



GEORGE MORRIS CENTRE

Canada's Independent Agri-Food Think Tank

**DEVELOPING A SUSTAINABLE MARKET FOR LOCALLY-PRODUCED
PRINCE EDWARD COUNTY AGRIFOOD PRODUCTS**

Final Report

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EXECUTIVE SUMMARY

While the commodity agri-food market is becoming increasingly competitive and price-driven, a change in consumers' purchasing and consumption habits is resulting in an increasing demand for locally produced foods and beverages. Simultaneously to agriculture's desire to develop closer links with consumers, consumers are exhibiting greater interest in foods which embody a sense of locality that enables them to connect more closely with the food they chose to consume in order to attain greater comfort in its content, manner of production, and authenticity.

Research shows that up to 70 per cent of consumers would prefer to purchase regional food products, this lends itself to enabling producers to capture greater end-value from the market. Regional marketing can lead to increased profitability from opportunities to differentiate products in order to secure a larger market share, a reduction in transport costs, and, potentially capture premiums from the marketplace. Suited to perishable products in particular, regional markets offer produce suppliers a market opportunity that they should not overlook.

The purpose of this report is to place information surrounding regional marketing opportunities into a context relevant to the region of Prince Edward County (PEC). It begins with a literature reviews illustrating examples of successful regional marketing campaigns and initiatives. The review also assesses why consumers purchase locally grown food, where they are purchasing this food, some of the barriers to them purchasing locally grown foods on a consistent basis, as well as reasons cited for the introduction of legislation and support initiatives surrounding enabling producers and suppliers to differentiate food quality and designation of origin.

Following the literature review, consultations were undertaken with local PEC businesses regarding their view of regional market opportunities that exist for PEC agri-food products and suggestions for securing identified opportunities. Recommendations for establishing an effective regional marketing initiative for PEC were then been drawn from combining the comparative research results with feedback gained from interested stakeholders attending the PEC Regional Market Development Workshop held in Picton on March 23, 2006.

Overall results indicate that distinct market opportunities exist for PEC agri-food products, marketed on a regionalist basis for differentiation purposes. Potential markets exist both within and outside of PEC. Critical to the effectiveness of a PEC regional marketing initiatives will be the clear identification of market opportunities; so will be determining the optimum methods for differentiating a particular region's products, and developing the most effective methods to supply target markets with products desired by customers and consumers. Suppliers need to understand what the market wants and the best way to produce, then deliver, accordingly.

With regional markets growing around the world at rates estimated to exceed 60 percent and retailers increasingly looking for capable suppliers and new initiatives to differentiate them from the competitive, real opportunities exist to develop and supply regional marketing initiatives. The particularly good news for smaller produce farmers is that consumers most commonly equate preferred regional products with family farms.

Furthermore, a recent economic evaluation of regional food strategies, conducted by the Regional & Local Food Branch of Defra (UK), showed that government efforts surrounding the promotion of quality regional food products and enabling producers to market such products were justified. The evaluation found that regional agri-food marketing programs could have a positive effect in supporting the performance of firms, and enhancing the growth of the local agri-food sector.

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1.0 Introduction and Background

A place of natural beauty with a micro climate that enables the production of a wide variety of agri-food products over a longer period of time each year than most of Ontario, and situated within one day's drive of 125 million consumers, Prince Edward County (PEC) is a unique area that enjoys an excellent tourist trade. Tourist traffic and climate are two of PEC's valuable resources; its innovative agri-food industry is another. Buoyed by early successes, and with a reputation as a region producing high quality agri-food products, PEC's Economic Development Office is seeking ways to assist the agri-food industry establish a flourishing regional economy.

While the commodity agri-food market is becoming increasingly competitive and price-driven, a change in consumers' purchasing and consumption habits is resulting in an increasing demand for locally produced foods and beverages. This is particularly the case for foods and beverages that are procured from a place that possesses differentiated credence factors, which can be embodied in the product's marketing and promotion in order to capture premiums from the marketplace.

Critical to the effectiveness of regional marketing initiatives is the identification of market opportunities, as well as determining the optimum methods for differentiating a particular region's products, and develop the most effective methods to supply the target markets with products desired by customers and consumers. Suppliers need to clearly understand what the market wants and the best way to produce, then deliver, suitable products to the market. Regional initiatives that fail have often not taken into account the marketing, production and delivery factors required to secure the financial returns needed to ensure their economic sustainability.

1.1 Purpose and Objectives

The purpose of this project is to gain sufficient knowledge of the marketplace in Prince Edward County so that an initial identification can be made of the type of agri-food products that could be tailored to a regional marketing format; and ways for suppliers to take advantage of market opportunities. This information will be shared with agri-food suppliers and primary producers.

The following four objectives are covered in this report:

1. To identify initial product types and formats that a small number of representative fine dining establishments and retailers believe most suited to marketing on a regional basis in Prince Edward County.
2. To raise producers' awareness of market opportunities, broadly related to product type.
3. To identify the critical success factors for developing a financially-sustainable regional market.
4. To establish a foundation for developing long-term Prince Edward County agri-food marketing initiatives.

1.2 Approach

A variety of methods were undertaken to meet the above objectives. A literature review was conducted to identify critical success factors of individual business-based regional marketing initiatives, as well as support programs and initiatives that regional and/or national governments have developed, and that have resulted in benefits to producers through aiding their ability to capture regional market opportunities. In researching the literature, a number of lessons were sought for how the development of a PEC regional marketing initiative could be supported at the business, sector and regional level.

Secondly, in conjunction with the PEC Office of Economic Development, a series of six semi-structured interviews were undertaken with chosen foodservice establishments (one fine dining, one casual, and one mixed), two retailers (one supermarket and one specialty), and one manufacturer of pastry / bakery goods. The objective of the consultative process was to identify specific products that they believe are most suited to a PEC regional marketing initiative, and which consumers are likely to find most appealing.

Thirdly, a forum was hosted (in a workshop setting) for interested agri-food producers and suppliers to learn about the challenges and opportunities faced by retailers and foodservice operators, and visa versa. The ultimate aim was to encourage the development of mutually beneficial business relationships by providing a forum where challenges, opportunities, and the various stakeholders' opinions regarding the development of a regional PEC food marketing initiative can be discussed in an open and non-confrontation manner.

Finally, a report was compiled containing the initial research responses and overall results, copies of the workshop materials, and feedback from delegates attending the workshop, in order to develop a series of suggested next steps for developing an effective regional marketing initiative for Prince Edward County.

2.0 Literature Review

While the commodity agri-food market is becoming increasingly competitive and price-driven, a change in consumers' purchasing and consumption habits is resulting in an increasing demand for locally produced foods and beverages. Simultaneously to agriculture's desire to develop closer links with consumers, consumers are exhibiting greater interest in foods which embody a sense of locality that enables them to connect more closely with the food they chose to consume.

Regional marketing can lead to increased profitability from opportunities to differentiate products in order to secure a larger market share, a reduction in transport costs, and, potentially capture premiums from the marketplace. Suited to perishable products in particular, regional markets offer produce suppliers a market opportunity that they should not overlook.

With research showing that up to 70 per cent of consumers would prefer to purchase regional food products, and that the suitable place of purchase for such products include convenience stores and supermarkets, as well as tourist destinations, significant opportunities exist for regional marketing initiatives to capture the interest of consumers seeking a consumption experience.

Critical to the effectiveness of regional marketing initiatives is the clear identification of market opportunities; so is determining the optimum methods for differentiating a particular region's products, and developing the most effective methods to supply target markets with products desired by customers and consumers. Suppliers need to clearly understand what the market wants and the best way to produce, then deliver, suitable products to the market.

The regional initiatives that have failed largely do so because they fall short of taking into account the marketing, production and delivery factors required to secure the financial returns needed to ensure their economic sustainability.

The literature below reviews examples of successful regional marketing campaigns and initiatives. As well, it looks at a few studies that detail why consumers purchase locally grown food, where they are purchasing this food and some of the barriers to purchasing locally grown foods.

2.1 Reasons for and Barriers to Buying Locally Grown Food

Buying local food has been an increasing trend in some countries, such as the United Kingdom, where the promotion of local food has become a focus of local agencies. It is important to understand what motivates consumers' to buy local food in order to properly market local food.

A study by the Institute of Grocery Distributors (IGD), a not-for-profit market research institute in the United Kingdom, looked at the factors which influence consumer's purchases of local food in the United Kingdom. The study found that 70% of British consumers want to buy local foods and 49% want to buy more than they currently do.

Freshness was the overwhelming reason given why consumers buy local food. As well, consumers in the UK also cited the following reasons as being important purchase drivers:

- To support local producers and retailers (social responsibility)
- Product is more natural
- Good for the environment because it has not travelled as far
- Are more aware of how/where the product was produced
- Good value for the money; and
- It keeps jobs in the area

The report by IGD also presents various methods to raise awareness and encourage consumers to buy local and regional food. One method given was to increase product trial in-store. As well, promoting the image or a region of a territory has the potential to increase shopper's likelihood to buy local and regional food. Consumers are more likely to buy regional food when they can associate it with some sort of idyllic image. Furthermore, one of the key points of differentiation between local products and mainstream products is the expectation that local producers will pay more attention to detail, in both the product itself and the packaging and brand design.

The research by IGD identified three core barriers to growth in the local and regional food market. They found that people do not buy local food because:

- They are unaware that local and regional foods exist, whether generally or by specific category;
- They believe that they do not have practical access to places selling local and regional food or think that it is out of their price range;
- They believe they cannot rely on the availability of local and regional food to plan it into their shopping.

