staff that care about the success of the client as well as the opportunity to network with fellow entrepreneurs on the same journey.
- **A geographic area with a strong local food culture and excellent climate** – Ability to produce products in a region with a vibrant food/wine history, an entrepreneurial spirit, and a climate that is great for food production as well as year-round active living

4.4 Sales Strategy

The following strategies will be implemented to attract clients to use the Food Hub and its services:

Customer Relationship Management (CRM): The CEO will create a comprehensive sales strategy that targets clients fitting the primary target market profiles and using a CRM database to track all leads. The prospect list is generated from referrals, on-line research, events, and direct contact with sector-specific businesses. A database has already been initiated with this business plan.

Case studies for storytelling. The sales strategy needs to clearly articulate the benefits of the Food Hub to prospective clients (e.g. develop new products, increase production, meet health standards, access new sales channels, increase profitability). Case studies that highlight typical client business challenges and how they were overcome are often the best ways to clearly articulate the Food Hub's value.

Tailored Marketing collateral/promos. Marketing collateral and promotional campaigns tailored to each customer segment should encourage prospective clients to further investigate programs and services offered by the Food Hub. A detailed marketing and sales strategy that

outlines steps in the prospective client’s decision-making process will help the CEO know where to spend time and energy. Note that the decision maker is most likely the farm/food processing business owner.

Sales leadership. The CEO will initially take the lead sales role to attract and retain new clients to the Food Hub. In the second year, a salesperson/distribution coordinator will be hired to market client products to distributors, grocery retailers, institutions, food service organizations and other channels. The salesperson will be the liaison between farmers/processors and retailers/distributors. The salesperson will work with the CEO to attract clients to the Food Hub by highlighting the equipment and services they can offer and how they can reduce their total cost of production by accessing them.

While the CEO will need to have exceptional marketing and sales skills, this person will also need to demonstrate the ability to inspire and mobilize sales staff and be a master networker.

4.5 Marketing Strategy

Successful marketing campaigns are built on visibility and having a strategic marketing plan increases the likelihood of being exposed to the right clients and getting the best return on every marketing dollar spent. The Food Hub marketing strategy aligns with those used by other food hubs and food innovation centres. Many of the hubs and accelerators that were researched mentioned the importance of having a quality website to provide information about programs and services.

Direct selling

Direct contact with food producers and processors is the most effective way to foster new relationships. Face-to-face contact is the preferred method; however the size of the budget will determine the level of contact. Email, telephone, and web conferencing will also help build these relationships. The Food Hub needs to be seen as a trusted and reliable partner in the region. To do this, it will conduct itself in a professional manner, strive to embed itself in the regional food producing community, and demonstrate unwavering commitment to growing the regional agri-food sector. Direct selling can best be done through the following avenues:

- Food and agri-tech innovation circles and events;
- Familiarization tours and open houses;
- Regional visitor centre or community offices referrals;
- Website requests;
- Agri-food and agri-tech tradeshow and events;

- Industry association events (such as the BC Food and Beverage and Small-Scale Food Processors Associations, PACS, BC Cherry Growers Association, etc.);
- Education and research organization events (such as UBC-O, OC, Canadian Young Speakers for Agriculture);
- Attendance at partner events, often through referrals from SRDC, CFOS, AO, South Okanagan Immigrant & Community Services, trade offices, relocation offices, and others;
- Alumni events at universities with agriculture-technology programs, such as UBC, Kwantlen College, University of Manitoba, University of Fraser Valley, Olds College to name a few.

On-line presence

Most organizations focus heavily on maintaining a strong website and dabbling lightly in social media. An online presence requires the following three distinct interrelated media networks:

- Owned and operated media (website and/or blog);
- Earned media (social media platforms); and
- Paid media advertising (Google AdWords, Facebook).

Note that paid media advertising can be effective but only if it is highly targeted and the “click-through” rates are carefully tracked to determine the cost per customer lead.

Website

The Food Hub will develop a well-designed website as its main marketing tool. Functionality, usability, and design will be key as they affect how quickly visitors can find what they are looking for and whether they want to stay on the website. The Food Hub website should have the following design elements:

- **Clean, appealing pages.** Impactful images, good infographics and short content length are key elements in an appealing website. A video will be created to showcase the Food Hub’s facilities, programs, successful businesses, and the region.
- **Mobile-friendly design.** This is to reflect the growth in mobile device use for online searching.
- **Clearly Defined Unique Selling Proposition (USP).** The homepage needs to clearly define what is being offered to the viewer; the USP needs to be well articulated. The Food Hub may want to create a different portal for each target market.
- **Call-to-action (CTA) Strategies.** This will entice the target market to engage further and get in touch. At the same time, CTA’s provide valuable viewer data to the Food Hubs.

Well known CTAs include “contact us” or “learn more” buttons. Other CTA’s include sign-up pop-ups, mini-questionnaires and download registrations.

- **Target Market Portals.** The Food Hub homepage will be divided into a producer and buyer portal: e.g. “Start your Food Business” and “Buy Okanagan Foods”. Once the viewer selects a portal, the website layout changes in accordance with one of the target markets. Each portal has exclusive content, menu items, contact info, etc. that is specific to the target market.
- **Success Stories.** Success stories and testimonials from Food Hub alumni are a great way to attract new clients. Stories should incorporate case studies with early adopters of how these entrepreneurs were able to scale their recipes, realize cost savings (from manual labour to the new process), expand their markets, and live their dream of having their own business. They can also describe how research scientists, food technologists, business coaches, and other members have helped them.

E-Commerce Platform. The Food Hub website will have an online sales platform (e.g. Square, Shopify) where wholesale customers can buy food hub produced products and purchase tickets for events.

Quality Website Design. The Food Hub website will be the first impression for most prospective users, so the design needs to be easily navigable, impactful, interesting, and inspiring (especially for those wanting a career change or considering relocating). The design also needs to be able to track website metrics (such as number of clicks and visitors) as this helps evaluate what services/topics viewers are interested in. The Marketing Coordinator will perform this analysis.

Search Engine Optimization (SEO). While the technical structure of the website (security and mobility) ensures a strong Search Engine Rankings Position (SERP) on Google, other elements need to be added to the website to gain a number 1 ranking. Having relevant, topical, high-quality content is one of the most important factors in gaining a strong SERP.

The Marketing Coordinator will regularly update website content and all social media platforms with fresh content (and social media to point back to the website) to ensure high website page ranking. Images, media and other materials must have appropriate labels to help boost SEO.

Google Trends data analysis will ensure that the words or phrases used by online searchers match the content found on the website. Search terms may include “Start a food business”. When using this search phrase, the BC Ministry’s “Starting a Food or Beverage Processing Business” appears in the high ranking, and no other food hubs are listed on the first page. When another search phrase was entered, “Entrepreneur training in food processing”, a company called “District Ventures Kitchen” was listed first with a pop-up question “Are you a food entrepreneur with an idea?”.

A domain name/address will need to be carefully selected and should be short, use target market keywords and is easy to remember. It may even be the brand name of the Food Hub.

Maintenance. Platforms like Shopify and WordPress allow Food Hub staff to make updates to most of the website content without the need to contact a programmer. The Marketing Coordinator will keep the website content up-to-date and follow up on leads within 24 to 48 hours.

Public Relations

The CEO, in conjunction with the Marketing Coordinator, will create a communication strategy and digital media calendar. They will identify the key messages to communicate to each major target market, ensuring strong brand consistency. These messages will then be incorporated into well-written, content pieces and press releases that are shared widely.

Social Media. The Food Hub will regularly add content to social media platforms used by its target audiences. This may include Facebook, Twitter, Instagram, LinkedIn, YouTube, and possibly even Yelp/Trip Adviser for those that may be considering relocating to the region and investing in a new business. Social media marketing is often less expensive than traditional PR strategies and can be easily tracked and evaluated with metrics.

Press Releases. The hub will hire a freelance writer (or, to save costs, a coop student) who lives in the region and has knowledge of the food and beverage business to prepare press releases for both traditional and digital media formats. Releases might include success stories, profiles of producers and interesting products that they are creating, local food economy news, food hub success milestones, etc. The Food Hub will rely heavily on 'free' public relations opportunities available through:

Newspapers/magazines. Focus of the content should be on key project milestones, (e.g. grant funding award announcements, hub construction completion, launch event) though these publications:

- Penticton Herald, Summerland Review, Castanet, Kelowna Capital News, Vernon Morning Star, Osoyoos Times, MyNaramata, Oliver Daily News, Peachland View, Vancouver Sun, etc.
- Industry publications and lifestyle magazines (on-line and print). Regional success stories that highlight agri-food and agri-tech innovation should be used as editorial content in key sector publications. It will be important for the Hub to invite these journalists at key events.
- Food Processing Magazine, Food in Canada, New Food Magazines, Food Business.

- Modern Agriculture Magazine, Technology on the Farm, Guelph's Better Farming Magazine.
- Okanagan Life Magazine, Country Life in BC, Small Farm Canada, Modern Agriculture, Food, Wine Travel Magazine, Food & Wine Trails Magazine, Art of Eating, Wine Enthusiast, Wine Spectator, Decanter Magazine, Wine Advocate, etc.

Digital Advertising

Based on the demographic profile of the Food Hub's target markets, digital advertising will be more effective and cheaper than traditional forms of advertising. The CEO will work with the Marketing Coordinator, and as needed, a marketing firm, to develop a digital advertising strategy that may include Google/Bing AdWords, YouTube, Facebook and other social media ad. The CEO, with the help of the Marketing Coordinator, can develop content for Blog and website ads to connect with existing or 'wanna be' food entrepreneurs. This type of advertising is usually done on a monthly fee schedule.

The Food Hub will become a member of the BC Food and Beverage Association and consider other sector associations. Most memberships provide discounts for advertising (e-blasts) and access to a focused audience through networking events.

Co-Marketing Partnerships

By building community partnerships, the Food Hub can more effectively promote its programs, events, equipment and services. Partners can cross-promote via website links, tradeshow, social media campaigns and sector-specific initiatives and events. Potential partners include AO, OC, UBC-O, CFOS, economic development offices, OVEDS, Chambers, SRDC, BC Innovation Council, and local industry associations (e.g. Tourism Penticton, Kelowna Tourism, Destination Osoyoos, Thompson Okanagan Tourism Association, BC Cherry Association, BC Tree Fruits and BC Fruit Growers Association).

Sector specific organizations (e.g. BC Food and Beverage Association) can be powerful partners but they will expect benefits to partnering with the Food Hub (e.g. increased memberships).

Marketing Collateral

Engaging marketing materials will need to be customized and tailored to each target market (e.g. entrepreneur vs buyer). A simple brochure or postcard showcasing sector-specific success stories is an effective and affordable keepsake for events and roadshow tours with links back to the website. Agri-food pull-ups would also be needed for participation at various tradeshow and events.

Trade Shows

With a limited budget, the ability to attend industry tradeshows and events is somewhat constrained. Market research identified five main tradeshows that should attract agri-food businesses and build awareness of the Food Hub. All take place in the Lower Mainland:

- Canadian Health Food Association West - February
- Grocery & Specialty Food West - April
- FoodProWest (BC Food and Beverage Association) – May/June
- Eat Vancouver + Cooking Festival (Vancouver)/Other Show - November
- BC Tech Summit/Pacific Agriculture Show, or Other – Spring

The CEO should consider attending the above trade shows as a delegate in the first year to determine which are worth exhibiting at. Regional trade shows may provide a better return on investment.

For example, the Central Okanagan Economic Development Commission has had some success attending workforce and student recruitment events in partnership with Okanagan College, AO, and UBC-O. A similar strategy can be employed for attracting potential entrepreneurs that are attending:

- Food, sciences, wine, and other relevant educational programs;
- An Agriculture and Agri-food Canada event; or
- An Agri-Workforce event held by the Canadian Agricultural Human Resource Council.

Other trade organizations that could be considered include:

- BC Food and Beverage Association, Small Scale Food Processors' Association
- Canadian Manufacturers and Exporters
- Canadian Health Food Association
- BC Restaurant and Food Service Association
- Urban Food Network, BC Farmer's Market Association
- Canadian Beverage Association
- Bakers Association
- BC Agriculture Council
- Organic Farming Institute of BC, Certified Organic Association of BC
- BC Wine Institute, BC Craft Distillers, BC Craft Beer, BC Craft Cider Associations

After every tradeshow/event attended, the return on investment should be evaluated. Tracking attendees, leads, and new users signed up will help to evaluate the m of attending events.

Hosting Events

The Food Hub will host an Okanagan Agri-food Innovation and Processing Conference and then decide if it is worth making it an annual event. The conference could focus on the latest trends and technologies in the sector, showcase the products being produced, and possibly bring in chefs for cooking demonstrations. Farm tours could also be provided so attendees can see where/how the food is grown. This event should be promoted to researchers, scientists, stakeholders, suppliers, distributors, professional tourists, producers and processors from in the region, and eventually, to other innovative agriculture communities in Canada (Olds, Alberta, Guelph, Ontario) and Washington State.

The Food Hub will likely rely on corporate funding, such as suppliers and professional service firms, or industry specific grant funding to cover the costs. The Client Services and/or Marketing Coordinator will take the lead in organizing this event, along with volunteers, such as local food producers/processors and retired farmers. The marketing budget also includes events/familiarization (FAM) tours, monthly networking and Hub sponsored lunch-and-learn roadshow events to build the prospect database and strengthen established relationships.

Word of Mouth (WOM)

The Food Hub will rely heavily on WOM since it is such an important form of free advertising and one of the most successful ways to recruit clients. The CEO will build strong client relationship and retention strategies to help promote the Food Hub through referrals and ensure all Food Hub communication is well managed on social media platforms. Clients who have a great experience with the Food Hub will likely share that with their friends.

4.6 Retention Strategies

As the Food Hub builds its list of clients and contacts, every effort will be made to maintain those relationships. To do this the Food Hub will provide a high level of customer service and provide services that its clients highly value, including:

- Be attentive to client's needs and actively help them grow their business (e.g. identify sales opportunities, bring in experts that can provide financial, business and/or production advice).
- Provide a welcoming environment at the Food Hub where people want to linger and connect.
- Offer a broad range of services that are high quality, in high demand and affordable,
- Nurture collaboration among clients and partners.

4.7 Brand Strategy

Food Hub Name and Tagline

The top-of-mind image for the Food Hub should be one that is clean, refreshing, energizing, creative, youthful and that builds on the strong brand of the region. A marketing consultant can help with the creative process to select a fitting name, which may include words like Okanagan, Dream, Innovate, Create, Inspire, Imagine, Connect, Empower, Launch, Food, Entrepreneur, Community, Belong, etc. Once the name is established, a tag line can be developed to further reinforce the brand image.

Logo Design

The logo for the Food Hub will be created by a professional graphic designer with food industry experience and a good understanding of the:

- Diverse mix of value-added products being produced.
- Lifestyles and aspirations of agri-food businesses.
- Buyer's preferences and needs.
- Unique, positive attributes of the region.

They should be able to transform those aspects into a stunning visual representation that highlights the USP elements and showcases the target users of the Hub.

4.8 Client Screening Process

All prospective clients of the Food Hub must attend an orientation session and complete an application form, providing details about their agri-food business, and the training/services they require. Only clients that agree to the program rules and meet the eligibility criteria are accepted.

To be eligible, prospective clients must:

- Be incorporated in BC/Canada.
- Be willing to receive technical and business advice.
- Have a clear product/service idea.
- Have a desire to reach their growth targets for their business.

4.9 Performance Measures

Foods Hubs typically develop performance indicators to evaluate performance and, ultimately, the return on investment of funds received from government or granting organizations. The Food Hub will develop performance measures that are meaningful and can be easily tracked. Clients will be asked to provide information about their revenues, jobs created, and so on so that the Food Hub can aggregate this information and provide accurate estimates of its economic impact.

The Food Hub will also implement a Customer Relationship Management (CRM) system that is integrated with its scheduling, accounting and/or inventory system to track the services used by each client. This will provide further information to assess the success of each program element. Performance indicators will include:

- Operations
- Program Delivery
- Economic/Social Impact
- Environmental Impact
- Innovation
- Partner Collaboration

A list of performance indicators can be found in Appendix B - Performance Measures.

5 Governance and Management Plan

5.1 Ownership Structure

Trust/non-profit. The Food Hub will be governed by a Trust/Non-profit hybrid governance structure. The trust will be established before the non-profit society is established and be the recipient of grant funds and equipment, which it can hold in trust until the non-profit is established. The Trust will initially work with the landlord to finalize the design and size of the Food Hub building and purchase equipment. Trustees will be key partners of the project and will include the District of Summerland and Community Futures. The trust will give granting agencies greater comfort that the funds will be used in the most efficient and prudent manner. Having another layer of control over the release of funds/assets will increase the likelihood that the grant funds won't be wasted by an inexperienced, new non-profit society.

Once enough grants have been secured and agreements have been put in place with the landlord and other key partners, then the non-profit will be established with a board of directors represented by key users of the Food Hub and other key payers. The non-profit will initially employ a CEO/project manager to implement the pre-launch aspects of the Food Hub (e.g. work with the landlord and trust to build the building, purchase equipment, secure clients, promote the Food Hub, develop service offerings, and establish policies and procedures). When the Food Hub is launched the non-profit will lease the building from the landlord, lease the equipment from the trust and operate the day-to-day services of the Food Hub.

Additional benefits and roles of this governance structure include:

- Potential trustees (Community Futures, District of Summerland, etc.) have a strong reputation and trust among key players, such as funders.
- The Trust provides an extra layer of oversight from cost overruns and liabilities related to the building construction and equipment purchases.
- The Trust can employ a project manager early on to manage contracts, etc.
- Once the Food Hub is launched, the Trust can move to an oversight role, providing more control to the non-profit.
- The non-profit and its directors can deliver its vision without carrying significant debt for the capital assets.
- If the operating entity becomes insolvent, the primary assets remain protected in the trust so they can be transferred to a new operator.
- In a worst-case situation the Trust can liquidate the assets, wind up the trust and send any remaining funds to a designated beneficiary (e.g. RDOS) keeping them available for

related future projects. Therefore, the substantial assets received from grantors and maintained for the benefit of the community.

- If the Food Hub is successful and generates significant profits or is sold, then any remaining funds can be used for the benefit of the region's agricultural community.

The Food Hub will be set up as an incorporated, ordinary society under the BC Societies Act since it will need significant grant funds during its first few years of operations and many more funds are available to non-profit organizations than "for-profit" companies. Under this organization structure, it will not be possible to convert to a company if desired in the future. The non-profit can use model by-laws or created its own.⁸ Once the non-profit has been established, it may consider applying to be registered as a charity under the Canada Non-for-Profit- Corporations Act.⁹ While some food hubs in Canada have become registered charities, it is a long process at the end of which, the charitable status may be denied.

The Hub will be classified as an agricultural organization (code 05 under CRA) since it is organized and operated for the purpose of the advancement of agriculture and agri-food in rural communities in BC. It will be set up using lean manufacturing principles to improve efficiencies and operational costs, while complying with food safety and stringent health regulations.

The Food Hub qualifies as a social enterprise because its purpose is to make the existing food system become more sustainable, enhance the local food economy, and enhance community sustainability. The Food Hub business model incorporates programming to:

- Improve the skills and financial success of food producers/processors in rural communities.
- Offer programming to various underrepresented groups delivered by partner organizations.
- Creates opportunities to convert agricultural waste (culled fruit) into value-added products with high-capacity processing equipment; and
- Generate revenues as presented in the Financial Plan.

The Food Hub will have to file an NPO information return as it will receive more than \$10,000 in proceeds and own more than \$200,000 worth of assets by the end of its first year¹⁰.

⁸ <https://www.peopleslawschool.ca/reviewing-non-profit-society-bylaws/>

⁹ <https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/registering-charitable-qualified-donee-status/apply-become-registered-charity.html>

¹⁰ <https://www.rhncpa.com/when-to-file-a-t1044-non-profit-organization-npo-information-return/>

5.2 Board Governance

A strong volunteer board will govern the non-profit where at least half of the board directors will be from the region's agri-food industry. Six to eight board members will be appointed and the term for each director will be limited to 2 years with up to 2 renewal terms.

The Board composition will fairly represent the composition of key stakeholders in the region and will likely include representatives with knowledge and experience in:

- Agricultural education/research/innovation
- Accounting/financial management/legal
- Strategic business management (operations, HR, marketing)
- Operating agriculture and food processing businesses (especially Food Hub users)
- Agriculture and food processing business consulting and training.

As with any board, the board will have the following roles:

- Select, evaluate and support the CEO.
- Approve high-level organizational goals and make major decisions.
- Oversee management and organizational performance.
- Act as external advocates in public policy, fundraising, and community relations.

As the organization grows and gains more experience, the Board's role will transition from operational oversight to transformational leadership where it provides mentoring support to the CEO and sub-committees through periods of organizational and strategic change. The CEO will have on-going oversight and management of the Food Hub day-to-day operations (board does not participate in day-to-day administration, including staff recruitment unless requested or acting on a sub-committee). Further details on how the board operates are outlined in Appendix C - Board roles and responsibilities.

5.3 Key Food Hub Roles and Responsibilities

During the start-up/implementation phase, the Food Hub will recruit an acting CEO/project manager (on contract) to implement the pre-launch aspects of the business plan (e.g. MOUs, recruit staff, renovations, equipment installation, food health and safety compliance, etc.). After the Food Hub has launched (target date June 2023), additional staff will be hired on term contracts, with the opportunity to become permanent staff later. Some roles may be done by the same person, depending on demand and staff qualifications and experience.

Coaches and trainers will be hired on contract to deliver workshops and programs as required. A nutrition specialist may be recruited later to help with recipe/product development and labelling. Drivers will also be hired on contract when the brokerage and distribution services are launched.

Short descriptions of key positions are provided below. The proposed roles and responsibilities are as follows:

CEO - Responsible for overseeing and implementing the administration, programs, operations, strategic plan, and marketing strategy of the Food Hub. The CEO will also be involved with helping establish and launch the Food Hub.

- Define/develop a high-performance culture that retains top quality, motivated staff.
- Manage the day-to-day operations and staff (including routine performance reviews).
- Build Food Hub capacity to meet sector needs.
- Work with Board to develop strategy consistent with vision/mission and report on progress and developments.
- Manage stakeholder relationships, nationally and internationally, and build collaborative alliances with relevant partners.
- Grow revenue and meet financial and other performance targets.
- Meet all statutory, regulatory, and contractual obligations.
- Liaise with local producer and processors to understand their needs and ensure businesses are supported from product concept and trial runs/small scale manufacture. to successful product launch in domestic/export markets.
- Perform other key duties include fundraising, marketing, business development and community outreach.
- The position reports directly to the Board of Directors.

A performance bonus will be established for this role based on sales targets and profits, once there is good clarity about what constitutes good performance.

Client Solutions Coordinator - Provide support services to the Food Hub in client relationship management; setting up procedures, forms, and software programs; bookkeeping/payroll support; brokerage and distribution support services; grant proposals; and client service agreements. Liaise with suppliers to ensure quality standards and Food Hub values are met. Coordinate booking of all Food Hub equipment, facilities, workshops, and programs. The position reports directly to the CEO.

Marketing Coordinator - Responsible for supporting the CEO to develop and execute a broad range of marketing and brand strategies (website content, digital marketing, social media, public relations). Support the development and execution of Food Hub programs and services across a variety of channels. Contribute to the design and development of Food Hub programs and ensure all brand messaging is consistent, cohesive, and distinctive. The position reports directly to the CEO. The marketing co-ordinator will also be involved with helping establish and launch the Food Hub.

Operations Technician - Plan, coordinate, direct and manage daily processing operations to ensure facility meets established food health and safety regulations and standards. The operations technician will also be involved with helping establish and launch the Food Hub.

- Assist the CEO in developing and implementing long and short-term operational plans, policies, programs, and objectives.
- Establish procedures for maintaining high standards of processing operations.
- Identify, recommend, and implement way to improve productivity and reduce costs.
- Coordinate training, safety, client involvement and other programs essential to manufacturing procedure.
- Manage the repair and maintenance of equipment, machines, building and property.
- Manage operational labourers/contractors for client projects.
- This position reports directly to the CEO.

Compliance Manager - Responsible for ensuring all relevant CFIA, Interior Health Authority and HACCP guidelines/standards/regulations required for HACCP ready facilities are implemented, monitored, and continuously improved. This ensures quality and food safety at the Food Hub facility, protecting the consumers and Food Hub brand. The compliance manager will also help:

- Establish and launch the Food Hub
- Develop corrective and preventative action programs to comply with standards.
- Manage the internal and external facility audit program to ensure compliance with regulatory bodies and HACCP ready requirements.
- Provide relevant food safety training to staff and Food Hub clients.
- Lead the food safety risk assessment process.
- This position reports directly to the CEO.

Labourers - Assist Operations Technician in food processing/commercial kitchen operations/distribution as required. This includes the following:

- Feed and unload processing machines.
- Measure and dump ingredients into hoppers of various machines.
- Operate equipment and machinery.

- Manually pack goods into bags and boxes or other containers.
- Clean equipment and immediate work areas.
- Check products and packaging for basic quality defects.
- Transport raw materials finished products and packaging materials.
- These positions report to the Operations Technician.

Salesperson/Distribution Coordinator - Responsible to develop, communicate and implement sales strategy for Food Hub clients' value-added food products processed at the Hub. Duties include:

- Represent Food Hub clients' products, starting with a comprehensive understanding of the unique selling proposition, consumer research/market trends, product demos and tradeshow participation.
- Manage annual sales targets through successful implementation of sales strategies.
- Generate leads and build relationships with industry stakeholders/representatives.
- Coordinate delivery logistics and distribution with regional delivery suppliers, customer relations management, inventory management, tracking revenues and expenses; financial reporting.
- This position reports directly to the CEO.

Food Laboratory Technician - Responsible for laboratory operations (e.g. generation and communication of food/microbiological/chemical testing results) and maintain direct contact with the laboratory client base. Perform analytical tests.

- Install and maintain lab and general equipment.
- Troubleshoot, repair, and optimize equipment.
- Organize and maintain inventory of supplies and equipment.
- Comply with standard biosafety practices, quality systems in accordance with regulatory agency requirements for food testing laboratories.
- Maintain documentation for regulatory compliance (WHMIS and TDT).
- This position reports directly to the CEO.