Overall, the main barrier for people buying local and regional food is that they perceive it to be too expensive. The IGD report found that 41% think that regional and local food is generally too expensive and a further 22% think that it is often more expensive than similar alternatives.

The Food Processing Center, Institute of Agriculture and Natural Resources, was commissioned to do a study with the purpose of estimating the current market potential for locally grown food. A survey was undertaken across households in Nebraska, Iowa, Wisconsin and Missouri.

In the survey, consumers were asked to rate the importance of different food attributes when purchasing food. Not surprising, taste was the number one factor in determining food choice, however, thirty-six percent of respondents reported that supporting local farmers was an extremely important consideration when buying food and 35% said it was very important. Similarly, 29% of those surveyed said that locally grown/produced food was an important factor for their purchases and 40% said it was a very important factor.

About one-third of the Iowa households said that it was extremely important to purchase products that were 'Iowa' grown, compared to 22-24% in the other states surveyed. Overall, the preferred place to purchase locally grown food was in a grocery store, followed by a farmer's market, directly from the market and last, in a restaurant or cafeteria.

The survey also asked the households which products they currently most often buy that are locally grown. Vegetables (94%) were first, followed by fruit (87.6%), beef (61.6%), pork (56.6%), chicken (52.4%) and cheese (51.6%). And overall, nearly every consumer had bought, at one time or another, locally grown or purchased food.

Similar to the IGD study, households were asked what attributes influenced their purchase of locally grown or produced food. Freshness was the number one answer, followed by taste, supporting local farmers, availability of product, to help the local economy, and knowledge of how and where the food was grown. These results are similar to those in the IGD study.

A study by Stephenson and Lev (2004) looked at the support for local agriculture in two different communities in Oregon, with different socio economic and political characteristics. The study

explored the potential to expand local market opportunities for farmers, and identify the segment of the general population that is interested in purchasing local farm products.

The study found that consumers purchase local agricultural products for a variety of social, economic and food quality reasons. Those surveyed revealed that keeping farmers in the area was the most important reason for buying local food, followed by supporting the local economy, better quality, confidence in the local product, and they enjoy the buying experience.

Similar to the report by the Food Processing Center, the majority of those surveyed purchased their food from a supermarket (94%), followed by farmers' market, roadside stands, and U-pick farms. As well, over 58% of those surveyed indicated that they shop weekly at outlets which feature local food.

The survey also identified some barriers to buying local food. The number one reason was that the products were not available where they shop. As well, the food not being readily available when the consumers was looking for it and the price being too high were other barriers that were cited in the report.

Based on the studies reviewed above, there is a common trend among the reasons why people local food. In each of the studies, freshness, supporting the local economy, and knowing how and where the food was produced were important factors in the decision to buy locally. As well, supermarkets are the number one outlet for purchasing local foods.

Price appears to be one of the main barriers to buying local food. However, in the IGD study, one of the barriers that were identified was that consumers were unaware of the locally grown products and of its availability. Thus, it would appear that promotion of locally grown food might be key in reaching a larger consumer base.

The following sections detail various successful regional initiatives that have been undertaken in Europe and North America. A number of different approaches, such as collaboration, government support, farmer-branding and doing market research have been factors which have led to the success of these initiatives.

2.2 Success Through Collaboration

The success of regional marketing initiatives can come about from a number of factors. Collaboration is one factor that has been emphasised by the English Farming and Food Partnerships (EFFP). The aim of EFFP is "to strengthen profitability, competitiveness and sustainability of England's farming, food and related rural industries" (English Farming, and Food Partnerships website). This aim is achieved through the growth of market-focused farmer controlled businesses and by developing co-operation between farmers and between farmers and the food chain. EFFP is an independent organization.

EFFP has published articles about successful marketing initiatives through collaboration. The following paragraphs summarize some of these successes.

2.2.1 Branded Beef Breeders Ltd

Branded Beef Breeders Ltd. (BBB) was originally formed to give better returns to Aberdeen Angus Cattle producers by differentiating these cattle using a strong farmer owned brand. (EFFP, East Midlands Case Studies). This initiative has also expanded to include Limousin cattle. BBB is an Industrial and Provident Society company and its sole aim is to market its members' cattle to the best of its abilities. This has been achieved through branding and by

employing professional marketing people with good knowledge of the industry. The company is based in Northampton but has 1400 members spread across the UK.

Members of Branded Beef Breeders recognized the beef industry needed to develop new ways of selling its product because of the increasing threat of lower cost imports. They decided that if it was not possible to compete solely on price, then they should focus on adding value to their product by differentiating it and making it more than a commodity.

The Limousin Classique brand offered by BBB has some key attributes that sets it apart from its competitors. The attributes include: high welfare standards, traceability, and healthy eating from high lean meat yielding carcasses. These attributes help BBB to retain the strong relationship it has with its clients.

Some of the key Learning Points that can be taken from BBB include:

- The branding of beef can generate premium for producers
- Brands need to be farmer owned to ensure the added value created is captured by the farmer.
- Loyalty is essential to derive benefits as any of the premiums will be quickly dissipated if producers are tempted to sell elsewhere and dilute the brand

2.2.2 Snaith Salad Growers Ltd.

Another case of successful collaboration can be seen in Snaith Salad Growers Ltd. (EFFP, Yorkshire and Humberside Case Studies). Snaith Salad Growers Ltd. was formed in 1983 to market the salad crops produced by local growers who were members of the former Land Settlement Association (LSA) at Snaith.

Snaith provides a guaranteed supply of consistent quality assured produce to its customers that they are unlikely to get elsewhere. This has brought stability to the market which was frequently volatile. Growers pay the co-op a marketing and management fee to pack and market their crop and they in return receive weekly pooled prices for their produce.

Information and development are key to the success of Snaith Salad Growers. As well, Snaith is a registered producer organization, which gives it access to grant aid funding under the EU Fruit and Vegetable Regime for quality control, agronomists, product developments and environmental improvements. It is also a member of the British Leafy Salad Association from whom it receives technical and market information.

2.2.3 Framlingham Farmers Ltd.

Framlingham Farmers Ltd. is located in the east of England and their success is built on an outstanding voluntary commitment from its members to purchase their farm inputs and market their combinable crops through the group (EFFP, East of England Case Studies). They maintain that it is their loyal staff, coupled with their many years of service, is a key factor for generating confidence within the membership that the staff who are buying and selling on behalf of the farm businesses are capable professionals.

The strong commitment between both staff and the members is enhanced through co-operation with other regional farmer groups and this helps to increase the joint negotiating position on the key farm inputs.

Framlingham Farmers operate under three main areas:

- Input purchasing;

- Grain and oilseed rape marketing services; and
- Framtrade, which is a wholly owned non-member trading subsidiary company.

Some of the key learning points that can be taken from the success of Framlingham Farmers include:

- Generating member commitment and forward planning to the group is imperative.
- A range of different communication methods need to be used.
- Investing in people and their skills is critical.
- Generating income from nonmembers can give positive benefits to the group.
- Inter-group co-operation achieves economies of scale whilst maintaining a responsive personal service.

Communicating effectively and efficiently with members is a key factor in Framlingham Farmers' continued success. Besides conventional communications, other mediums, such as the Framlingham Farmers' website, (with 250 members accessing the member's only section) are becoming increasingly more important.

These three examples are just a few of the successful collaboration efforts that have been reported by the English Farming and Food Partnerships. Each organization approached their marketing strategy in a different manner, but for all of them, collaboration was key to their success.

2.3 Government Sponsored Initiatives

Successful marketing initiatives can also be launched with the support of government agencies. On a regional basis, this has occurred in both Wales and in Woodbury County, Iowa. Encouraging the development and marketing of regional foods on a national basis, is the focus of a UK initiative entitled the Food Development Program (FDP), which is itself linked to the EU's Protected Name Scheme (PNS). PNS enables producers and suppliers to legally differentiate their products by source, and protect that differentiation as a unique characteristic in a court-of-law.

2.3.1 Wales, the True Taste

Food has an important role to play in the Welsh economy, accounting for the equivalent of 55,000 full time jobs in production and processing alone (Welsh Development Agency). The Welsh Development Agency Food Directorate recognized that Welsh food is synonymous with pure and natural ingredients and they took the opportunity to build on these perceptions by promoting Welsh food and drink. They did this through a brand that promised authenticity, goodness and integrity, supported by national food and drink hospitality awards.

Due to the fact that the market was already saturated with food assurance marks, the challenge was to create a highly visible brand that signified quality, but that was also supported by a comprehensive identity system (Lloyd Northover, Case Studies). Promotion was also key to ensuring that stakeholders and consumers would buy into the product.

After extensive research and consultation, the slogan "*True Taste*" became the basis for the corporate brand and it was used to promote the provenance of Welsh produce at international trade fairs and promotions and in corporate advertising (Lloyd Northover, Case Studies).

The corporate brand and award marks all incorporate national or familiar Welsh symbols, such as the stylised dragon, the daffodil resembling a star and the castle resembling a fork. Market research has show that these logotypes work successfully in both Welsh and English.

The Welsh Development Agency, Food and Market Development Division has many responsibilities to help continue the success of the 'True Taste' slogan. These include the following (Welsh Development Agency)

- The Trade Development Programme works with Welsh food and drink manufacturing and processing businesses, offering a range of support to help them achieve business growth in the Welsh, UK and International marketplace.
- Support Programmes include:-
 - Opportunities to exhibit under the 'Wales the True Taste' brand at trade shows
 - Supplier Development programmes to help businesses become more competitive and improve their sales and marketing skills
 - Meet the Buyer type introduction events
 - In Wales and Overseas specialist export marketing advice
- Food Festivals, Farmers Markets and consumer initiatives raise the profile of the Welsh food brand and create opportunities for farmers and food and drink producers to meet their customers and for consumers to try and buy locally produced products
- The True Taste / Gwir Ffls Food And Drink Awards, launched in 2002, are part of the commitment to developing the sector, and to building awareness of the Welsh food brand 'Wales the True Taste'.