Office administration/human resources – If the Food Hub grows beyond a certain size, it may need office administration and human resource staffing. Even if it doesn't require additional staffing, other staff members (such as the CEO and managers) or contractors will need to perform the following tasks:

- Track revenues and expenses and enter receipts into an accounting software program.
- Perform other administrative duties such as purchasing supplies and organizing logistics for meetings/events.
- Recruit staff to fill vacancies and oversee their induction, training, and overall wellbeing.

5.4 Recruitment Strategy and Salaries

The above positions will be promoted through direct networking and postings on LinkedIn, partner social media channels, newsletter and job posting boards. The project manager will take the lead in recruiting the above positions during the implementation phase.

Staff and contractors will be paid at fair market rates, depending on responsibilities of the job and the experience and qualifications of the individual staff members. Please see the Human Resources Tab in the Food Hub Financials spreadsheet for estimated salary cost.

5.5 Food Hub Partnerships

A key success factor for food hubs is to establish partnerships with local community organizations. The value that partners bring to the Hub include:

A collaborative effort that expands the network and leverages budgets. The Food Hub can pool expertise, bolster funding, share marketing efforts to promote its programs and services, help with client recruitment and help build a private agri-food investment fund. Programs requiring matching funding may be more accessible when partners share funding resources.

A better, seamless client experience. Hub staff can act as a conduit to programming and resources for the clients; as well as coordinating services provided by the partners. This ensures that clients get the right support and the right time in the right place. Services can be well-integrated, so the client journey is as smooth as possible. For example, a food processor receives market intelligence on customer preferences by working with a Food Hub coach. The entrepreneur then needs help with recipe development and/or new product development and can be referred to a food specialist.

New innovative programming that may not otherwise be possible. Some partners have limited space to deliver business or industry specific training. The Hub can offer precious rental space on-site (e.g. the 20-to-25-person classroom) at its facility and give trainees access to kitchen and processing equipment for hands-on learning during 'non-commercial production' hours. The Food Hub can also help coordinate and market new programs and workshops on a fee for service basis. If coordination/marketing is not needed, the partner is only charged for room rental.

Community access to equipment and facilities. This allows local commercial kitchens and processing facilities on the network to offer their equipment to local agri-food businesses. It also allows the Food Hub to offer its facilities to outside users when their regular facility or equipment is not available.

Innovation by working together in a shared space. There is value in bringing partners and the Food Hub's cohorts together around specific challenges and find, innovative, scalable, and relevant solutions.

Enhanced social enterprise development in the region. The resources provided to the region by the Hub will be made available to new and existing social enterprise organizations, thus increasing their effectiveness and community impact.

Engagement agreements will be established during the implementation stage with facility/program partners. The types of partnerships are described below.

5.6 Primary Food Hub Partnerships

District of Summerland. The District has worked with several partners over the years and will continue to foster dialogue between communities and organizations. Summerland's Official Community Plan has a policy that supports Summerland participating in future planning efforts for this project with various community stakeholders (Policy 4.2.10).

Community Futures Okanagan Similkameen (CFOS). CFOS has contributed capital and in-kind support to the District and community partners to assess the viability of the Food Hub business plan. They have provided key recommendations for the governance of the Food Hub and submitted grant applications to secure grants. CFOS will contribute to the Food Hub by offering entrepreneurial workshops and coaching for entrepreneurs from its local network of volunteers and contractors. CFOS also has a mandate to provide financing in the form of loans, equity and guarantees from their \$5.25M investment fund.

Food Hub Building Partner. Okanagan Crush Pad (OCP) was selected as the preferred partner to build the Food Hub facility on their 312-acre ranch just north of Summerland. The facility will also house their own wine making and storage operations, creating the opportunity to share common areas, including washrooms, loading bays, parking, and road access. They also have commercial processing capacity through their existing facilities and may wish to use the food hub facility and equipment for their own storage and processing activities.

5.7 Other Food Hub Partners

Accelerate Okanagan (AO). AO is a well-established local technology accelerator that can support the Food Hub by offering/developing entrepreneurial mentorship programs and community development programs with government and education partners. They have an extensive network of experienced services providers, mentors and partners who have proven expertise in the technology sector that can support the agri-tech and food community.

AO hold many networking events where tech and agriculture participants can share ideas and benefit Food Hub clients. They are also willing to create a program delivery model, such as a 'roadshow' format, that suits the participant's availability and schedule. They can also provide participant access to private investment funding through pitch sessions.

City of Penticton. The City has worked closely with the District of Summerland over several years to establish an agriculture innovation and food processing hub. Penticton will support the Hub by referring local agri-businesses to the Food Hub's programs and services; marketing and promoting the Hub at events, through social media and the City's economic development department; and including the Hub in its industry cluster economic development project (agriculture priority sector).

K'uL Management Group. They previously expressed interest in partnering with the Food Hub. However, they recently stated they won't be able to do so soon because they first need to sort out some land use planning issues. K'uL leads and manages the business interests of the Penticton Indian Band. They have supported the Food Hub in all planning stages, including the development of the Food Hub business plan, being a member of the Food Hub finance advisory committee, and providing support through grant writing to access funds for the Food Hub's capital and operating expenses.

They also want to develop a variety of indigenous processed foods and have expressed interest in using the Food Hub to process them as well as possibly co-developing an indigenous entrepreneurial program. The Food Hub could host major events and programming with K'uL Group related to indigenous foods, culture, product development and agri-tourism. The Food Hub will reach back out to the K'uL Management Group at a later stage to revisit these initiatives.

5.8 Education & Research Partnerships

Okanagan College (OC)/ British Columbia Beverage Technology Access Centre (BCBTAC). OC has worked with the District and others to address economic development, labour market gaps and skills training requirements for agriculture, tourism, and other industries. OC's BCBTAC will be very complementary to the proposed Food Hub. Both OC and the Food Hub will work cohesively to support growth of both the beverage and agri-food businesses.

BCBTAC was established in Penticton with NSERC funding to serve the region's wine, beer, cider, spirits, and fermented beverage industries. It has been operating since Nov 2019. BCBTAC has state-of-the-art testing facilities that provide proof-of-concept production of wine, beer, spirits, cider, and other beverages, which complements the non-alcoholic beverage and food focus of the Food Hub.

OC is committed to a strong collaborative relationship with the Food Hub by referring clients to the Hub to access appropriate services. Their 120 sq. m. space has a demonstration kitchen with multi-media capacity, fully equipped caterer's kitchen, sensory tables, temperature-controlled wine cooler and educational spaces. It also houses analytical laboratories.

Summerland Research and Development Centre (SRDC). The District's Agricultural Plan and Official Community Plan encourages collaboration on agriculture initiatives with SRDC. The services of the Food Hub will compliment those offered by SRDC and will be valued by the industry. SRDC will support the Food Hub with in-kind strategic assistance (e.g. referring clients and/or providing access to scientists and specialized equipment through the appropriate research agreements).

UBC-O. Areas of possible collaboration between the Food Hub and post-secondary institutions like UBC-O include:

- develop food innovation training programs to serve the needs of the region.
- collaborate on relevant research (e.g. product/market development for fruit juice by-products).
- explore opportunities for novel product development, testing and market studies.

As they didn't update their letter of support in March 2021, the Food Hub would need to reconnect with them to gauge their interest.

Kwantlen Polytechnic University (KPU). Since 2017 several discussions have taken place with local food advocates, Interior Health representatives, and Dr. Kent Mullinix, Director of KPU's Institute for Sustainable Food Systems. These discussions focused on the following agriculture initiatives:

- A Thompson-Okanagan Bioregion Food System Plan to help decision makers on future (2050) food system policies.
- A Farm School to slow or reverse the declining number of farmers by offering applied training to sustainable agriculture students.

The 9-month Farm School course includes classroom and field training, including business planning and sustainable farming methods. The Institute, in partnership with two local governments, has two Farm Schools in BC (City of Richmond and Tsawwassen First Nation).

An MOU for a sustainable farm school program in Summerland could be established with the Food Hub renting space for program delivery (classroom portion) and/or offering entrepreneurial skills and product-to-market workshops in partnership with the Institute. They recently signed a partnership agreement with Bioenterprise in 2022, so the Food Hub would need to reconnect with them to gauge their current interest.

5.9 Industry and Funding Partnerships

Farmers. Innovative farmers could provide field space for demonstrations, testing, and trials for new innovations and technologies. Identifying those early adopters is key.

Industry Associations. Relevant industry associations, such as BCFPA, BC Tree Fruits, BC Fruit Growers Association, BC Cherry Growers Association, Farmers Market Association, Kelowna Tourism, Okanagan Tree Fruit Project, PACS Organic Certification and others have expressed interest in collaborating with the Food Hub. Some have indicated possible promotion of the Food Hub's services to their membership using email campaigns and possible event co-marketing.

School District 67. Opportunities exist to develop agriculture programming at the primary and secondary level as specified in the best practices research and focus group feedback.

Institutional Funders. Several other non-repayable funding programs such as the PacificAN, IAF, Sustainable Development Technology Canada and BC Lean for Food Processors Program, to name a few could be available for the clients of the Food Hub. The Agriculture and Agri-Food Canada (AAFC)'s BC regional office, Market and Industry Services Branch can help Food Hub clients find and access programs and services in their organization. The federal commercialization stream is based on repayable contributions (60/40% split) and is not grant based like the provincial level (which are generally 50/50% split).

6 Financial Plan

In this section we present the initial start-up costs, key assumptions, and five-year projections for the Food Hub, based on it renting space at the OCP facility.

6.1 Start-up Costs

The start-up costs for the Food Hub are presented in Table 11. High and low estimates are provided for each cost item and the total costs range from about \$800,000 to \$1 million. About \$300,000 to \$400,000 of the start-up costs are for soft items such as planning, marketing, research, and design labour while the remainder are for capital expenses. These soft costs are significant due to the complexity of the Food Hub with a wide range of revenue streams and the need to make careful selections of several expensive pieces of equipment. The capital costs are broken down primary by the key sections of the Food Hub and are summarized as follows:

Capital cost category	Low-cost estimate	High-cost estimate	% of total
Office area/conference space	\$42,000	\$52,000	9%
Commercial kitchen	\$175,000	\$200,000	34%
Food processing area	\$180,000	\$212,000	36%
Aggregation/distribution area	\$35,000	\$40,000	7%
Storage areas (ambient/cooler/freezer)	\$80,000	\$90,000	15%
Total startup capital costs	\$512,000	\$594,000	100%

As can be seen, 70% of the total costs are related to the commercial kitchen and food processing elements, as these areas require the most expensive equipment.

6.2 Year 2 Startup Capital Expenditures

To reduce the complexity of the Food Hub and to space out the capital expenditures, three key revenue streams have been delayed with two of them beginning in year 2 and one in year 4. The start-up costs for these revenue streams are presented in Table 12 and summarized below:

Year 2 to year 4 capital cost category	Low-cost estimate	High-cost estimate	% of total
Year 2 – Dry processing line	\$410,000	\$547,000	70%
Year 2 – Agriculture processing line	\$95,000	\$132,000	17%
Year 4 – Quality assurance/food testing lab	\$75,000	\$100,000	13%
Total year 2 to year 4 capital costs	\$580,000	\$779,000	100%

Table 11 Startup costs for the Food Hub

Description of start up cost item	Low cost Estimate	High cost Estimate
Start up soft costs		
Steering committee secretariat costs	\$10,000	\$15,000
Start up accounting/legal/incorporation	\$5,000	\$7,000
Implementation planning labour	\$140,000	\$170,000
Equipment sourcing labour	\$50,000	\$70,000
Prepare initial branding (logo, letterhead)	\$4,000	\$5,000
Develop dedicated website	\$10,000	\$15,000
Create initial social media presence	\$6,000	\$8,000
Commercial kitchen design and certification support	\$25,000	\$40,000
Commercial kitchen/food processing installation	\$50,000	\$70,000
Total start up soft costs	\$300,000	\$400,000
Office area/conference space (1,000 sq. ft.)		
Walls, fixtures for manager office, meeting rooms, conf. room	\$15,000	\$20,000
Furniture (good condition used)	\$10,000	\$12,000
Computers, printers, A/V equipment	\$8,000	\$10,000
Office area kitchen/coffee station, cabinets	\$9,000	\$10,000
Sub-total office/meeting room area	\$42,000	\$52,000
Commercial Kitchen (1,250 sq. ft.)		
Walls, fixtures, grease trap, supplies closets	\$40,000	\$45,000
Cabinets, furniture, partitions	\$12,000	\$14,000
Convection oven and 6 burner range	\$4,200	\$5,500
Ventilation hood used	\$50,000	\$55,000
Food preparation tables (x4)	\$4,800	\$6,000
Washing station/double sink (x3)	\$4,000	\$5,000
Shelving/racks (x6) and wheeled carts	\$4,500	\$5,500
Commercial dishwasher + table, scrap sink, drying racks	\$7,000	\$8,000
Commercial food processor	\$3,500	\$4,000
2 Commercial Mixers (30 and 60 quart)	\$10,000	\$12,000
Immersion blender	\$1,000	\$1,500
3 door refrigerator	\$3,500	\$4,000
Blast chiller	\$7,000	\$8,000
Tabletop food depositor	\$7,500	\$8,000
Freeze dryer	\$5,000	\$6,000
Other, incl. pots, pans, dishes	\$11,000	\$12,500
Sub-total commercial kitchen	\$175,000	\$200,000
Food Processing Area (750 sq. ft.)		
Walls, fixtures, supplies closets	\$10,000	\$13,000
Small scale grinder hopper	\$2,500	\$3,000
Small scale dosing/food depositor	\$15,000	\$17,000
Steam kettle (100 litres) with Lightnin' mixer	\$10,500	\$12,750
Air compressor	\$1,500	\$2,000
Package boiler	\$10,000	\$11,000
Jam Filling Hopper (100 litres)	\$8,000	\$10,000
Eccentric screw pump	\$4,500	\$5,000
Pasteurizer	\$15,000	\$16,000
Small Batch Chamber Dehydrator, trays, accessories	\$60,000	\$75,000
Labeler and coder	\$20,000	\$22,000
Small bladder press (500 lb capacity)	\$500	\$1,000
Hand tools, workbench	\$4,000	\$4,500
Semi-manual bagging machine	\$3,000	\$4,500
Other (packing table)	\$15,500	\$15,250
Sub-total processing area	\$180,000	\$212,000
Aggregation/distribution area (1,250 sq. ft.)		
Forklift and pallet jack (x2)	\$15,000	\$16,000
Packing line (wood construction)	\$5,000	\$6,000
Roller bars (100 feet)	\$5,000	\$6,000
Dock level loading ramps x 2	\$3,000	\$3,500
Receiving station computer/printer/table	\$4,000	\$4,500
Dollies and their equipment/tools	\$3,000	\$4,000
Sub-total aggregation/distribution area	\$35,000	\$40,000
Ambient, refrigerated and frozen storage (1,250 sq. ft.)		
Walk-in freezer purchase and install (16ft x 16ft x 15ft high)	\$30,000	\$33,000
Pallet racking for freezer (30 feet)	\$3,000	\$4,000
Walk-in cooler plus compressor (16 x 30x 15ft high)	\$35,000	\$40,000
Pallet racking for cooler (32 feet x 10 ft high)	\$6,000	\$6,500
Ambient area pallet racking (32 feet x 10 ft high)	\$6,000	\$6,500
Sub-total aggregation/distribution area	\$80,000	\$90,000
Total start up costs	\$812,000	\$994,000

Table 12 Year 2 -5 capital costs for the Food Hub

Description of year 2 - year 4 capital cost items	Low cost Estimate	High cost Estimate
Year 2 - Dry processing line		
Urschel apple slicer OV	\$20,000	\$28,000
Apple corer	\$12,000	\$20,000
Freeze dryer	\$6,500	\$8,000
Refractance window dryer/radiant buoyant dehydration system	\$300,000	\$400,000
Small scale open mouth bag filler	\$25,000	\$35,000
Premade bagger with filler, sealer	\$20,000	\$25,000
Bins/totes for storing finished products	\$1,000	\$1,000
Piston filler used (includes automatic filling and capper)	\$20,000	\$22,000
Packing table (used)	\$500	\$500
Other	\$5,000	\$7,500
Sub-total dry processing line	\$410,000	\$547,000
Year 2 - Agriculture Processing Line		
Bin tipper	\$10,000	\$14,000
Waste bins (agricultural)	\$500	\$1,000
Washer elevator	\$12,000	\$16,000
Cherry depitter and destemmer	\$20,000	\$30,000
Destoner chute with destoner/puree (cherries, other fruit)	\$18,000	\$28,500
Pump, sieves, funnel, sensor controls and fittings	\$15,000	\$18,000
Steam kettle (100 litres)	\$10,000	\$12,000
IBC holding tanks - 275 kg + hose (x3)	\$2,000	\$2,500
Other	\$7,500	\$10,000
Sub-total agriculture processing line	\$95,000	\$132,000
Year 4 - Quality Assurance/Food Testing Lab		
Handheld refractometer (Mettler-Toledo)	\$3,000	\$5,000
pH apparatus	\$100	\$100
Water activity meter	\$100	\$100
Brookfield viscometer/TA.XT Express Connect	\$3,000	\$4,000
Blue M Muffle Furnace (optional)	\$3,800	\$4,800
ICP-OES (plasma optical emission spectrometry) Spectroblue TI	\$40,000	\$50,000
Electronic balances - Sartorius MA 35 Moisture Analyzer Balance	\$3,000	\$4,000
Bench top centrifuge	\$3,000	\$4,000
Scientific glassware: flasks, beakers, burettes, pipettes, etc.	\$1,500	\$2,000
Lab benches, drawers, cupboards, stainless steel counters , chairs, table	\$7,500	\$10,000
Under counter dishwasher for glassware	\$5,000	\$6,000
Other	\$5,000	\$10,000
Sub-total food esting lab	\$75,000	\$100,000
Year 2 - 4 Capital costs	\$580,000	\$779,000

As with the start-up costs, most of the subsequent capital expenses are for processing equipment. However, as we will show in the financials, this is justified because over 40% of the Food Hub revenues are expected to come from processing activities. It is important to note that the assumption is that many pieces of equipment will be able to be secured at good second-hand prices given that the pandemic has forced many commercial kitchens to close, resulting in a surplus of second-hand kitchen and food processing equipment.

6.3 Assumptions

We created revenue and cost estimates for 16 revenue streams, based on many assumptions that are presented in detail in Table 13. While specific users have expressed interest in using many of the Food Hub services, we recommend that the demand for each service be confirmed before expending significant funds to develop each service. Note that the rows with the mauve background provide information about the utilization rate of equipment relative to its capacity.

6.4 Five-year Financial Projections

In Table 14, we present five-year financial projections for the Food Hub. These show the revenues of the Food Hub rising from \$370,000 in Year 1, then more than doubling to almost \$770,000 in Year 2 after most of the remaining capital equipment is installed. Revenues continue to rise each subsequent year to about \$1.75 million by the end of Year 5. The Food Hub is projected to have losses totalling about \$600,000 over the first three years of operation. From that point the Food Hub is expected to be profitable and to generate modest profits of about 5-7% from year 5 onward.

6.5 Investment Return on Selected Revenue Streams

For those revenue streams that have higher upfront investment costs, we assessed the relative time it would take for the investments to be re-couped from the gross profits of those activities. This analysis revealed the following in the table below:

Revenue Stream	Initial Amount Invested	Estimated years to recoup investment from gross profits
Online ordering and fulfillment	\$60,000	3 years
Commercial kitchen rentals	\$250,000	4 years
Processing equipment fees	\$717,000	5 years
Product testing	\$75,000	5 years
Storage space rentals	\$80,000	3 years
Total capital investment	\$1,334,000	3.5 years

Payback periods of five years or less are generally considered reasonable and all the revenue streams fall within this timeframe. Because some revenue streams have very little upfront investment cost, the average period to re-coup investment costs from gross profits across all revenue streams is an acceptable 3.5 years.

Table 13 Revenue and expense category assumptions for the Food Hub

Assumptions/metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Memberships and Sponsorships					
Number of marketing sponsorships	3	5	8	9	10
Value of marketing sponsorships	\$5,000	\$5,250	\$5,500	\$5,750	\$6,000
Margin on Memberships and sponsorships	90%	90%	90%	90%	90%
Ecommerce wholesale program					
Space needed for staff office functions (sq. ft.)	250	250	250	250	250
Number of wholesale customers	20	30	35	40	45
Orders per wholesale customer/year	24	26	28	30	32
Average order size	\$250	\$260	\$270	\$290	\$300
Commission on sales	12%	12%	12%	12%	12%
Cost of service as % of commission	50%	50%	50%	50%	50%
Order fulfillment program					
Space for aggregation/packing (sq. ft.)	1,250	1,250	1,250	1,500	1,500
% of orders with fulfillment	80%	86%	88%	89%	90%
Commission on each order	18%	19%	20%	21%	22%
Cost of service as % of commission	75%	74%	72%	71%	69%
Brokerage service					
Number of products offered	30	60	80	95	119
Cases sold per year	300	600	800	950	1,190
Average price per case	\$30.00	\$30.60	\$31.21	\$31.84	\$32.47
Commission on product sales	5%	5%	5%	5%	5%
Cost of service as % of commission	50%	48%	46%	44%	42%
Distribution service					
Number of totes delivered/day	15	17	19	22	25
Number of delivery days per year	50	100	100	125	150
Average charge per tote delivered	\$5.00	\$5.10	\$5.20	\$5.31	\$5.41
Cost of service as % of commission	60%	58%	56%	54%	52%
Consulting/advisory service					
Consulting hours	250	350	600	700	750
Average consulting rate charged	\$70	\$71	\$72	\$73	\$74
Commission on consulting fees	15%	15%	15%	15%	15%
Cost of service as % of commission	30%	29%	29%	28%	28%
Training programs					
Space for training/meetings (sq. ft.)	750	750	750	1,000	1,000
Training program hours	1,000	1,500	1,750	2,000	2,250
Average revenue per training/meeting hour	\$25	\$25	\$25	\$25	\$25
Commission on consulting fees	20%	21%	21%	22%	22%
Cost of service as % of commission	60%	59%	58%	56%	55%
Dedicated space rentals					
Space for 3rd party rental (sq. ft.)	3,000	3,000	3,000	200	200
Rental rate per square foot	\$19.58	\$21.22	\$21.64	\$22.07	\$22.51
Rental cost per square foot	\$16.64	\$16.97	\$17.31	\$17.66	\$18.01
Commercial kitchen space rentals					
Space for commercial kitchen (sq. ft.)	1,250	1,250	1,250	1,750	1,750
No of work stations	3	3	3	5	5
Max capacity/station (hrs/yr)	2,000	2,000	2,000	2,000	2,000
% capacity in given year	59%	95%	118%	86%	104%
Avg full-time users	7	11	12	13	14
FT User Hourly rate (64+ hours/month)	\$26.00	\$27.00	\$28.00	\$29.00	\$30.00
Avg hours/year per FT user	336	370	407	447	492
Total hours per year all FT users	2,352	4,066	4,879	5,814	6,887
Avg part-time users	8	10	12	14	16
Hourly rate (24 to 64 hours/month)	\$30.00	\$31.00	\$32.00	\$33.00	\$34.00
Avg hours/year per PT user	150	165	182	200	220
Total hours per year all PT users	1,200	1,650	2,178	2,795	3,514
Cost: Processing kitchen manager/staff	\$80,000	\$100,000	\$120,000	\$132,000	\$145,200
Training fees charged by kitchen staff					
Average kitchen support staff charge per hour	\$25.00	\$25.50	\$26.00	\$26.50	\$27.00
Hours of training time	225	400	450	500	563

Table 13. Revenue and expense category assumptions for the Food Hub (continued)

Assumptions/metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Product Development/Food Testing Lab Fees					
Space for product testing lab (sq. ft.)		0	0	250	250
Number of food test clients per year				20	30
Average number of tests/client/year				6	10
Fee/test (e.g food shelf life stability test)				\$75.00	\$76.50
Average number of kits/client				12	12
Full panel food test kit fee				\$250	\$255.00
Average number of consults				20	35
Product development consulting fee				\$150	\$150
Margin on food testing lab fees				30%	35%
Processing equipment use fees					
Space for food processing (sq. ft.)	1,750	1,750	1,750	2,000	2,000
Small Batch Chamber Dehydrator fees					
No. of dehydrators	1	1	1	1 - 2 shifts	1 - 2 shifts
Max capacity /year- (dry kgs/yr)	4,750	4,750	4,750	9,500	9,500
% capacity in given year	35%	48%	64%	40%	51%
Users	8	10	12	14	16
Kgs wet produce/user	1,250	1,375	1,513	1,664	1,830
Kgs of dried product/user (16.6% of wet weight)	208	229	252	277	305
Processing fee per dry kg	\$8.80	\$9.06	\$9.34	\$9.62	\$9.90
Total kgs processed (dry) product	1,667	2,292	3,025	3,827	4,841
Large Batch refractance Window Drying fees					
No. of refractance window dehydrator		1	1	1	2- 50% extra
Max capacity /year- (wet kgs/yr)		190,000	190,000	190,000	285,000
% capacity in given year		28%	39%	47%	39%
Fruit and Veggie Users		2	3	3	4
Kgs wet produce/user		10,400	11,440	12,012	12,613
Kgs of dried product/user (16.6% of wet weight)	0	1,733	1,907	2,002	2,102
Processing fee per dry kg		\$7.15	\$7.36	\$7.59	\$7.81
Berry and cherry users	0	8	10	11	12
Kgs wet produce/user		4,125	4,538	4,764	5,003
Kgs of dried product/user (16.6% of wet weight)	0	688	756	794	834
Processing fee per dry kg		\$10.73	\$11.05	\$11.38	\$11.72
Total kgs processed (dry) product	0	8,967	12,329	14,741	18,414
Packaging revenues - All sizes					
No. of bagging machines	1	1	1	1	1
Maximum packages per year (250 days/yr)	20,000	375,000	375,000	375,000	375,000
% capacity in given year	8%	3%	5%	7%	9%
% of small batch chamber kgs that are packaged	25%	28%	30%	33%	37%
Bags required per kilogram	4	4	4	4	4
Packaging fee per bag	\$0.75	\$0.77	\$0.80	\$0.82	\$0.84
% of large batch RW kgs that are packaged	25%	28%	30%	33%	37%
Bags required per kilogram	4	4	4	4	4
Packaging fee per bag	\$0.75	\$0.77	\$0.80	\$0.82	\$0.84
Total packages per year	1,667	12,384	18,579	24,713	34,047
Bottling (jar) revenues					
No. of bottling machines	1	1	1	1	1
Maximum bottles per year	125,000	125,000	125,000	125,000	125,000
% capacity in given year	16%	21%	25%	30%	36%
Bottling fee per bottle	\$1.25	\$1.28	\$1.30	\$1.33	\$1.35
Number of bottles per year	20,000	26,000	31,200	37,440	44,928
Margin on processing equip use fees	40%	41%	42%	42%	43%
Co-packing service fees					
Average fee per batch run	\$500	\$600	\$700	\$750	\$800
Average no. batch runs/week	2.0	5.0	6.5	7.0	7.5
Average consulting fees	\$2,000	\$2,500	\$3,000	\$3,500	\$4,000
No. of consulting services/year	5	7	9	11	13
Margin on co-packing fees	40%	41%	42%	42%	43%
Equipment rentals					
Space to store equipment (sq. ft.)	500	500	500	750	750
Total equipment rental hours	200	1200	1260	1323	1389
Avg equipment rental charge/hour	\$18	\$18	\$18.50	\$19.00	\$19.50
Commission on rental fees	10%	10%	10%	10%	10%
Cost of service as % of comm.	30%	30%	30%	30%	30%