3.2.2 Woodbury County, Iowa

Another example of a government initiated promotion of locally grown food can be found in Iowa. Woodbury County in Iowa has developed a unique solution to promoting locally grown food through the "Woodbury Purchase Policy". Woodbury County is home to approximately 1,148 farms and 332,515 acres of farmland.

Woodbury County is not afraid to pass policies to ensure the sustainability of farming within the County. In June of 2005, Woodbury County passes an "Organic Conversion Policy", which offered up to \$50,000 annually in property tax rebates for those farmers who convert from conventional to organic farming practices. The policy is intended to address the problem of an increasing rural population decline resulting from the growth of larger farms. As well, the average age of a farmer in the area is 57, meaning that in the near future, this farmland will need to change hands to new or already established farmers.

In an effort to promote the food grown locally and to ensure the livelihood of the local producers, Woodbury County passed the "Local Food Purchase Policy" on July 10, 2006. This policy supports the "Organic Conversion Policy" and requires that County departments purchase locally grown, organic food from within a 100 mile radius for regular city use. According to Food and Society, this policy has the potential to shift US\$281,000 in annual food purchases to a local farmer operated co-operative which in turn increases local demand and spurs increased production and processing.

As well, the policy is expected to help build connections between farmers, since the county must work with a contractor and broker, the farmers must network to aggregate supply. Rob Marquess, the Director of Rural Economic Development for Woodbury County said that the combination of the two policies will help provide a market for the farmers who convert to organic production, and that "In the end, we anticipate a quality local food brand emerging from the increased economic activity in our area" (Food and Society Update).

The passing of these two policies was not an overnight occurrence and they required the co-ordination and support from a variety of sources, which include:

- The support of key county officials
- Hard data and credible numbers to support the claim that agriculture-based economies were key to revitalizing rural communities
 - Some of that data came from research coordinated by the Leopold Center for Sustainable Agriculture at Iowa State University

The policy set forth by Woodbury County is certainly innovative. However, since it is a new initiative, the overall success has yet to be determined.

2.3.3 Food Development Program (UK)

Food quality regulations at the European Union level are based on the Common Agricultural Policy (CAP) established in 1960. In recent years a series of food-related safety events have resulted in a crisis of consumer confidence in the safety and quality of food. The resulting lack of consumer confidence in food safety, along with a desire by consumers to better connect with the source of food products in order to gain greater insights into the authenticity of food products, led to rapid reforms in CAP.

The objective was to rebuild consumer confidence and to meet growing market demand for high quality food products. In 1992, the European Council passed amendment Regulation (EEC) No 2081/92 providing a system for the protection of food names on a geographical or traditional recipe basis. Under the council regulations, three types of food names can be protected:

- 1) Food names indicating a product is either produced, processed, OR prepared in a geographical area renowned for the manufacture of certain products.
- 2) Food names indicating a product is produced according to specific traditions or customs.
- 3) Food names indicating a product is produced, processed, AND prepared in a specific geographical area using recognized know how. (ECAAF, 2005).

The PFNS is essentially an umbrella type legislation that is adopted by each country in a format suited to their particular agri-food industry and structure. In the UK, the EU's Protected Food Name Scheme (PFNS) links into the Food Development Program (FDP). The aim of this and other UK food quality designation and support initiatives is to help producers meet the growing demand from consumers for quality regional foods and, conversely, assist producers remain competitive and increase their returns in an environment typified by decreasing farm subsidies. The quality regional food sector strategy, introduced in 2003, has a target of increasing the retail turnover of the quality regional food sector by 25% before April 2008 (Pattinson, 2005). Approximately £2.3M (CAD\$4.78M) was invested in the regionally-based food development program during 2004. DEFRA also provided *Food from Britain* (a privately operated international strategic marketing organization) with £1.26M (CAD\$2.62M) per annum to assist industry to develop export opportunities stemming from the regional food program.

The initiative first began in 1999, when Defra (UK's equivalent to AAFC) began promoting the EU Protected Food Name Scheme. The Objective of the campaign was to raise public awareness of the availability of locally-produced food and enable producers to take advantage of consumers' increasing desire to buy local due to credence or quality factors that might be associated with the local area, and use such factors to differentiate products. A non-departmental body, named Food from Britain (FFB), was subsequently created to oversee the long-term promotion of regional food and drink in the UK and overseas. Since its creation in 2002, FFB has received over CAD\$10M to promote regional British food, and is expected to receive at least CAD\$2M per year for each of the next few years to continue its work. Products that have benefited from the scheme to date include Cheddar (*Somerset*) and Wensleydale Cheese, Gloucester Cream, Welsh Beef, and Melton Mowbray Pork Pies.

The main reasons cited for the introduction of legislation and support initiatives surrounding differentiating food quality and designation of origin is said to be one of helping consumers make informed choices and facilitate trade (Pattinson, 2005). A recent economic evaluation of the regional food strategy, conducted by the Regional & Local Food Branch of Defra, showed that government intervention through programs such as the RFS and business capability-building programs were justified and that the programs had positive effects in supporting the performance of firms and growth of the UK's local agri-food sector.

2.3.4 Label Rouge (France)

A system of accreditation and verification of food products that encompasses both the region of food production and the specific quality of food products exists in France. Market research has identified that perceived value afforded by consumers towards a third-party audited systems surrounding food source (provenance) and quality (particularly taste and eating quality) is far higher than differentiation based solely on the region of origin. The result is that products produced along the former, third party verified system, provides producers and suppliers with greater economic returns than if differentiating food by region alone.

Developed 40 years ago exclusively for poultry products, Label Rouge is a certification of exceptional quality and taste. Under the system, every step involved in the production of Label Rouge chicken, from feeding to packaging, is subjected to a comprehensive and well-defined standard. To ensure the good-taste, only slow growing chickens are used. During the minimum of 81 days of growth, all chickens must have access to out doors from 9am to dusk after 6 weeks of age. Every chicken must have at least 0.98sq. ft. of open space. All poultry must be raised no more than 2 hours away from a processing plant, air chilled after slaughter, and sold fresh within 9 days. All these and other rigorous requirements must be met in order to qualify for the Rouge Label. In addition, the final product is subject to periodic taste inspections and must be "vividly distinguishable" from other poultry products.

Certification of production practices is required from both the Ministry of Agriculture and an accredited third-party agency. Inspection by a third party agency is mandatory once per flock, twice per year for feed mills, monthly for processing plants, and twice per year for hatcheries (Fanatico & Born, 2002). All inspection expenses are paid by producer groups. In addition, 5 centimes per bird are paid to SYNALAF (Syndicat National des Labels Avicoles de France), a national organization under the INAO (National Institute of Origin Appellations), for the service provided in copyright protection and consumer educations (Westgren, 1999). A product that has been certified Label Rouge could also link its production to a specific geographical region and obtain a geographical indication, given that the other requirements are met.

2.4 Farmer-owned Brand Initiatives

Farmer-owned brand initiatives have also achieved success around the world. Some of these initiatives include Parma ham (Italy), Brunello di Monelcino wine (Italy), Bresse chicken (France) and Vidalia onions (United States).

2.4.1 Parma Ham

"Prosciutto di Parma" or "Parma Ham," a dry-cured ham is produced in the Parma region of Italy. This brand is owned by a group of ham processors rather than by hog farmers. They maintain control over production using a regulation that specifies that all ham bearing this brand be cured in a very small area just south of the city of Parma (Hayes, 2002). The argument used to justify this restriction is that this region has been used to dry-cure ham since at least the times of the Roman Empire, because its weather is ideally suited for that process (Hayes, 2002).

The voluntary Consortium of Parma Ham was set up in 1963, on the initiative of 23 producers with the objectives of safeguarding the genuine product and the image represented by the name 'Parma'. With 189 members, the Consortium is tasked with meeting the growing demands for Parma ham, while ensuring that the strict traditional curing methods are still adhered to, in order to protect the products quality and purity. In 1996, Parma ham became one of the first meat products to be awarded the Designation of Protected Origin status.

There are many requirements for producers who produce Parma ham. All processing facilities are required to have windows facing the mountains, due to the fact that the wind blowing into this region from the mountains is said to give the hams their unique flavour.

Another requirement of the brand is that the ham be produced from a pig raised in certain regions in the north of Italy. Only traditional breeds such as Landrace or Italian Large White are allowed. Because of this requirement, there is the possibility that some of the success of the program might be transferred to Italian hog producers.

On top of specifying breeding techniques and the curing process, the Consortium also ensure that the regulations surrounding the origin of the raw materials, the boundaries of the geographical area of production and characteristics of the end product are met (Consorzio del Prosciutto di Parma website). Laboratory analysis are also used to assess the aged hams and to ensure that they meet the quality requirements. Quality requirements are related to the amount of salt, the degree of humidity and the level of proteolysis.

Protecting the designation of origin "Parma Ham" and of the related brand (Ducal Crown) worldwide is one of the Consortium's main activities. The Consortium addresses any illegal use of the Parma Ham brand name, or any act of unfair competition relating to the marketing of Parma Ham, through any measure deemed suitable. This includes, if necessary, following legal measures in the 20 plus countries where Parma Ham is widely marketed and currently registered as a brand.