Table 13. Revenue and expense category assumptions for the Food Hub (continued)

Assumptions/metrics	Year 1	Year 2	Year 3	Year 4	Year 5
Food storage space rentals					
Dry Storage fees					
Space for dry storage (sf)	500	500	500	1,000	1,000
Pallets per 100 square feet	10	10	10	10	10
% capacity in given year	50%	69%	93%	57%	70%
Average number of users/month	10	12	14	15	16
Average number of pallets/user/month	2.5	2.9	3.3	3.8	4.4
Price per pallet/month	\$30.00	\$30.60	\$31.21	\$31.84	\$32.47
Number of pallet-months	300	414	555	684	840
Cold Storage fees					
Space for cold storage (sf)	500	500	500	1,000	1,000
Pallets per 100 square feet	10	10	10	10	10
% capacity in given year	40%	60%	88%	59%	78%
Average number of users/month	10	12	14	15	16
Average number of pallets/user/month	2.0	2.5	3.1	3.9	4.9
Price per pallet/month	\$40.00	\$40.80	\$41.62	\$42.45	\$43.30
Number of pallet-months	240	360	525	703	938
Frozen Storage fees					
Space for frozen storage (sf)	250	250	250	500	500
Pallets per 100 square feet	10	10	10	10	10
% capacity in given year	52%	72%	96%	59%	73%
Average number of users/month	10	12	14	15	16
Average number of pallets/user/month	1.3	1.5	1.7	2.0	2.3
Price per pallet/month	\$50.00	\$51.00	\$52.02	\$53.06	\$54.12
Number of pallet-months	156	215	289	356	437
Margin on pallet space rentals	70%	70%	70%	70%	70%
Additional storage-related fees					
Average storage period per pallet (months)	3.0	3.0	3.0	3.0	3.0
No of pallets brought in/taken out	232	330	456	581	738
Fees to bring in/take out each pallet	\$5.50	\$5.61	\$5.72	\$5.84	\$5.95
Percent of pallets needing assembly	10%	11%	11%	12%	12%
Pallet assembly fees/ pallet	\$10.00	\$10.20	\$10.40	\$10.61	\$10.82
Other service fees as % of total storage fees	2%	2%	2%	3%	3%
Margin on additional storage related activities	60%	61%	62%	64%	65%
Expense Assumptions					
Total facility space required (sq. ft.)	7,000	7,000	7,000	10,000	10,000
Facility space not covered above (sq. ft.)	3,000	3,000	3,000	0	0
Rental rate per square foot	\$16.64	\$16.97	\$17.31	\$17.66	\$18.01
Utilities as % of total rent	10.0%	6.0%	5.0%	4.0%	4.0%
Marketing as % of revenues	5%	4%	3%	3%	3%
IT services as % of revenues	3%	1%	1%	1%	1%
Office expenses as % of revs	2.5%	2.0%	2.0%	2.0%	2.0%
Travel and Professional Development	0.75%	0.75%	0.75%	0.75%	0.75%
Maintenance/cleaning as % of expenses	1.5%	1.0%	0.9%	0.8%	0.8%
Miscellaneous as % of revs	1.25%	1.25%	1.25%	1.25%	1.25%
Finance Assumptions					
Interest rate on loans	7.5%	7.5%	7.0%	6.5%	6.5%
Amortization rate on capital equipment	10%	10%	10%	10%	10%
Small business tax rate after losses	13.5%	13.5%	13.5%	13.5%	13.5%

Table 14 Five-year financial forecast for the Food Hub

Revenue/Expense Category	Year 1	% revs	Year 2	% revs	Year 3	% revs	Year 4	% revs	Year 5	% revs
Promo sponsorships	\$15,000	4%	\$26,250	3%	\$44,000	4%	\$51,750	4%	\$60,000	3%
Ecommerce wholesale customers	\$14,400	4%	\$24,336	3%	\$31,752	3%	\$41,760	3%	\$51,840	3%
Order fulfillment program	\$17,280	5%	\$33,138	4%	\$46,570	4%	\$65,041	5%	\$85,536	5%
Brokerage service	\$13,500	4%	\$55,080	7%	\$99,878	9%	\$143,661	11%	\$229,925	13%
Distribution fees	\$3,750	1%	\$8,670	1%	\$9,884	1%	\$14,592	1%	\$20,296	1%
Consulting services	\$2,625	1%	\$3,728	0%	\$6,480	1%	\$7,665	1%	\$8,325	0%
Training programs	\$5,000	1%	\$7,875	1%	\$9,188	1%	\$11,000	1%	\$12,375	1%
Dedicated space rentals	\$58,729	16%	\$63,648	8%	\$64,921	6%	\$4,415	0%	\$4,503	0%
Commercial kitchen space rentals	\$97,152	26%	\$160,921	21%	\$206,300	19%	\$260,839	19%	\$326,084	19%
Equipment training by kitchen staff	\$5,625	2%	\$10,200	1%	\$11,700	1%	\$13,250	1%	\$15,188	1%
Processing equipment use fees	\$40,917	11%	\$147,290	19%	\$202,283	19%	\$251,704	19%	\$320,479	18%
Co-packing service fees	\$62,000	17%	\$173,500	23%	\$263,600	25%	\$311,500	23%	\$364,000	21%
Product testing fees							\$72,000	5%	\$120,000	7%
Equipment rentals	\$350	0%	\$2,160	0%	\$2,331	0%	\$2,514	0%	\$2,709	0%
Storage space rentals	\$26,400	7%	\$38,336	5%	\$54,210	5%	\$70,518	5%	\$91,480	5%
Additional storage related fees	\$3,312	1%	\$4,820	1%	\$6,831	1%	\$9,613	1%	\$12,501	1%
Other Revenues	\$3,660	1%	\$7,600	1%	\$10,599	1%	\$13,318	1%	\$17,252	1%
Total Revenues	\$369,700		\$767,550		\$1,070,528		\$1,345,140		\$1,742,492	
Cost of Sales		% margin		% margin		% margin		% margin		% margin
Cost to administer sponsorships	\$1,500	90%	\$2,625	90%	\$4,400	90%	\$5,175	90%	\$6,000	90%
Ecommerce wholesale customers	\$7,200	50%	\$12,168	50%	\$15,876	50%	\$20,880	50%	\$25,920	50%
Order fulfillment program	\$12,960	25%	\$24,356	27%	\$33,544	28%	\$45,912	29%	\$59,172	31%
Brokerage service	\$6,750	50%	\$26,438	52%	\$45,944	54%	\$63,211	56%	\$96,568	58%
Distribution cost	\$2,250	40%	\$5,029	42%	\$5,535	44%	\$7,879	46%	\$10,554	48%
Consulting services	\$788	70%	\$1,096	71%	\$1,867	71%	\$2,164	72%	\$2,304	72%
Training programs	\$2,000	60%	\$3,245	59%	\$3,893	58%	\$4,788	56%	\$5,526	55%
Dedicated space rentals	\$49,920	15%	\$50,918	20%	\$51,937	20%	\$3,532	20%	\$3,602	20%
Commercial kitchen space rentals	\$80,000	18%	\$100,000	38%	\$120,000	42%	\$132,000	49%	\$145,200	55%
Product testing							\$50,400	30%	\$78,000	35%
Processing equipment use costs	\$24,550	40%	\$87,196	41%	\$118,101	42%	\$144,860	42%	\$181,720	43%
Co-packing service costs	\$37,200	40%	\$102,712	41%	\$153,900	42%	\$179,273	42%	\$206,398	43%
Equipment rentals	\$105	70%	\$648	70%	\$699	70%	\$754	70%	\$813	70%
Storage space rentals	\$7,920	70%	\$11,501	70%	\$16,263	70%	\$21,156	70%	\$27,444	70%
Additional storage related costs	\$1,325	60%	\$1,870	61%	\$2,567	62%	\$3,492	64%	\$4,382	65%
Cost of other revenues	\$2,931	20%	\$5,373	29%	\$7,182	32%	\$8,568	36%	\$10,670	38%
Merchant fees	\$5,176		\$10,746		\$14,987		\$18,832		\$24,395	
Total cost of sales	\$242,574	34%	\$445,920	42%	\$596,696	44%	\$712,877	47%	\$888,668	49%
Overhead labour		% revs		% of revs		% of revs		% of revs		% of revs
Overhead labour	\$180,000	48.7%	\$150,000	19.5%	\$170,000	15.9%	\$213,608	15.9%	\$276,708	15.9%
Payroll and benefits	\$18,000	4.9%	\$15,000	2.0%	\$17,000	1.6%	\$21,361	1.6%	\$27,671	1.6%
Total overhead labour	\$198,000	54%	\$165,000	21%	\$187,000	17%	\$234,969	17%	\$304,379	17%
Expenses		% revs		% of revs		% of revs		% of revs		% of revs
Rent	\$166,400	45.0%	\$169,728	22.1%	\$173,123	16.2%	\$176,585	13.1%	\$180,117	10.3%
Utilities	\$36,970	10.0%	\$46,053	6.0%	\$53,526	5.0%	\$53,806	4.0%	\$69,700	4.0%
Marketing and Promotions	\$18,485	5.0%	\$30,702	4.0%	\$32,116	3.0%	\$40,354	3.0%	\$52,275	3.0%
Accounting/bookeeping	\$3,900	1.1%	\$3,900	0.5%	\$3,900	0.4%	\$3,900	0.3%	\$3,900	0.2%
IT services and expenses	\$11,091	3.0%	\$7,676	1.0%	\$10,705	1.0%	\$13,451	1.0%	\$17,425	1.0%
Office supplies/telephone	\$9,243	2.5%	\$15,351	2.0%	\$21,411	2.0%	\$26,903	2.0%	\$34,850	2.0%
Meals and entertainment	\$1,000	0.3%	\$1,500	0.2%	\$2,000	0.2%	\$2,500	0.2%	\$3,000	0.2%
Travel/professional development	\$2,773	0.8%	\$5,757	0.8%	\$8,029	0.8%	\$10,089	0.8%	\$13,069	0.8%
Maintenance/cleaning	\$5,546	1.5%	\$7,676	1.0%	\$9,635	0.9%	\$10,761	0.8%	\$13,940	0.8%
Interest cost	\$15,000	4.1%	\$27,500	3.6%	\$32,500	3.0%	\$32,500	2.4%	\$27,500	1.6%
Miscellaneous	\$4,621	1.3%	\$9,594	1.3%	\$13,382	1.3%	\$16,814	1.3%	\$21,781	1.3%
Total expenses	\$275,028	74%	\$325,436	42%	\$360,326	34%	\$387,663	29%	\$437,556	25%
Operating profit/loss	(\$345,902)	-93.6%	(\$168,805)	-22.0%	(\$73,494)	-6.9%	\$9,630	0.7%	\$111,889	6.4%

6.6 Labour Costs

A key component of the financial forecast is labour costs. Table 15 provides a breakdown of labour costs. Note that these labour costs are much higher than the labour costs presented in Table 14 because these labour costs include both direct and overhead labour costs and the direct labour costs are part of the Cost of Services. However, we have assumed that direct labour costs make up about 80% of total costs, and using that metric, these labour costs are sufficient to cover the direct and overhead labour costs in Table 15.

Table 15 Projected labour costs for the Food Hub

Management and Staffing Costs	Pre-launch	Year 1	Year 2	Year 3	Year 4	Year 5
CEO	\$50,000	\$120,000	\$123,600	\$127,308	\$140,000	\$150,000
Client Solutions Coordinator		\$26,000	\$39,000	\$53,560	\$53,560	\$55,167
Operations Technician	\$25,000	\$40,000	\$65,000	\$66,950	\$66,950	\$68,959
Marketing Coordinator (contract, part time)	\$16,000	\$24,000	\$25,200	\$26,460	\$27,783	\$29,172
Compliance Manager - contract position	\$20,000	\$20,000	\$20,000	\$20,000	\$30,000	\$40,000
Labourers (on-call) x 3 people		\$35,000	\$70,000	\$85,000	\$100,000	\$115,000
Food Laboratory Technician			\$36,050	\$72,100	\$72,100	\$72,100
Nutrition Specialist (contract)				\$18,000	\$50,000	\$50,000
Salesperson		\$35,000	\$55,000	\$75,000	\$99,672	\$101,162
CEO/management performance bonus	\$5,000	\$12,000	\$43,260	\$44,558	\$70,000	\$75,000
Payroll costs at 14% (Vacation, UIC, CPP, Worksafe, Health/Dental)	\$16,240	\$57,220	\$47,000	\$47,390	\$48,640	\$49,042
Sub-total	\$132,240	\$369,220	\$524,110	\$636,326	\$758,705	\$805,602

6.7 Sources and Uses of Cash

In Table 16, we present the sources and uses of cash over the five-year period. This shows what is required to keep the Food Hub cash flow positive over the first five years.

Table 16 Sources and uses of cash for the Food Hub

Cash/asset Category	Pre-launch	Year 1	Year 2	Year 3	Year 4	Year 5
Sources and uses of cash						
Opening cash balance		\$297,000	\$31,098	\$66,668	\$45,424	\$58,929
Cash from operating income		(\$345,902)	(\$168,805)	(\$73,494)	\$9,630	\$111,889
Grants	\$1,200,000	\$400,000	\$175,000	\$100,000	\$75,000	\$50,000
New loans/lines of credit		\$200,000	\$75,000	\$50,000	\$50,000	\$25,000
Start up costs	\$350,000	\$0	\$0	\$0	\$0	\$0
Capital expenses	\$553,000	\$505,000	\$25,000	\$75,000	\$50,000	\$125,000
Interest expense on loans		\$15,000	\$20,625	\$22,750	\$21,125	\$17,875
Repayment of debt		\$0	\$0	\$0	\$50,000	\$75,000
Closing cash balance	\$297,000	\$31,098	\$66,668	\$45,424	\$58,929	\$27,944
Value of physical assets at end of	\$512,000	\$1,017,000	\$919,960	\$884,565	\$828,417	\$854,007
Depreciation of assets		\$122,040	\$110,395	\$106,148	\$99,410	\$102,481
Principal value of loans		\$200,000	\$275,000	\$325,000	\$325,000	\$275,000

It reveals how much money the Food Hub must raise, which includes:

- \$2 million in grants over five years, with \$1.2 million in the first year
- An additional \$400,000 in debt financing, likely secured by capital assets.

The value of capital assets builds up to just over \$1 million and then gradually declined as they depreciate. The Food Hub will build up to a maximum debt load of \$300,000 before being able to start paying it off.

When the Food Hub generates surplus cash flows that exceed general working capital needs, the excess funds will be put into one or more of the following accounts:

- **A debt repayment account** - to accelerate the repayment of any debt.
- **An operating reserve account** – to create a “rainy day fund” equivalent to 3 months overhead operating expenses with no revenues.
- **A capital reserve account** - to replace or upgrade existing equipment, buy new equipment (especially more automated equipment), and expand/improve the facility.
- **A community - reinvestment account** - to conduct agri-food research and innovation projects, social development programs, and market development programs.
- **A sustainability account** – to build up a long-term endowment, whereby the accrued interest is used to fully eliminate any future reliance on grants.

6.8 Possible Funding Scenarios

As noted above, the Food Hub needs an estimated \$2 million in grants to reach financial breakeven. Below we present one possible funding scenario for raising the grant funds.

Regional District of South Okanagan (\$50k secured + \$150k matching)	\$50,000
Matching funds for the (above \$200k funding)	\$150,000
Social Research and Demonstration Corp (SRDC) Canada	
Okanagan College	
Accelerate Okanagan	
Municipal governments (e.g. Penticton, Oliver, Peachland)	
Industry Associations	
PacificAN Jobs and Growth Fund (up to \$2 million)	\$1,200,000
Funding from the BC Ministry of Agriculture	\$250,000
Funding from the Social Finance low interest loan Fund	\$250,000
Grants from a range of foundations interested in local food	<u>\$100,000</u>
Total	\$2,000,000

In addition, the Food Hub will likely need to raise \$400,000 in loan funds or lines of credit. Possible sources for these funds (at a 5 – 7% interest rate) include the following:

Investments from core users (10 users @ average \$10,000 /user)	\$100,000
Community Futures Okanagan Similkameen	\$150,000
Private individual loans	\$75,000
Financial Institution Line of Credit	<u>\$75,000</u>
Total	\$400,000

Membership fees

The goal of offering Food Hub membership is to raise money before the Food Hub has launched and at the start of each operational year. The money raised through membership fees will be used to pay for equipment, other capital costs, and for working capital. Any client that pays membership fees will receive discounts off services. The discounts will increase depending on the level of membership as follows:

Membership Level	Annual Fee	Discount	Max Discount/Yr	Year 1 goal
Basic Membership	\$1,000	6%	\$1060	20 memberships
Brokerage Membership	\$2,500	8%	\$2,700	10 memberships
Premium Membership	\$5,000	10%	\$4,950	4 memberships

If a member does not recoup their full membership fee and the discount within 1 year, the balance will be carried forward for a maximum of one more year.

The goal will be to bring in \$65,000 in new memberships in Year 1. These revenues are not shown in the projections because they are more than fully paid back. They are more like a short-term loan with a 6% - 10% interest rate that is paid back to the members. Therefore, we have included these figures in the Year 1 loan/line of credit amount.

Additional sources of funding are provided in Appendix D - Potential Funding Sources for the Food Hub.

6.9 Impact on the Local Food Economy

Below we present an estimate of the retail-value revenues that would be generated by the Food Hub's producers. This shows that within 5 years, the Food Hub will help increase regional food sales by over \$12 million per year.

Product Revenues	Year 1	% revs	Year 2	% revs	Year 3	% revs	Year 4	% revs	Year 5	% revs
E-commerce sales	\$150,000	8%	\$253,500	6%	\$330,750	5%	\$435,000	5%	\$540,000	4%
Brokerage service	\$337,500	19%	\$1,377,000	30%	\$2,496,960	37%	\$3,591,526	40%	\$5,748,121	47%
Processing product revenues	\$1,291,799	73%	\$2,891,320	64%	\$3,979,818	58%	\$4,902,729	55%	\$6,031,069	49%
Total Product Revenues	\$1,779,299		\$4,521,820		\$6,807,528		\$8,929,255		\$12,319,190	

6.10 Enhancing the Food Hub's Financial Viability

Several measures will improve the long-term financial viability of the Hub, including the following:

Pursue a diversity of revenue streams - The business plan was designed to have at least 15 different revenue streams. While this increases complexity, it also helps reduce risk because if certain revenue streams fall short of projections, those shortfalls can be made up on other revenue streams. It also ensures that the hub can meet the needs of the widest possible range of producers and processors.

Carefully track financial performance and update projections – The board and CEO will prepare monthly financials, quarterly financial performance review, and annually update the financial projections and financial forecasts.

Routinely assess current and prospective user needs – A key success factor for the Hub will be to stay fully abreast of the needs of local food producers and processors so that it can provide the equipment, services, training, and advice that they most need.

Conduct ongoing market research – The Hub will invest sufficient time and effort to understand the latest food production and processing techniques and share that information with its users.

In addition to the authors, the current and previous versions of the financial plan have been reviewed and refined by a range of qualified individuals including:

- CAO of Summerland District Municipality.
- Regional Manager – Ministry of Forests, Lands, Natural Resource Operations.
- General Manager of Community Futures Okanagan Similkameen.
- President of K'ul Group (Penticton Indian Band Development Corporation).
- Commercial Manager of Summerland Credit Union.
- Steve Lornie, Owner of Okanagan Crush Pad and formerly a general contractor.
- Sam Elia, Business Consultant.
- CEO, Accelerate Okanagan.
- Director, Continuing Studies and Corporate Training at Okanagan College.
- Industry partners (e.g. Oliver Eats, LocalMotive Organic Delivery and Direct Organics Plus).

6.11 Alternate Strategies for Funding

The above financial plan depends on securing a minimum of \$1.8 million in grant or debt funding before it would be prudent to authorize Okanagan Crush Pad to proceed with construction of the Food Hub facility. Even in this model, with 7,000 square feet allocated to the food hub and 3,000 square feet allocated to dedicated users, you would want to have secured rental commitments for at least 50% of the dedicated user space.

However, if only \$1 million in grant or debt funding is raised, the project could still proceed but on a smaller scale. In this scenario, the facility would be reduced from 10,000 square feet to 6,000 sq. ft., of which 4,000 sq. ft. is allocated to the Food Hub and 2,000 sq. ft. is allocated to dedicated users (again with at least 50% of the dedicated user space committed). This would mean that most of the processing, storage, and equipment rentals would need to be significantly scaled back. While this could be financially feasible it will curtail many of the revenue streams and make this Food Hub just a comprehensive commercial kitchen, which already exists in the region. Further, several potential core users who want to use the Food Hub extensively and are prepared to invest in it, already have access to commercial kitchen type facilities. These core users want to increase their capacity and use larger pieces of specialized equipment and therefore need a larger facility.

It would not be prudent to proceed with the Food Hub if it could not raise at least \$1 million in grant or debt funding with at least 75% coming from grants. Conversely, if the Food Hub is successful in raising \$2.4 million in grants and debt funding it would allow those capital expenditures slated for year 2 and year 4 to be installed in year 1 and for the Food Hub to occupy all the 10,000 square feet. The total facility size could then be potentially expanded to allow for dedicate users but only if 100% of the space was backed up by dedicate user lease commitments.

7 Implementation Plan

7.1 Project Implementation Strategy

The implementation phase is focused on formalizing the program structure, refining the unique selling proposition, relationship building, partnerships, including MOUs, and garnering funding, leasehold improvements and equipment install. These activities are outline in Table 17.

Green denotes activities related to the Food Hub set-up and maintenance. Red - funding applications. Aqua - marketing activities. Blue – capital. Yellow - programming activities.

Table 17 List of implement tasks through to launch day

Task	Lead Resource	2022											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Finalize and validate business plan.	DofS/CFCO		Green	Green	Green								
Create a Trust with Food Hub as beneficiary. Recruit and formalise board, create bylaws, establish MOUs. Consult lawyer and accountant. Open bank account.	DofS/CFCO		Green	Green	Green								
Apply for funding (including PacificAN Jobs and Growth Fund, Ministry of Ag Regional Food Innovation and Processing Hub Network Program. See Financial Plan for other leads)	DofS/CFCO		Red	Red									
Meet with potential core users to update them on the business plan, Food Hub location, Implementation Plan and funding strategy.	DofS/CFCO		Red	Red									
Complete project concept template for Western Economic Diversification.	DofS/CFCO		Red										
Determine and obtain financial commitment for OFIH from partners and corporate sponsors within the region.	DofS/CFCO			Red	Red								
Hire marketing firm to develop a prelaunch marketing strategy, build OFIH website, marketing collateral and digital marketing strategy/content.	DofS/CFCO				Blue	Blue	Blue						
Create content for press release of OFIH business plan completion for media and partner memberships.	DofS/CFCO				Blue								
Establish Contract for CEO role. Finalize job description.	DofS/CFCO				Green								
Meet with ALR, GVR, DofS and CFCO to discuss regulations and their impact on construction timelines	CEO				Blue								
Review Garnet Valley Ranch construction plan and hire kitchen/processing facility design consultant to create preliminary site plans.	CEO				Blue	Blue							
Hire lean manufacturing/food processing consultant for optimal plant layout. Finalize water usage and power demand.	CEO				Blue	Blue							
Apply for funding - Canada-BC Agri-Innovation Program.	TBD				Red								
If funding received, review program reporting requirements and confirm eligible expenses.	CEO				Green								
Write PR material on announcement of funding and appointment of position for project.	TBD				Blue								

Task	Lead Resource	2022											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Conduct further interviews with local growers and distributors to determine market demand for dried fruit.	CEO				Blue	Blue							
Conduct further interviews with processors and producers with personal interviews and focus groups.	CEO				Blue	Blue							
Apply for funding - SIDIT.	TBD					Red							
Interim report required for funding.	CEO						Red						
Apply for funding - Local Food Infrastructure Fund - Infrastructure and Equipment Improvement Projects.	TBD						Red						
Register OFIH for non-profit incorporated society. Recruit and formalize OFIH board/committee, create bylaws, establish MOUs. Consult lawyer and accountant. Open bank account.	CEO/BOD						Green	Green					
Negotiate and sign lease.	CEO/BOD						Green						
Finalize leasehold improvements with contractor. Begin to support construction of building	CEO/BOD						Blue	Blue					
Set up payroll and establish HR program templates.	CEO/BOD						Green						
Recruit for Operations Technician. Finalize job description.	CEO/BOD						Green	Green	Green				
Recruit for Compliance Manager. Finalize job description.	CEO						Green	Green					
Hire video producer and writer to produce editorial agri-business success stories/case studies.	CEO						Blue	Blue	Blue				
Finalize equipment list and place orders	CEO/BOD								Blue	Blue	Blue	Blue	Blue
Investigate, purchase and install accounting and CRM software for Hub.	TBD							Green					
Interim report required for funding.	CEO									Red			
Discuss collaborative marketing opportunities with partners. Finalize MOUs.	CEO									Blue	Blue		
Create calendar for OFIH programs, finalize pricing/costs and coordinate with partners.	CEO									Yellow	Yellow	Yellow	
Finalize marketing and sales strategy. Create calendar for strategy.	CEO									Blue			
Launch on-line presence.	CEO										Blue		
Research/purchase CRM software.	CEO										Blue	Blue	
Apply for funding - Community Foundation South Okanagan Grant.	TBD										Red		
Apply for funding - Buy BC Partnership Fund.	TBD											Red	
Annual report required for funding.	CEO												Red
Review year and adjust business plan/metrics where required.	CEO/BOD												Green
Discuss common technology platform with Ministry of Agriculture and network partners. Define key features.	CEO												Green