Parma ham has been successful both in Italy and worldwide. Sales in the first half of 2005 were up 15.6 percent compared to 2004 and overall, more than 30 million pre-packaged bags of ready-cut Parma ham are sold worldwide, with the self-service component today already accounting for 20 percent of Parma ham exports (Agriculture and Agri-food Canada).

2.4.2 Brunello di Montalcino

Another example of a successful farmer-owned brand initiative occurs again in Italy. Montalcino is a small valley in Tuscany that is said to be an ideal location for growing Sangiovese grapes (which are called "Brunello" in Montalcino). Producers in this area have formed an association that owns the brand called Brunello di Montalcino, and this association limits the quantity of grapes grown under this brand name.

Each vineyard has their own label, but the majority of the marketing and promotion is done by the producer-owned association, and in fact about 60 percent of the association's budget is spent on promotion (Hayes, 2002). The vineyards range in size and some are even less than two acres. To help support all producers of the Brunello di Montalcino brand name, the association suggests a minimum price for wine bearing its name. However, individual vineyards are able to charge more than this suggested minimum.

The association is responsible for setting the production area and limiting the yield of grapes and the yield of wine from grapes (to maximums of 3.2 tons per acre and 68 percent,

respectively). Production is also further restricted by other means such as the prohibition of irrigation.

The brand is enforced by federal and state authorities and the use of the name Brunello di Montalcino outside of the European Union would be opposed by the EU in international regulatory groups. The brand received DOC status in 1966 and became elevated to DOCG wines in 1980 (Castello Banfi Montalcino website). Vineyards that are eligible to use the Brunello di Montalcino brand command large premiums.

2.4.3 Vidalia Onion

The Vidalia onion brand is a registered trademark of the Georgia Department of Agriculture and is one of the few examples of successful farmer-owned brands in the United States. Vidalia onions are grown only by a group of authorized farmers in the region around Vidalia in the South of Georgia and producers use a trademark and a federal marketing order to restrict marketing and production of these particular sweet onions (Hayes, 2002).

In 1931, a Toombs County farmer discovered that his onions were mild, rather than hot and as such he was able to demand a premium price for his onions, even during the years of the depression. Other farmers in the area began to follow suit and grow Vidalia onions and as a result, in the 1940's the state of Georgia built a farmers' market in Vidalia to help the growers sell their produce (The New Georgia Encyclopedia).

The popularity and success of Vidalia onions was able to grow for a number of reasons (The New Georgia Encyclopedia):

- Before the construction of the interstate highway system Vidalia was at the crossroads of some of the most important north-south highways.
- The Piggly Wiggly supermarket chain maintained a distribution center in Vidalia and purchased the locally grown onions when they were in season. Vidalia onions began showing up in Piggly Wiggly stores across the region. Acreage grew steadily over the next twenty years, and by the mid-1970s farmers in the area devoted about 600 acres to the onions.
- In the 1970s a push was made for Vidalia onions to be marketed nationally, and growers began mounting additional promotional efforts. Their success led to the establishment of the Glennville sweet onion, named after the Tattnall County city situated about thirty-five miles southeast of Vidalia.
 - Onion festivals were, and still are, held in both Glennville and Vidalia each May.
- In the late 1970s and the early 1980s growers formed marketing groups or cooperatives in an effort to enhance marketing and to prevent bootleggers from selling rebagged onions from other states as Vidalias.
 - In the early 1980s one farmer group advertised that consumers should look for the yellow tag on the bag of the "true" Vidalia sweet onions. Their efforts were reasonably successful and created quite a stir among growers, because some bona fide Vidalia onion farmers were not members of that group. As a result of the continued confusion over what constituted a genuine Vidalia or Glennville sweet onion, growers decided they all needed to work together.

In 1986, the Georgia Legislature granted Vidalia onions legal status as a trademarked product. The Georgia Department of Agriculture holds the trademark and registers producers each year. The state also collects license fees and royalties for use of the trademark on onions and other products such as salsas and barbecue sauces.

In 1989, a federal marketing order was approved by the U.S. Department of Agriculture that limits the production of Vidalia onions to 20 Georgia counties. Federal marketing orders are voluntary programs that help stabilize market conditions for fruit and vegetables by allowing producers to work collectively (Center for Agricultural and Rural Development).

The marketing order also provided a mechanism for Vidalia producers to fund research and marketing programs. For example, shelf-life research extended storage capabilities for Vidalia onions by almost six months.

2.4.4 Bresse chicken

Finally, Bresse chicken, from Bourg-en-Bresse, France is another successful farmer-owned brand initiative. Bresse chickens are the only poultry in the world that have a guaranteed origin appellation (AOC), which was granted to producers of Bresse chicken in 1975. This mark of distinction ensures that these chickens can command almost twice the price of regular chicken.

Producers of Bresse chicken are subject to very strict production rules. By law, each of the birds must be accorded 10 square metres of outdoor living space. As well, chicks must come from the single centre that preserves the specific Bresse White breed and employs purebred males and females to produce thousands of eggs and hatchlings. Only a handful of growers are allowed to take the newborn chicks, feed them and prepare them for life in the sunshine. The birds must be raised outside before they are 35 days old.

Even a chick whose parents are true-blood Bresse has to be raised within the certification region, an area of 2,300 square kilometres, to qualify as an authentic Bresse chicken. And it must be fed only on corn, wheat and other grains that are also grown inside that zone, where the soil is heavy with limestone. Supplements include milk and butter, in addition to the wild grains, snails and other ground organisms foraged in their expanse of grassy yards.

Promotion of Bresse chicken has been key to its success. The significance of Bresse chickens is not exaggerated, said Georges Blanc, one of France's top-rated chefs and president of the local committee in charge of assuring the quality of certified Bresse poultry. "It's part of our history," he added. "It's something special; it has an *appellation* like the best wines and it's been made in the same way forever." (Globe and Mail)

Only 1.2 million authentic Bresse chickens are produced each year and Bresse chickens are rarely found in ordinary supermarkets. Most are sold directly to restaurants (18%) or top-end butcher shops (30%), where they cost up to twice as much as other chickens. Other consumers include:

- Specialist shops (12%)
- Wholesalers (24%, 12% of which goes to restaurants)
- Fine grocery shops (4%)
- Supermarkets (12%)

Producers have also been able to successfully promote their products by having a thorough understanding of the market they are dealing with. Understanding consumers' tastes and preferences enables them to incorporate an appropriate marketing strategy. The next section outlines case studies where organizations have improved their success by undertaking market research.

2.5 Market Research

Understanding the market, and what products consumers are receptive to is important for successfully developing and marketing new products, or for finding a new customer base for current products. Data on consumer trends is available in many instances, through market research firms, but often at a cost. In England, the Food Chain Centre provides information on consumer trends and demographics free of charge. Many different producers have taken advantage of this service and have modified their products or instituted a new approach to promoting their products based on what consumers are demanding. The following paragraphs details some of these successful undertakings.

2.5.1 Carroll's Potatoes

The Carroll's have a family farm in Northumberland, UK, where they grow heritage potatoes to add value and 'bring taste, history and excitement back into the potato business. The Carroll's wanted to better understand the potato market so that they could target the right consumers and develop a marketing plan that would help them to successfully expand their business.

Potatoes are a fairly common household item and the Carroll's decided that it would be best to look at the profiles of consumers who are most likely to be interested in heritage potatoes, which would be consumers who are interested in specialty potatoes. Using the results of the consumer survey data the Carroll's were able to create an appropriate marketing plan and they successfully launched a small scale 'heritage' potato concept. Their next step is expansion and to look for a supermarket to carry their product.

They have targeted older people with a taste for 'finer foods' as their main audience and have created networks to sell their products to up-market restaurants, farms shops throughout the county, food halls, specialist delicatessens, farmers markets and specialist wholesalers.

2.5.2 KG Fruits

Consumer and market data can also be helpful for developing promotions for short shelf-life products such as raspberries. KG Fruits, which is a farmer controlled soft fruit business, uses such information to develop promotions during peak production periods to encourage consumers to buy their products.

They looked at how consumers responded to different packaging sizes and different pricing schemes. The results of this research helped them to develop new strategies for packaging and pricing. They found that the key is to keep merchandising simple – i.e. offer on pack size rather than two – and to target young families and young adults with recipe ideas and serving suggestions, to help them overcome the barrier to buying larger volumes of a fruit that has acquired an old fashioned image over the years.

2.5.3 Dairy House

Dairy House, a small organic processing business, used market research data to find out what consumers liked and disliked about different products they offered, such as yoghurt, cream and cheese products, to see how they could adapt their products to consumer's tastes. They commissioned primary consumer research to help them to develop their marketing strategy as they wanted to grow their organization, but they also wanted to concentrate on the most profitable lines.

The survey that was conducted showed what products consumers were interested in, but it was also able to determine the reasons for the purchases and 42% said that they purchased dairy products produced locally or from within the region. From this data they were able to determine which products they should focus on and which consumers they should be reaching out to.

2.5.4 Summary

The needs of the Carroll family, KG Fruits and Dairy House all differed. Thus, they each required a tailored report of what the market for their specific products was. With this knowledge, each of the producers could then customize their own marketing plans to meet the demands of their consumers.

2.6 Conclusions

With research showing that up to 70 per cent of consumers would prefer to purchase regional food products, and that the suitable place of purchase for such products include convenience stores and supermarkets, as well as tourist destinations, significant opportunities exist for regional marketing initiatives to capture the interest of consumers seeking a consumption experience.

Critical to the effectiveness of regional marketing initiatives is the clear identification of market opportunities; so is determining the optimum methods for differentiating a particular region's products, and developing the most effective methods to supply target markets with products desired by customers and consumers. Suppliers need to clearly understand what the market wants and the best way to produce, then deliver, suitable products to the market.

The regional initiatives that have failed largely do so because they fall short of taking into account the marketing, production and delivery factors required to secure the financial returns needed to ensure their economic sustainability.

The particularly good news for smaller produce farmers is that consumers most commonly equate preferred regional products with family farms.

With regional markets growing around the world at rates estimated to exceed 60 percent and retailers increasingly looking for capable suppliers and new initiatives to differentiate them from the competitive, real opportunities exist to develop and supply regional marketing initiatives.

Regional market initiatives should however not be seen as a ticket to abscond from the ever demanding business cycle. The suppliers that succeed will be those that are professional in their business approach, adhere to necessary business practices, and, with their buyers, share a vision of retailing. It is simply another business opportunity and exactly the same rules apply to successful regional marketing initiatives as to any other successful business practice.

3.0 Developing a Regional Marketing Initiative for Prince Edward County (PEC)

The purpose of this section is to compare findings from the literature review with results stemming from consultations with local PEC businesses regarding their view of regional market opportunities that exist for PEC agri-food products and suggestions for securing identified opportunities. Recommendations for establishing an effective regional marketing initiative for PEC has then been draw from combining the comparative research results with feedback gained from interested stakeholders attending the PEC Regional Market Development Workshop held in Picton on March 23, 2006.

3.1 Consultative Process

In conjunction with the PEC Office of Economic Development, a series of six semi-structured interviews were undertaken with chosen foodservice establishments (one fine dining, one casual, and one mixed), two retailers (one supermarket and one specialty), and one manufacturer of pastry / bakery goods. The objective of the consultative process was to identify specific products that they believe are most suited to a PEC regional marketing initiative, and which consumers are likely to find most appealing.

The consultations took the form of semi-structure telephone interviews, each lasting between 20 and 40 minutes. A questionnaire was developed in a manner that encouraged open-ended responses and, through enabling a comparison and contrasting of exact responses, would provide insights into regional market opportunities and the critical success factors that suppliers would need to follow in order to secure those opportunities. To encourage open and frank responses, interviewees were assured of that their responses would remain confidential. The questionnaire used for the consultations forms Appendix A, and a list of tabulated responses forms Appendix B. Specific insights sought through the consultative process included:

- Investigating the chosen respondents' history and experience of handling regionally produced PEC products, including:
 - Identifying any locally produced agri-food products they are currently handling;
 - Successes: including product types and formats that proved appealing to consumers, along with the reasons for their appeal;
 - Disappointments and/or failures: along with a description and reasons for such;
 - Price points: have regionally produced products secured a price premium compared to mass produced and/or commodity products?
 - Opportunities: what new regionally-produced products would they like to see marketed to consumers?
- Responses were grouped into agri-food product types that are produced in PEC. This enables an assessment to be made of customer perceptions regarding the main food groups (ie: dairy, meat, baked goods, produce, wine, etc.) regarding:
 - The format and product type which respondents believe to hold greatest appeal to consumers on a seasonal or annual basis;
 - The consumer demographic to which regionally-produced and marketed PEC products would likely offer the greatest appeal;
- Identify the attributes that operators of fine dining establishments (including chefs) and retailers look for in a supplier, including:
 - The supply-related determinants and associated factors that customers look for when determining the suitability of a supplier;
 - The quality attributes and/or quality assurance verifications that suppliers must provide in order to secure market opportunities;

- Any factors that have particular relevance to a range of product types (ie. meat, vegetables, dairy), or are product-specific;

3.2 Consultative Responses

Each and every respondent voiced a clear opinion that significant opportunities exist for regionally produced and marketed PEC agri-food products; particularly amongst those supplying the tourist trade. All respondents also stated that interest in consuming regional PEC products is growing amongst tourists and locals.

3.2.1 Proactive Suppliers

Most respondents believed that the current practices of many local suppliers were not particularly conducive to taking advantage of the opportunities that they firmly believe exist. For instance, while consumers residing within and outside of PEC are said to be increasingly interested in consuming regional PEC products, many suppliers are said to not particularly proactive in establishing relationships with customers (retail and foodservice) that could lead to long-term marketing opportunities. Neither were they generally described as prepared to take the time necessary to understand what challenges are faced by the retail and foodservice sector. Proactive suppliers are said to be able to benefit themselves financially by assisting their customers address challenges that they faced, likely at no or little additional cost for suppliers.

In a number of instances, examples were given where premiums are paid to suppliers who supply both consistent high quality products and a dependable level of service. The majority of respondents stated that the ability of suppliers to sit down with their customers to plan the type, volume, and delivery practices. Then communicate regularly with their customers during the year – particularly, in the case of fruit and vegetables, during and prior to the season commencing. Other important factors said to often not be given sufficient attention by many suppliers, particularly primary producers, was to be dependable in terms of quality and delivery. The lowest price was not the primary factor upon which most of the interviewees said they based their purchasing decisions.

3.2.2 Preparedness to Pay Premiums

In instances where interviewed respondents do not usually pay premiums to their suppliers for local versus alternative products, not a single respondent stated that they would refuse to pay a premium if suppliers were prepared to work with them to increase the value of a product in the eyes of consumers. Given examples cited in the literature review, this could be through the establishment of a private brand, regional-focused initiative, or the development of market-derived production protocols.

Two main differences appear to exist between those retail and foodservice customers who pay at least some of their suppliers a premium, and those that do not. The first is a seller versus a marketer. The second are those serving tourists versus locals.

A seller is essentially a distributor of products sold on their physical appearance and characteristics, and may take consumer interest in his offering as expected for historical reasons; therefore price is a large factor in capturing a sale. A marketer creates a reason for consumers to express an interest in a product beyond its physical characteristics by placing greater onus on understanding the factors that influence consumer purchasing decisions, then modifying their offerings accordingly.

A seller is likely to rely more on supplier-driven innovations to create added value; given that many local suppliers' were described as not particularly proactive, the importance of price in gaining a sale is understandable – particularly given PEC's relatively small domestic population and a seller's limited ability to capture the interest of tourists seeking an experience while visiting PEC. With marketer's being less reliant on supplier innovations to stimulate demand, the likelihood exists that they will pay a premium simply to suppliers that are willing to modify their operations in order to enable a marketer to more successfully achieve their goals and/or vision. On top of this, the most successful suppliers identified by the PEC research and the literature review are not just those that supply marketers; they are marketers themselves!

Tourists provide significant opportunities to capture premiums, not least because they are usually on vacation seeking an experience. That they are away from home on vacation usually denotes that they have disposable income. A higher percentage of tourists will frequent foodservice establishments for their meal occasions than locals too, where higher prices often denote higher quality – and the value of such is increased due to preparation.

With analysis showing that tourist spending in PEC is increasing at twice the rate of growth in tourist numbers (Taylor, 2006), the opportunity to capture premiums from tourists compared to local consumers is undeniable: hence the second reason for respondents' differing history of paying suppliers premiums. With marketers possessing the greatest opportunity to secure the interested of tourists seeking a unique PEC experience, they are likely to be the most opportune avenue through which suppliers can capture premiums.

The size of premiums discussed during the consultative process ranged between 10 – 100 percent. Expected premiums for most products averaged about 25 percent higher than competing products not produced in PEC, so long as they could be differentiated through taste, look, packaging or some form of credence factor.

3.2.3 Reduced Costs

Outside of potential premiums, a significant opportunity exists for suppliers to capture market opportunities by reducing customers' costs associated with purchasing products from large (often multinational) distribution networks. Cost reductions that the research identified as potential areas that local suppliers could utilize to encourage customers to purchase local products when provided in a format suited to the place of purchase include:

- Volume (the minimal delivery size available through multinational distributors is often larger than independent operators would prefer);
- Timing of delivery to suit business (preferred day of the week, time of day);
- Order turn-round (often the same day as ordering if sourcing locally);
- Consistency of quality (complicated distribution systems used by many multinationals can lead to inconsistent quality and losses through spoilage);
- Replacement of products if not correct or ideal for situation (quicker and easier when dealing with local suppliers);
- Size and availability of smaller pack sizes when trialing / launching products;
- Flexibility to modify products (format, packaging, etc.) to suit specific requirements;

3.2.4 Shortcomings

While respondents cited a number of benefits that could be acquired from local versus larger suppliers, a number of current shortcomings were however noted. Addressing these shortcomings, which are not the case with all (particularly the more proactive) suppliers, will assist suppliers take advantage of market opportunities stemming from the previous section.

Shortcomings identified during the research and which were described as disincentives to source locally and listed below in order of magnitude described to the interviewer as per the influence they have upon customers' decision (or not) to purchase locally. They include:

- Delivery (many primary producers do not deliver, which discourages customers);
- Volume (local suppliers often work individually, providing only limited volumes);
- Inconsistent supply (local suppliers were said to often be unable, or unwilling, to guarantee supply);
- Lack of communication (local suppliers are described as often unwilling to regularly communicate long and short term availability, and quality, of products to customers);
- Range (local suppliers often handle only a few products, aggregating products so customers deal with a smaller number of suppliers would encourage purchasing);
- Short season (findings ways to extend the fruit and vegetable season, and consistency of supply during the season, would encourage greater purchasing from local customers);
- Limited methods of ordering or time slots for ordering (particularly important for restaurants who may need to place late night orders ahead of the following day);
- Accounts (local suppliers often seek payment with each purchase rather than on a monthly basis; the latter being easier to track for accounting purposes);
- Lack of verification systems (QA systems are increasingly common factors in shaping customers' decision to purchase from a particular supplier, yet many local suppliers do not have QA systems in place. This can discourage a customer from buying local).