Task	Lead Resource	2023											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Facilitate a strategic session to finalize vision, mission, next steps.	CEO/BOD												
Develop specific goals and metrics, as well as the evaluation framework with performance measures/metrics to assess success for each objective.	CEO/BOD												
Investigate and purchase insurance for the Food Hub.	CEO/BOD												
Investigate benefits packages for staff.	CEO/BOD												
Set up initial set of services – Food Hub to go through each of its initial set of services and ensure that it has the contractors, equipment, supplies and/or facilities lined up to successfully to offer them.	CEO												
Develop strategic outreach program for 2023/2024. Explore and prioritize trade show possibilities and respective 'swag' for each event.	CEO												
Apply for and complete documentation and procedures required for food health and safety regulations, and for HACCP ready requirements.	Compliance Manager												
Attendance at trade show - Canadian Health Food Association West.	CEO												
Recruit for Client Services Coordinator. Finalize job descriptions.	CEO												
Investigate private sector approaches to funding initiative.	CEO												
Interim report required for funding.	Client Serv. Coordinator												
In collaboration with partners, identify and recruit coaches and technical experts for Hub's business advisory and product development services.	CEO												
Take possession of the Food Hub space.	CEO												
Install equipment. Complete documentation and procedures required for Health and Safety certifications.	CEO/ Compliance Manager												
Liaise with CFOS, AO and other partners to set up entrepreneurial investment/venture capital program.	TBD												
Recruit for Salesperson/Distribution Coordinator. Finalize job descriptions.	CEO												
Recruit for Marketing Coordinator. Finalize job description.	CEO												
Reach out to potential buyers of local food products and promote the Food Hub	Salesperson												
Attendance at trade show - Grocery & Specialty Food West.	CEO												
Recruit for Labourers. Finalize job descriptions.	CEO												
Attendance at trade show - BC Tech Summit/BC Agriculture Show, Other (TBD).	CEO												
Launch e-commerce platform. Link OFIH inventory and accounting programs to the platform.	TBD												
Interim report required for funding.	Client Serv. Coordinator												
Attendance at trade show - FoodProWest (BC Food Processors Association)	CEO												
Update website as well as marketing/adwords/SEO and digital advertising.	Marketing Coordinator												
Interim report required for funding.	Client Serv. Coordinator												
Coordinate and Host Strategic Familiarization (FAM) Tours.	Marketing Coordinator												
Attendance at trade show - Eat Vancouver + Cooking Festival (Vancouver).	CEO												
Organize and host Okanagan Food and Innovation Hub launch event	CEO												
Annual report required for funding.	Client Serv. Coordinator												
Evaluate performance of OFIH program using metrics.	CEO												

7.2 Risk Mitigation Strategies

Economic and business risks are common in any start-up initiative and those that are relevant to the Food Hub are outlined below.

Market Risk Mitigation

Extensive market research has been conducted over the past few years and will continue during the implementation stage. For instance:

- Equipment costs were obtained from suppliers and manufacturers to validate cost estimates.
- The financial model of other commercial kitchens, dehydration service providers, workshop fees, brokerage fees, etc. was also investigated to validate costs and revenues for the Food Hub.
- Additional focus groups and interviews with food processors will take place during the implementation phase to further clarify bottling/packaging requirements, supply capacities and size of equipment required, and important features to meet their business needs.

Strong business development is key to the sustainability of the Food Hub, especially when cashflow from funding programs significantly decreases after the first three years of operation. The Food Hub marketing budget provides for a well-designed website; healthy social media and other digital marketing platforms; and direct marketing via trade show attendance and hosting events.

From a talent perspective, funds have been allocated for professional development/training and trade show attendance to ensure the CEO and staff stay abreast of and respond to changes in market trends, competitive landscape and technologies in the industry. Strong relationships with industry partners will also help improve market intelligence and is reflected in the marketing budget through networking events and travel. The Food Hub will collaborate in cross-marketing efforts whenever possible to build market awareness of the Food Hub in a cost-effective manner.

Client Retention Risk Mitigation

The Food Hub will achieve a good level of client retention so long as the Food Hub provides high quality services. There is always a risk that client interest will decline as economic conditions and consumer preferences change. On-going customer engagement with existing and prospective clients will ensure Food Hub services and programs remain relevant. In addition,

outsourcing talent and program delivery (e.g. lab services) will allow the Food Hub to change its programming more easily if necessary.

Most of the Food Hub's clients will be small agri-food businesses and most will likely use the equipment during peak harvest season. The facility will have cold and freezer storage to extend the peak period and the Hub will also try to recruit larger anchor clients that need the equipment and services on a more regular, year-round basis.

Financial Risk Mitigation

A real risk is that required minimum funding for this project will not be achieved. While the business plan already includes a phased development approach, this could be extended further by launching with an even smaller facility or working extra hard to secure committed users and therefore raise funds on the strength of those commitments. Further, well-written funding applications will be made to funding agencies during the implementation phase. Letters of commitment from partners should be obtained to ensure financial commitment and/or in-kind contributions.

To reduce financial risks once the Food Hub is launched, the business model relies on a wide range of revenue streams (e.g. commercial kitchen, processing facility equipment hourly fees, storage fees, brokerage fees, food lab fees) such that if revenues fall short in one service area there is chance that they will potentially be exceeded in another area. Moreover, the model relies on sharing resources between the Food Hub and its partners with established MOUs. It also incorporates used equipment wherever possible to reduce financial risk. A phased approach to equipment installations is also planned to manage cash flows.

Governance and Management Risk Mitigation

Strong efforts will be made to hire a highly qualified CEO and recruit a diverse and skilled board. Further, the Board and the CEO will meet quarterly to discuss progress against the Food Hub's goals and business plan implementation. This will ensure any challenges and issues that arise are addressed and managed effectively. The Food Hub also has budgeted for liability and 'errors and omissions' insurance if legal issues arise.

Attracting talent to the region can be challenging. However, one of the Food Hub's advisors, Jane Campardo, has extensive experience in executive search, corporate HR and employee retention. The CEO will foster a culture of collaboration, transparency, respect, organizational learning and results-driven, and will ensure all staff and members understand the business model and their accountabilities. HR strategies, such as performance development and cross-training, will ensure effective succession planning and coverage when staff are away due to holidays, illness or injury. Benefits are also budgeted for staff. The Food has budgeted an hourly

rate that is consistent with the wine industry (\$18/hr) and will focus on providing an enjoyable environment to work in.

Production Risk Mitigation

The facility operations will be HACCP ready, which will reduce food safety risks. The Food Hub will hire a Compliance Manager during the pre-launch phase who will consult with the kitchen/processing design consultants and building contractors to ensure all building codes and operations meet food health and safety regulations. The food testing laboratory (whether in-house or outsourced) will also be ISO-certified. Staff will also be trained on HACCP product handling and storage processes to prevent cross contamination and risk. Additionally, liability insurance is included in the Food Hub budget.

In terms of supply, vegetable and fruit production is more than adequate to meet supply requirements for a variety of new value-added products. This should in-turn sustain/increase demand for processing equipment. Finished goods inventory disruptions may arise due to \ delays in the growing season so the Food Hub will provide buffer storage to address timing issues between processing and finished goods.

All clients will have to go through an orientation session to receive training on all major pieces of equipment. In addition, all equipment in the processing facility will be operated/supervised by the Operations Technician to ensure proper safety and operating procedures are met. This reduces the risk of machine breakdowns and injuries. Attracting labour is always a challenge in the region.

7.3 Strategies to Improve the Success of the Food Hub

The business model follows best practices from other regions in the world. Further research is recommended during the implementation phase in the following areas:

Process flow optimization. It will be helpful to hire a consultant from the BC Ministry's Lean for Food Processors and/or a consultant with extensive experience in production facilities layout (e.g. Streamline, Commissary Connect, other) to advise on equipment layout and production flow, given the large equipment to be installed and the multiple production lines.

Brokerage and distribution services. Further interviews with local growers and distributors/brokers will help refine market demand for dried fruit products (to use the large volumes of culled cherries and other fruit that are currently sent to landfill as well as the volumes of fruit that could be processed and marketed through the Food Hub. The information gained from this research will also help determine the ideal equipment specifications needed for the Food Hub.

User demand outside the South Okanagan-Similkameen region. Although several processors and producers participated in the focus groups and personal interviews, most were from the Summerland and Penticton area, while few were from outside the area (e.g. Cawston, Vernon, Peachland, Kelowna, Osoyoos). Since the Food Hub would be available to agri-food businesses throughout the Okanagan, more information on equipment and bottling/packaging specifications, processing volumes and prices would strengthen the model.

Food hubs are mission-driven organizations that strive to provide affordable services to farmers and processors. The challenge is to do this while generating sufficient profit margins to be cash flow positive. The Food Hub will also need to carefully adhere to lean manufacturing principles to keep costs down.

The long-term sustainability of the Food Hub will depend on achieving success on the following:

- **Implement core competencies:**
 - Connect clients with the right resources to foster innovation and help with product commercialization (One-stop shop)
 - Create strong partnerships that provide operational and marketing synergies
 - Provide state-of-the-art drying capabilities that can handle cherries and berries and produce a diversified mix of finished products (e.g. whole, halved, pureed, liquid)
 - Offer sustainable and innovative packaging capabilities (dependent on bulk vs retail)
- **Deliver brand promise:** Expand market access and enable small and medium size farmers/processors to improve their financial success.
- **Focus on key product sectors:** (1) Plant-based processed food products - fruits and vegetables, (especially cherries, berries, apples); (2) Packaged snack foods; (3) Ready-made meals (or meal preparations).
- **Be nimble with outsourcing:** Ability to find third party distributors and food testing lab services.

Appendices

Appendix A - Primary Target Client Profiles

Using the data from best practices, population demographics and interviews with entrepreneurs and stakeholders, four client profiles have been created.

1. **Entrepreneurs with a Passion for Food**

- Aged 35 to 50+
- Early stage of business commercialization (e.g. idea stage)
- BC entrepreneurs (primary) or Canadian entrepreneurs (secondary) wanting to relocate from Alberta, Saskatchewan Southern Ontario, Manitoba, or Quebec
- Background in horticulture, culinary arts, nutrition, science, food processing, nutraceuticals
- Post-secondary education
- Passionate about the local food movement and want to turn that into a business
- Risk takers; wanting to do something new and make a difference
- 50+ semi-retired professionals looking for a career change or a smaller community
- High net worth individuals wanting to open an innovative agri-food business
- Eligible for the Provincial Nominee Program (Entrepreneur Immigration Stream)
- Possibly landed immigrants or expatriates working in the US that want to relocate to Canada

2. **Educated, Down to Earth, Specialty/Niche Crop Farmers**

- Aged 25 to 35+
- Do not have equity or high net worth; relying on family or outside investment
- Have a primary job
- Likely married with young kids
- Diploma/degree in horticulture, agri-tourism, culinary arts, science or sustainable food systems
- Are passionate about the local food movement and want to turn that to a business
- Have a history and experience in the region, with some having family roots in agriculture and are the next generation farmer
- Community oriented

3. “Ready for Growth” Agri-food Businesses

- Aged early-30s to 40s
- Have been in business for 4+ years
- In agriculture, technology and food processing sectors or supporting industries
- Likely in a niche/specialty business
- BC or Canadian companies with 2 to 6 employees
- Have product/market diversification and expansion goals; plan to use the Hub for new product development and testing (e.g. beta-test their products/services in this region)
- Are passionate about innovation
- Are proud of what they created and want to leave a legacy for successor

4. Established Agri-tech Businesses

- Aged early-30s to 40s
- Highly educated
- Tend to have a background in science, mathematics, data analytics or software engineering
- BC or Canadian companies with 10+ employees
- Focused on the following agri-tech sectors:
 - Ecologically sound plant breeding (excluding Genetically Modified Organisms)
 - Farm management tech - remote sensing and IoT - big data, AI, sensors, drones and other devices to collect on-farm data, pest management
 - Crop protection and nutrient technologies (non-toxic and environmentally friendly)
 - Machinery and robotics –particularly important given labour shortages in the region
 - Irrigation and water management
 - Post-harvest tech to reduce losses in storage, packaging, and product sales
 - Connecting farm to consumer – simplifying the supply chain using digital platforms
 - Waste tech – reuse of materials within agriculture

Agri-tech companies will need business advisory services, product development expertise and office/meeting room rental. They may also need:

- Large centrifuges and high-quality microscopes (offered potentially by Food Hub partners);
- Imaging tools and respective computer related software where images can be downloaded into various computer programs; and
- Powerful computer with smart monitors for GIS/GPS, photo mosaic, 3D modeling and other applications.