3.2.5 Products Suited to PEC Regional Marketing

During the consultation process, attention was given to asking respondents to name products that they believed offered particular opportunities relating to capturing a regional market for PEC products. The cited products have been listed below. They are placed in order of their expected demand and potential economic impact for PEC producers.

In addition to local market opportunities, a number of the respondents stated that certain products were suited to also being marketed further afield. Potential markets described by the respondents included Toronto, Montreal, Boston, Chicago and New York. The products that fall into this category have been underlined. They are largely products that can secure added interest from consumers by providing or enhancing a differentiated meal occasion.

Specific products suited to marketing as produced in PEC are said to include:

- Artisan cheeses
- Chicken
- Vegetables
- Fruit
- Wine
- Fish
- Bread
- Beef
- Processed meat products
- Pork
- Flowers

As with Branded Beef Breeders and Parma-Ham, the successful regionally-marketed business ventures will be those that are able to differentiate themselves through providing a quality-based value proposition, and have capabilities in place to consistently produce products that meet consumer expectations. In the case of both the above products, this has been achieved by establishing a group of producers that are committed to following protocols centered on either

traditional or non-commodity production practices. Adherence to those practices ultimately forms the basis of their product's success through ensuring continued high-quality differentiation in the form of tangible and intangible attributes. The same factors will apply to products produced in PEC. Particularly as consumers most readily appear to attribute regional-focused differentiation to products produced by smaller businesses, that will need to collaborate to capture markets that amount to any sizeable volume.

3.3 Market Development Workshop

A forum, entitled the PEC Regional Market Development Workshop, was held in Picton on March 23, 2006. Held in a workshop setting, the event provided interested agri-food producers and suppliers with a chance to learn about the challenges that retailers, foodservice operators, and suppliers will need to address when seeking to take advantage of regional market opportunities. The forum also provided an opportunity for those involved to hear from their peers, and potential customers, on already identified market opportunities related to PEC; as well as hear insights gained through the consultative process.

The ultimate aim was to encourage the development of mutually beneficial business relationships by providing a forum where challenges, opportunities, and the various stakeholders' opinions regarding the development of a regional PEC food marketing initiative can be discussed in an open and non-confrontation manner. Then provide perspectives on critical success factors and lessons that could be learnt from other initiatives and which the participants might wish to apply to their own business situation in order to acquire competitive advantage.

The workshop agenda forms Appendix C. The introductory presentation made on international trends in regional marketing efforts forms Appendix D. An overview of case studies and examples of consumer data related to the purchase of specific products forms Appendix E. Materials used during the interactive workshop, namely the introduction and workbook, form Appendixes F and G respectively.

In specific terms, the ultimate aim of the workshop included:

- Providing a neutral setting, where challenges, opportunities, and the various stakeholders' opinions regarding the development of a regional PEC food marketing initiative can be discussed in an open and non-confrontation manner;
- Host a panel, comprising representatives of a fine dining establishment, a retailer, and a successful supplier, to describe market opportunities, and critical success factors for establishing a successful regional PEC marketing initiative;
- Through discussion, obtain direct feedback from retailers and foodservice on the opportunities for specific products produced and marketed in PEC;
- Encourage debate on the development of a regional PEC agri-food marketing initiative, and how activities such as a 'culinary event' where chefs and other foodservice operators can meet producers that are interested (and able) to supply locally-produced agri-food products on a contract basis;
- Collect feedback from delegates attending the workshop on potential follow-up initiatives and events.

3.4 Conclusions

As shown by the literature review, the consultation process identified that the possession of business management capabilities are the most important factor for enabling producers and suppliers to take advantage of regional market opportunities. Opportunities to develop regional market opportunities clearly exist, as shown by the rate at which consumer demand for regional products (conservatively estimated to exceed 60 percent per year) are expanding.

Governments are increasingly supporting the view that regional market initiatives are an avenue through which producers can capture added value from the market too. An example of legislation introduced to allow producers to promote the quality of their food products as stemming from the place of production, is the Protected Food Name Scheme (PFNS) introduced across the European Union. The effectiveness of such legislation is extended by other initiatives, such as Defra's (UK) regionally-based Food Development Program (FDP), which is investing CAD\$4.78M annually to assist the development of regional food produced in the United Kingdom. A combination of the PNS and FDP is enabling producers to differentiate their products in a fashion akin to having the luxury of owning a trademark or copyright which denotes a region and can be used to legally differentiate their products.

While legislation (such as PFNS) or regional promotion and marketing efforts (such as Wales, the True Taste) can support the raising of a product's profile and encourage consumers to try a product, the only way to keep consumers returning time after time is through maintaining consistent quality. Whether the capabilities required to maintain and develop consistently high quality products according to market demands are operational (production, processing, delivery, etc.) or support (marketing, administration, monitoring, etc.), or a combination of the two, possessing the correct capabilities is critical to the continued success of any business, whether or not they serve a regional market.

Therefore, while regional promotions such as 'Wales, the True Taste' can increase the overall demand for products by between five and ten percent, particularly for perishable products that are sold in a relatively unprocessed form (Simonetta, 2004), the long term the success of regional marketing initiatives depend on the skill of the individual business involved. Enabling businesses to acquire the skills necessary to match their production and marketing efforts with changing consumer demands in order to capture growing consumer interest in regional foods is another aspect of the aforementioned FDP (UK).

The other area of opportunity that PEC can use to great advantage for developing a regional food marketing initiative is its position as an increasingly popular destination for tourists. A factor that can easily be overlooked when assessing reasons behind the success of initiatives such as 'Parma-Ham' or 'Wales, a True Taste' is their link to unique credence factors that partly stem from their international profile as a vacation destination, or the cultural home of people that have emigrated to Canada. Similarly, with consumers increasing interest in food and consumption experiences, a reputation for producing high quality food positively influences further growth in tourism. PEC can utilize this same linkage, between food and tourism, to its advantage.

4.0 Recommendations for Developing a PEC Regional Marketing Initiative

Section 4.0 is a discussion of suggested recommendations for expanding the overall value of PEC products in the agri-food market. They fall into two main types. Section 4.1 covers the first type of recommendation, which essentially fall into the category of enhancing the capability of PEC producers and suppliers for taking advantage of market opportunities for regionally produced PEC agri-food products. Section 4.2 covers the second type of recommendation falls in the category of supporting producers and suppliers in their endeavours to capture market opportunities for regionally produced PEC agri-food products.

While the introduction of changes in marketing-related legislation changes, such as an the EU's Protected Name Scheme, and the UK's Food Development Program, could benefit PEC producers by providing a potential legally-defensible method of differentiating their products, following this approach is outside the ability of Prince Edward County. It would require a change in either Provincial and/or Federal food marketing legislation. As would the introduction of third-party verified and government mandated quality assurance systems such as Label Rouge.

4.1 Enhancing the Ability of PEC Agri-food Producers and Suppliers

As can be seen from the literature review and consultative process with customers of PEC regional agri-food products who interact with consumers on an on-going basis, the long term success of any marketing initiative (regionally-focused or otherwise) ultimately depends upon the ability of those involved to meet consumer expectations and market demands. This area of development should therefore likely form the backbone of any PEC regional marketing initiative. There are two distinct formats that such an approach could take. Both could be supported through funding programs currently offered through the Agricultural Policy Framework (APF).

4.1.1 Marketing and Value Chain Development Workshops

Often considered as an approach that fails to benefit primary producers, the benefit that value chains development can bring to producers, particularly small independently owned producers, makes them worthy of consideration. Worldwide evidence shows that the most successful producers are likely to be those that collaborate with their customers and suppliers through the establishment of closely-aligned value chains (Gooch, 2005).

While it is smaller producers that can likely benefit the most from collaborating with their peers and customers, research from the UK shows that it is this very sector of the agricultural industry that tends to collaborate the least (Thomson, 2006). This clearly hinders their ability to capture long-term market development opportunities and capture greater returns from the marketplace. Offering well-publicized workshops to explain and highlight methods that producers and agri-food suppliers can utilize to enhancing their business capabilities has proven an effective method of raising awareness surrounding the need to collaborate in order to compete; interspersed with case studies of successful market initiatives. Partial funding of such workshops may be accessible through programs that include the Agricultural Management Institute (AMI), Advancing Canadian Agriculture and Agri-Food (ACAAF), or OMAF support.

4.1.2 Planning and Assessment for Value-Added Enterprises

The Planning and Assessment for Value-Added Enterprises (PAVE) program is provided through the Renewal pillar of the APF (AAFC, 2005). The PAVE program was established to provide producer with financial support to help you establish or expand a value-added enterprise. It provides either individuals or groups of producers with financial assistance to help pay for the services of a consultant to develop a feasibility assessment and/or a business plan for specific value-added enterprises (AAFC, 2005). Securing a PAVE grant will markedly reduce the cost of engaging a consultant to assist in developing an implementing a value added business plan based on taking advantage of regional marketing opportunities.

4.2 Supporting Primary Producers and Suppliers to Capture Market Opportunities

As seen in the literature review and consultative process, public institutions can play a pivotal role in developing and maintaining successful regional marketing initiatives. The most likely areas that, for instance, the PEC Economic Development Office (PEDO) could involve itself to provide effective support for a PEC regional agri-food marketing initiative (whose focus and influence extends beyond the immediate PEC region) includes:

4.2.1 Subsidizing a Delivery Service

In percentile terms, a significant proportion of respondents from the consultation process identified the lack of deliveries of local products as an inhibitor to developing a more effective marketing initiative for regional products. Some even said that, if it was not for them basing their own differentiation in large part on the marketing of locally-source products, they would not use the same level of locally-sourced products due to the time it takes them to collect products across a fairly wide geographic area and/or the lack of dependable deliveries. Extrapolate this sentiment across the entire PEC region and it can be expected that PEC producers are missing out on a significant array of sales opportunities due to the lack of effective and dependable delivery services for locally-produced products.

While particularly smaller producers may not possess the financial resources necessary to maintain a delivery system of their own, it is conceivable that a system could be developed for producers to share. This would significantly reduce the financial burden that having access to a delivery system would place on individual producers. Simultaneously, this approach would likely encourage suppliers to purchase higher volumes of locally produced products over a longer period of time. Furthermore, such a system could have a two-fold benefit, delivering inputs (inc. packaging, etc) to producers at a discount transportation rate. Supporting the establishment of a delivery system on a trial basis might be a possibility if PEDO's financial resources allow such.

4.2.2 Third Party Verification Services

Meeting verification and QA requirements are becoming an increasingly common norm for conducting business. However, engaging the skilled personnel necessary to administer such systems can be beyond the financial resources of a small business. PEDO could play an important role in supporting the establishment of shared resources that small business could access in order to meet customers' increasingly stringent QA requirements, without having the need to engage the necessary personnel accept when they are required. For an introductory period, PEDO may be able to subsidize the service, which would reduce the challenges of establishing such a service and securing personnel possessing the necessary skills.

4.2.3 Central Ordering / Distribution Facilities

Other challenges faced by businesses wishing to purchase local products that consultation process raised included the inability to order products at any time of the day or night, pay on a once-a-month account, and deal with a small number of suppliers. The establishment of a effective well-operated central ordering and distribution facility could address most if not all of these challenges. If combined with a local delivery service (Recommendation 4.2.1), supporting the establishment of such an entity could bring substantial economic benefits to the PEC region.

4.2.4 Market Research

As shown by the 'Wales, a True Taste' example, market research plays a vital role in understanding consumer drivers towards regional foods and developing the critical success factors of assisting producers meet market demands. Particularly from the aspect of supporting the development of a program that raises the profile of a region's products outside of the region itself. If developed in conjunction with a tourism strategy and in an environment where

consumers are bombarded with different food labels and messages every day, this approach could provide significant pay-offs for the PEC region.

4.2.5 Promotion of Regional Food Products

Linked to the market research aspect is utilizing the information gathered. This could be through a well-targeted consumer marketing effort. People often comment about having seen PEC tourist development promotions, though rarely (or at least to a far lesser extent) about having viewed any promotions surrounding regionally produced agri-food products. Adopting a similar approach to tourism, or linking regional food directly with tourism when promoting PEC through high profile suitable avenues, would appear to be an option for further raising the profile of PEC products. This approach could also assist in developing markets for PEC products outside of the immediate geographic area.

Within the PEC geographic area, it might be possible to secure the agreement of an independent retailer (or selected stores owned or operated by a multiple supermarket chain) to establish shelf space and promotional livery dedicated to marketing PEC agri-food products. This approach would also allow for relatively cost effective consumer marketing initiatives to be undertaken and for producers to interact directly with consumers to identify how they might improve the value of their products over the long term. Critical to the success of this approach would be a system for coordinating the supply and marketing of consistently high quality products and reducing overlap between product type to minimize an imbalance that could discourage consumers from frequenting either the dedicated PEC section, or the entire store.

4.3 Summary

Undoubtedly, many opportunities exist for PEC to take advantage of consumers' growing interest in regionally-produced agri-food products. The above recommendations are not exhaustive and are all worthy of further exploration. They have been drawn from issues and opportunities identified from a brief literature review of international regional agri-food initiatives and programs, a consultation process with local food outlets and marketers, and a workshop held in Picton on March 23, 2006.

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Appendix A: Consultation Questionnaire



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Market Opportunities for Prince Edward County Agri-Food Products

The purpose of this research is to identify market opportunities for locally produced agri-food products from Prince Edward County by gain sufficient knowledge of the marketplace in relation to the of type of agri-food products that are best suited to a regional marketing format, then share that information with agri-food suppliers and primary producers. Also to be shared with agri-food producers and suppliers will be lessons learnt from successful regional marketing initiatives from around the world. The aim being to assist and guide them to identify, then take advantage of, market opportunities relative to their own operations and capabilities.

Critical to the effectiveness of regional marketing initiatives is the identification of methods for differentiating a particular region's products, and develop the most effective methods to supply the target markets with products desired by customers and consumers. Suppliers need to clearly understand what the market wants and the best way to produce, then deliver, suitable products to the market.

Regional initiatives that fail have often not taken into account the marketing, production and delivery factors required to secure the financial returns needed to ensure their economic sustainability.

Lastly, the results of this initiative will feed into a series of recommendations for establishing a long-term regional market initiative for Prince Edward County; thereby enhancing the overall economy.

We expect the interview to take 20-25 minutes of your time. All information collected will be held in the strictest confidence. Only our research staff will see the individual questionnaires. We will solely be sharing general findings and insights with the public; nothing that you say will be attributed to you without your prior permission. Only our research staff will see the individual questionnaires.

We thank you in advance for your cooperation.
Sincerely,



Martin Gooch., MAgribus
Research Associate – Value Chains

Name, Position and Organization	Mailing Address	Telephone and Email

1) How would you describe your business and the consumer segment that you serve?

2) Do you support the idea of a regional food-marketing initiative? Why?

3a) Please list or describe the farm and food products that you purchase on a regular basis.

3b) Please list your main sources of farm and food products that you regularly purchase.

3c) Why have you chosen this source of your products? What services do they provide?
Would you seek similar services from a local supplier?

4) Which products would you be most interested in sourcing from local suppliers? Why?

5) Have you previously purchased products from local PEC suppliers?
If yes, what type and in what format?

5b) What was your overall experience of sourcing locally-produced products from PEC suppliers?

5c) Have you experienced any significant disappointments or problems associated in your dealings with local suppliers?
*If yes, were any of these related to one product type more than another?
How did you overcome the problems that you faced?*

5d) Have you experienced any significant benefits in your dealings with local suppliers?
If yes, were any of these related to one product type more than another?

5e) In your experience of dealing with local suppliers, are there any shortfalls in their knowledge of the market that, if addressed, would benefit you and encourage you to purchase products from them?
If yes, what would you believe to be the best way of imparting this knowledge to them?

5f) What expectations would you have of a supplier? What would make a supplier suitable to meeting your needs?

6a) Have you noticed a trend at all in consumers expressing an interest in higher end or locally-produced food products?
If yes, amongst what segment of consumers are you seeing the greatest interest?

6b) *If yes, why do you think that this trend is occurring? Is it seasonal?*

6c) *If yes, amongst what type of products is the trend most pronounced?*

6d) *If yes, what attributes do you consider consumers are seeking? Does the format in what the products are presented appear to significantly affect consumer demand?*

6e) Does the price point of locally-produced products influence consumers' interest in local products?

7) Would you be prepared to pay a premium for locally produced PEC products?
If yes, what type of premium would you be prepared to offer dependable suppliers that supply products that meet your needs?

8) What role would you like to see Prince Edward County Economic Development Office play in encouraging or supporting the development of a regional agri-food marketing initiative?

9) Are there any particular differentiation strategies that you would suggest for a regional PEC food development initiative?

10) A workshop for interested local producers and suppliers is being held at the Picton Community Centre on Thursday March 24th. If asked, would you be prepared to be part of a panel discussion on market opportunities for regionally-grown PEC products?

Yes

No

Thank you for your time and interest.

Appendix B: Tabulated Responses

Issues	Butcher	Fine Dining	Local Grocery	Family Restaurant	Bakery	Cafe
<i>Business description</i>	- retail butcher	- food made from 'scratch' - focus on using locally grown & produced products - butcher meet themselves as suppliers can't meet market opportunities	-focus on fresh and quality -provide customers with an enjoyable experience	-more upscale pub style food -seasonal business, target tourists in summer	-small bakery and pastry business -wholesaler to small restaurants, cafes, bakeries	-café and bakeshop, local clientele and tourists
<i>Support for Regional Food Marketing Initiative</i>	- will bring a balance between price and quality	- believe products are of high quality - assist local family farms	- county known for good quality (apples and grapes) -plums, apples, squash and asparagus top quality	- nice to support local products and local interests	- Supports initiative greatly	-PEC is unique area and needs to take advantage of this uniqueness
<i>Farm and Food Products Purchased Regularly</i>	- beef and chicken	-lamb, beef, vegetables, eggs, strawberries, apples, tomatoes - would buy more local cheese if more varieties avail.	-N/A	- mushrooms, cheese, cider, vegetables, ostrich	-green pumpkin seeds, berries, flour, vegetables, lamb -small quantities of beef	- pastry -soups and sandwiches -vegetables (in summer)
<i>Main source of farm and food product</i>	- custom kill from producer	-local farms and producers	N/A	N/A	-local	
<i>Reason for choosing product source</i> -would you seek similar services from a local supplier	- price and quality - most suppliers have similar quality	-flavour is the largest driver - veggies higher prices but excellent consistency	-producers deliver direct to store -good quality and standards -good communication	-use local products in season -people like fresh and local	-because its local -small businesses that don't have to meet minimum volumes	-good reputation, well known
<i>Which products would you be interested in sourcing locally?</i> <i>Why?</i>	- Beef -Chicken not available locally	- cheese and chicken -possibly duck and local fish -lack of processing fines are an attraction	-bean sprouts -customers largely seasonal purchasers	-beef (in progress) -bison, fish	-flour	-veggies and cheese
<i>Previous purchases from local PEC suppliers</i> <i>What type of quality assurances and format do you require</i>	- has bought whole animals and had it custom killed - supplements with individual cuts	-above foods - food needs to meet market requirements -HACCP preferred, minimal chemicals	N/A	-above foods	-berries, vegetables, seeds	-pastry and vegetables
<i>Overall experience with local PEC suppliers</i>	- producers want to sell but aren't fully aware of dynamics of butcher industry - would rather buy from a supermarket but don't support independent businesses	-generally positive; local producers happy to supply and find new markets -a lot of work involved in picking up products – delivery options would be beneficial	-gratification from growers and customers -good for promotion of foods in store, fliers	-good overall, more variety coming into county -need to have a competitive price	-good quality products available	-local suppliers not as proactive as larger suppliers