Appendix B - Performance Measures

Operations

- Cost savings in each program (advisory, brokerage, processing/kitchen, workshops)
- Hours that each equipment is rented relative to its production capacity (utilization rate)
- Annual revenues, costs of sales, and net operating surplus/loss

Program Delivery

- Number of inquiries
- Number of entrepreneurs assisted
- Number and type of Food Hub users served by program
- Number of workshops/programs delivered
- Number and type of participants enrolled in business advisory and workshops/training programs (e.g. low income, persons with disabilities, minorities, etc.)

Economic/Social Impact

- Number of businesses created, maintained, and/or expanded
- Number of jobs created and/or maintained (skilled and unskilled, by demographic)
- Increase in the size of the local food economy
- Revenues generated in each program (measure against target; % change/annum)
- Increased revenues and/or cost savings from the Food Hub's alumni (e.g. years 1, 2, 3, 4)

Environmental Impact

- Number of food products diverted from landfill to make value-added products
- Amount of water and energy conserved from the Food Hub operations
- Environmental footprint reductions (e.g. CO2 emissions, solid waste generated)
- Number of food miles reduced due to import substitutions and increased local purchases

Innovation

- Number of new value-added products created by clients
- Number of new agri-tech products created by clients
- Number of research agreements referrals generated by the Hub
- Number of new innovations created that make the food system more sustainable

Partner Collaboration

- Number of partners the Hub facilitated/engaged in community-based projects
- Evidence that industry groups support the Hub (e.g. committee/board membership)

Appendix C - Board roles and responsibilities

Sub-committees will be set up with board members to contribute key ideas and discuss implementation strategies as needed (e.g. attraction and recruitment of staff; branding and marketing communications; brokerage services, capital specifications for purchasing, etc.). This will be particularly important in the early stages of the Hub where board members can be more hands-on. A governance sub-committee could be used to evaluate and recruit future board members.

Board responsibilities. The Board will meet every quarter to ensure the organization is on the right path to meeting its goals and targets. The Board has the overall governance leadership responsibility for the Food Hub. It must stay abreast of trends in the industry; communicate effectively and respectfully with the CEO; and ensure the mission, goals and values of the organization are met. In collaboration with the CEO, they develop broad policies, goals, and plans for the Hub.

Decision making structure. The Board oversees the performance of the Chief Executive Officer (CEO) and conducts an annual CEO performance review. In the early years, the Board and CEO should work in partnership to refine the vision, mission, and strategies, solve complex problems, and mitigate risks.

Long-term organizational stability. Board members and staff will be recruited to ensure they have the financial and technical capacities to oversee/implement the programs and services. Professional training/development has been incorporated into the budget to ensure staff stay abreast of industry/market trends and organizational adaptability. Succession planning will be key at the staff and board level, which involves the use of sub-committees (for board successors) and cross training (for staff).

Appendix D - Potential Funding Sources for the Food Hub

Below is a list of potential funding sources the Food Hub could apply for. However, further research will need to be done on each one before applying as circumstances change. Some still may not be available or on hold.

Name	Description	Amount
<p>Ministry of Agriculture Regional Food Hub Network Fund</p> <p>(Available for profit and not-for-profit organizations. However, the funding is on hold until April 2022)</p>	<p>The BC Food Hub Network aims to foster growth and innovation in the processing sector through improved industry access to facilities, equipment, technology, business services and training and education. Funding is available to support development/ implementation of Food Hubs in any region of the Province, in three different categories:</p> <ul style="list-style-type: none"> • Food Innovation Hub • Full-Scale Food Innovation and Processing Hub • Small-Scale Food Innovation and Processing Hub. <p>A full-scale hub facility must have a food testing lab and/or equipment; HACCP-eligible facility and CFIA inspection and licensing (dependent on type of processing) and provide shared commercial production (24/7) and lab (analytic) services.</p> <p>Eligible expenses include:</p> <ul style="list-style-type: none"> • Incremental labour costs; • Salaries for new staff positions and/or consultants; • Purchase of new or used food processing, testing, laboratory, or packaging equipment; 	<p>A one-time maximum funding allocation is available per project. The maximum funding amounts are as follows:</p> <p>Food Innovation Centre: \$500,000</p> <p>Full-Scale Food Innovation and Processing Centre: \$750,000</p> <p>Small-Scale Food Innovation and Processing Centre: \$500,000</p>

	<ul style="list-style-type: none"> • Costs of retrofitting, renovating or leasing a facility to serve as a Food Hub; • Costs of engineering or technical designs to operationalize the Food Hub; • Costs of meeting regulatory requirements, including Health Authority, provincial/federal permits and approvals, and/or Hazard Analysis Critical Control Point (HACCP) audits; <p>Administration costs (the accepted rate for administration of a project is maximum of 10% of cash costs).</p>	
<p>The Canada-BC Agri-Innovation Program (Open to for profit and not for profit)</p> <p>https://iafbc.ca/agri-innovation/</p>	<p>The Canada-BC Agri-Innovation Program is designed to accelerate the pace of agri-food related innovation to enhance the sector's competitiveness, sustainability, productivity and resiliency. Eligible activities include</p> <ol style="list-style-type: none"> 1) research and development 2) pilot and demonstration and 3) commercialization and adoption (e.g. projects support activities that reduce the financial and business risks associated with early-stage commercialization and adoption of innovative products, processes, practices and technologies.). <p>Eligible costs include: renovations, site improvements, construction, machinery, equipment, salaries, training, start-up costs.</p>	<p>This plan assumes 50% matching funds. No maximum specified. Past projects funded up to \$500,000.</p> <p>Fund is expected to be cost-shared, with significant potential for net benefit to the industry or agri-food region of the province. Eligible projects may be funded up to 75% in cases where the potential benefit to industry is demonstrated to be substantial.</p>

<p>Pacific Economic Development Canada (PacifiCan) (replaced Western Diversification Program – Regional Innovation Ecosystems, RIE)</p>	<p>PacifiCAN is open to not-for-profit organizations that support businesses, innovators and entrepreneurs in priority sectors, for start-up, growth, productivity, technology commercialization, technology adoption, export and investment attraction.</p> <p>The Business Acceleration and Incubation program includes supports for entrepreneurs to create or grow their company, including business plan advice, marketing strategy, hiring employees, and other aspects of setting up a business. This support may also include services such as office space, expert mentors, or specialized equipment.</p> <p>Preference given to projects that support under-represented groups, mainly women, Indigenous peoples and young entrepreneurs.</p> <p>Potential funding recipients are expected to have secured all non-PacifiCAN requested project financing before applying.</p>	<p>There is no maximum contribution set. Projects are typically up to three years of funding.</p>
<p>Indigenous Agriculture and Food Systems Initiative (Open to for profit and not-for-profit organizations)</p>	<p>AAFC developed this five-year funding program (\$8.5 million initiative) to support Indigenous communities and entrepreneurs to launch food systems projects and others who want to build their capacity to participate in the Canadian agri-food sector.</p> <p>Eligible only to Indigenous communities, government, corporations, and associations. Eligible costs categories include:</p>	<p>The maximum AAFC contribution to a project will normally not exceed \$500,000 per project, per year or a maximum of \$2.5 million over five years.</p> <p>The Food Hub would need to partner with an Indigenous group such as K'uL.</p>

	<ul style="list-style-type: none"> • Administration; • Salaries and Benefits; • Capital Assets and costs related to the planning and design of infrastructure; • Contracted Services; • Travel; and • Other Direct Project Costs. 	
<p>Victoria Foundation Food Security – BC Initiatives Fund (or other Foundation Grant)</p> <p>Open to non-profit organizations only</p>	<p>Supports food security projects and initiatives in British Columbia that are regional in scope and foster cross-sectoral partnerships to address household food insecurity and develop/strengthen local food systems and economies. Projects should contribute to community access to healthy, affordable and culturally appropriate food.</p>	<p>\$100,000 to \$250,000</p>
<p>Local Food Infrastructure Fund – Infrastructure and Equipment Innovation Projects</p> <p>(Open to non-profits only)</p>	<p>The LFI Fund is a five-year, \$50 million initiative ending March 31, 2024. The program aims to strengthen food systems and facilitate access to safe and nutritious food for at-risk populations. It is for small community-based organizations to improve their infrastructure and purchase equipment that increases access to healthy, nutritious, and, ideally, local foods in their community.</p> <p>Eligible projects: capital assets and food production equipment such as community kitchens, equipment to prepare, refrigerate, distribute and for food vehicles and transport equipment such as refrigerated trucks and trailers; technology systems including digital, production and/or distribution platforms.</p>	<p>Applicants will be eligible to receive between \$5,000 and \$250,000 in non-repayable funding. Generally, applicants must demonstrate that they can provide at least 50% of the total project cost.</p>

<p>The Social Innovation and Social Finance Strategy for Canada</p> <p>(Open to social enterprise organizations)</p>	<p>Developed to support charitable, non-profit and social-purpose organizations. Overall funds committed to this program are \$755 million over 10 years for a Social Finance Fund.</p>	<p>Maximum award is believed to be \$300,000.</p>
<p>Rural Opportunity Fund (Community Futures/WED)</p> <p>(Only open to CF organizations. Unsure if this will be available in 2022)</p>	<p>Funds initiatives that would promote, support and/or facilitate the transition of rural business ownership to young entrepreneurs, Indigenous entrepreneurs, new Canadians, and co-operatives; or generate new business opportunities and would likely include the engagement of other community partners.</p> <p>They must demonstrate how costs are essential to the implementation of the project and incremental to those expenditures incurred in the delivery of the Community Futures program as identified with Community Futures organization operational plans.</p>	<p>CF's may apply for the Rural Opportunities Fund Project funding for projects ranging from minimum project funding of \$25,000 to a maximum project funding of \$300,000.</p>
<p>The Buy BC Partnership Program</p> <p>(Open to for profit and not-for-profit organizations)</p>	<p>Provides applicants that have been approved for a Buy BC logo license to access cost-shared funding which provides support for B.C. agriculture and agri-food industry associations, boards and councils to undertake sector/product specific Buy BC marketing and promotional activities across the province for up to 30% of the cost. Eligible expenses include:</p> <ul style="list-style-type: none"> • Labeling Products, Packaging with a Buy BC Logo • Marketing Collateral and Promotional Materials 	<p>No maximum provided. However, discussions with program manager advised that ffunds for associations are up to \$75,000 (with a 70/30 split, cash contribution).</p> <p>Two things must happen 1) apply for BuyBC license and 2) apply for eligibility to program. Adjudication from Board</p>

	<ul style="list-style-type: none"> • B.C. Focused Market Development Tradeshows and Fairs • B.C. Focused In-Store Demonstrations and Promotions • Print and Broadcast Advertising • Online Advertising and Social Media <p>It does not cover website development.</p>	happens in Jan/Feb with announcements in Feb.
<p>The Community Foundation South Okanagan - Community & Field of Interest Grant</p> <p>(Only registered charities and qualified donees)</p>	They have an annual intake for grants that reflect the need in the community, impact a significant number of people, build effective community partnerships, improve organizational effectiveness and plan for continuation of the project beyond initial funding.	Typical grants awarded have been less than \$10,000.
<p>Vancouver Foundation Systems Change Grant</p> <p>(Only open to registered charities and qualified donees)</p>	<p>Supports projects that take action to address the root causes of pressing social, environmental or cultural issues by influencing the behaviours of populations, organizations, and institutions.</p> <p>Multi-year test grants help project teams test their influence on systems and to learn what leads to change. Scale grants are multi-year grants to help project teams extend the influence of an existing systems change project to a different scale within the system.</p>	<p>Test grants are up to \$100,000 per year for up to 3 years.</p> <p>Scale grants are offered for the next stage and are up to \$100,000 per year for up to 3 years.</p> <p>Requires matching funds of 25% from other sources.</p>
<p>First West Foundation – Valley First Community Endowment Fund</p>	Preference will be given to projects benefiting the communities in which Valley First operates and that build individual or community capacity (e.g. educational workshops, such as healthy food preparation).	Grant funding is \$5,000 - \$10,000 per project

	The requesting organization should be contributing toward some of the project costs or should be raising funds from other sources.	
Vancity Community Foundation Social Enterprise Fund	Supports local food and agriculture projects and other priority sector projects that demonstrate potential to contribute meaningful positive environmental or social outcome and entrepreneurial capacity and organizational commitment at all stages in the development process.	Not stated (may be like their other programs of up to \$10,000).

Those that are currently closed to applicants but worth investigating include:

- NRC-IRAP's Canada Accelerator and Incubator Program (CAIP)
- IAF Market Development Program (MDP)

The Labour Market Partnership funding can be included for later stages in the project for succession planning activities. There are also opportunities to partner with industry and trade organizations to optimize limited resources for marketing and promotion.

MITACS or Canada Foundation for Innovation (CFI) funding could be available to SOFH participants as it co-funds the salaries of university researchers (usually at the Masters or PhD level) working with an industry/company partner on a research challenge faced by that industry/company. MITACS would not be a source of funding for the Hub itself.

A main goal of the Hub will be to secure industry sponsorship as the industry contribution required for government funding programs. Sponsorship can come from financial institutions, law firms and/or other professional services organizations. It can also include agriculture-related companies, such as suppliers, that fit the values of the Food Hub.