Developing a Sustainable Market for Locally-Produced Prince Edward County Agri-Food Products



Problems associated with dealing with local suppliers	- lack of understanding of industry - lack of consistency - don't support independent businesses	-collecting products -lack of after hours ordering	-weather -need to purchase from only dedicated farmers	-wary of featuring local items in case supply ends part way through promotion -mostly have to collect products yourself	-None	-None
Benefits associated with dealing with local suppliers	- every customer wants local; however, are not willing to pay a premium - farmers only know their own market, and are not aware of market for butcher shops	-food is better quality -feeling of belonging to a 'micro economy' and community -lack of capability and fines for butchering and processing of meat -inconsistent fish processing -lack of international food knowledge (cheese)	-N/A -handling of produce getting better -some lack of knowledge re gov't regs of grading, etc.	-helping out the local economy -quality - most are knowledgeable, fair pricing	-no minimum order required -good, often attend trade shows in Toronto	-Immediate supply when short on product -good
Local suppliers knowledge of the market	- farmers only know their own market, and are not aware of market for butcher shops	-lack of capability and fines for butchering and processing of meat -inconsistent fish processing -lack of international food knowledge (cheese)	-handling of produce getting better -some lack of knowledge re gov't regs of grading, etc.	- most are knowledgeable, fair pricing	-good, often attend trade shows in Toronto	-good
Expectations for suppliers	- Quality and price - AA or higher	-willing to discuss opportunities and improve services -monthly payments -delivery -supply according to agreements	-regular delivery -forecasting on crop size and quality -communication -quality	-supply, fair price and quality	-able to provide products required for business	-fair cost -on time delivery -can specify quantities (not have to deal in large orders)
Consumer trend for higher end or locally-produced food products	- no trends, customers just ask for local meat	-weekend trends, i.e. cottagers	-demand in summer and winter varies -nutrition drives produce consumption	-local food encourages feed back from customers -more interest -people more health conscious	-tourists from cities seeking locally grown products	-none in particular
Why is this trend occurring?	-N/A	-seasonal, cottagers	N/A	-people more health conscious	-tourist trade, weddings, family events -seasonal	-N/A
For what products is the trend most pronounced?	- N/A	-meat in particular	-packaged salad (spring mix, baby spinach, baby carrots) -diminishing interest in organic products	-cheese – people often ask where local cheese factory is	-local bread, particularly flax seed, green pumpkin seed bread	-N/A
What attributes are consumers seeking?	- N/A	-local and naturally raised -less fuss about organic raised	-quality and freshness	-N/A	-differentiation -hand made products -produced locally	-N/A
Does price point of locally-produced products influence	- No. They ask if it's local, but don't want to pay more	-yes, but less about price than product – especially in the summer	-yes – quality at reasonable cost better than competition	-yes, especially during the winter	-prepared to pay for a certain premium for differentiated products	-N/A

Developing a Sustainable Market for Locally-Produced Prince Edward County Agri-Food Products



consumers' interest in them?			-customer will pay more for local food from recognized grower				
Would you pay a premium for locally produced PEC products?	- No, because can't secure it for the customer	-Yes, subject to meeting market requirements	-No grower	-Yes, if can achieve premium from tourists (summer only)	-Yes, Local products are fresh, less waste	-as long as able to pass on premiums	
What role should PEC Economic Development Office play in supporting development of regional agri-food marketing initiative	- Unsure	-Unsure -Co-ordinating a delivery service	-Promotion of people handling local products -develop positive image of supporting local business	-working with everyone to start program -work with farmers to develop greater consumer awareness of local products	-promotional role across different regions in Canada -encourage tourism	-greater overall coordination between groups and promoting local foods	
Possible differentiation strategies for a regional PEC food development Initiative	- Unsure	-marketing PEC in the right way -do not over-promise and under-deliver -farm stands enhance agro-tourism -need a central location	-billboards	-working together	-promote 'esteemed' chefs and use talented people to promote the County	-overall taste trials	



Appendix C: Workshop Agenda

Regional Market Opportunities for Prince Edward County Agri-Food Products
Picton Community Centre
 Thursday, March 23, 2006

Objective

While the commodity agri-food market is becoming increasingly competitive and price-driven, a change in consumers' purchasing and consumption habits is resulting in an increasing demand for regionally produced foods and beverages. Simultaneously to agriculture's desire to develop closer links with consumers, consumers are exhibiting greater interest in foods which embody a sense of locality that enables them to connect more closely with the food they chose to consume.

Regional marketing can lead to increased profitability from opportunities to differentiate products in order to secure a larger market share, a reduction in transport costs, and, potentially capture premiums from the marketplace. Good news for smaller produce farmers is that consumers most commonly equate preferred regional products with independent family farms.

The objective of the workshop is to discuss market opportunities for regionally-produced Prince Edward County agri-food products, and share lessons learnt from successful regional marketing initiatives undertaken in Canada and abroad. Participants will gain insights into the factors that led to the success of these initiatives, and how they too could benefit financially from applying similar, proven success factors, to their own business situation.

Main Speaker

Martin Gooch is Research Associate - Value Chains at the George Morris Centre, a national agri-food think tank and strategic consulting firm based in Guelph, Ontario. He has considerable experience developing and researching successful agri-food marketing initiatives. Martin's career spans the agri-food industries of Britain, Canada, New Zealand, and Australia. He has contributed to the development of agri-food marketing initiatives that have won national and international awards of excellence.

Agenda

Time	Duration	Topic	Presenters
8:30 AM	30 minutes	Registration	-
9:00 AM	10 minutes	Introduction	Dan Taylor
9:15 AM	20 minutes	Agri-culinary	Dan Taylor
9:30 AM	45 minutes	International Regional Food Trends	Martin Gooch
10:15 AM	15 minutes	Coffee Break	
10:30 AM	30 minutes	PEC - vision of the future	Dan Taylor
11:00 AM	45 minutes	Case studies – placed in the context of PEC	Martin Gooch
11:45 PM	15 minutes	What does this means for PEC?	Discussion
12:00 PM	1 hour	Lunch and networking	
1:00 PM	45 minutes	Perspectives from different parts of the chain	Panel Session
1:45 PM	15 minutes	Workshop introduction	Martin Gooch
2:00 PM	80 minutes	Interactive workshop	Martin Gooch
3:20 PM	10 minutes	Wrap-up & Conclusion	Dan Taylor

Appendix D: Presentation – Trends in Regional Marketing



Appendix E: Presentation – Case Studies of Regional Marketing Initiatives

Appendix F: Workshop Introduction

Appendix G: Participant Workbook

Prince Edward County



Food Growers & Producers Sales Building Workshop



GEORGE MORRIS CENTRE

Canada's Independent Agri-Food Think Tank

Purpose

The purpose of this workshop is to assist you in identifying and fulfilling opportunities to supply local and regional markets. A growing segment of the agricultural agri-food industry is benefiting from adapting to an internationally changing commercial environment by supplying regionally-produced foods to an increasingly discerning market; and you can do likewise for your own competitive advantage. You cannot prevent change. You can only seek to adapt to it more effectively than your competitors by innovating in terms of products, processes and overall business strategy.

The session will challenge you to examine your business and ask:

- What can I learn from others in terms of:
 - a. Successfully adapting and prospering from market change
 - b. Reducing the extent and impact that external factors have upon my business
 - c. Developing and maintaining effective business relationships
 - d. Managing risk more effectively over the long-term
 - e. Developing successful value chain alliances
 - f. Reducing business costs and/or improving revenues
- What benefit would the formation of a regional value chain alliance offer me in the:
 - a. Short-term
 - b. Medium-term
 - c. Long-term
- Am I ready to partner with others as part of a long-term marketing strategy?
 - a. Why would someone want to commit to partnering with me?
 - b. What skills and value would I contribute to a regional marketing alliance?
 - c. Am I ready to commit to an alliance focused on supplying a regional market?
- How do the key principles of *value chain management* and *maintaining a successful alliance* relate to my business?
- What points of reference can I use to judge improvements in my competitiveness, and the development and management of a value chain to which I belong?

The session will provide an opportunity for you to learn about successful regional marketing initiatives and value chain alliances, including: the drivers of their formation, challenges faced during their formation, and the benefits that they provided to those involved. You will then assess a business situation with which you are familiar in order to identify the opportunities to improve its competitiveness and, most importantly, provide insights as to how you, as a business, can successfully adapt to change by working directly with other members of a closely aligned regional marketing value chain.

Innovation comes in a number of forms and is rarely easy. We hope this session provides you with ideas that will enable you to improve the competitiveness of your business by successfully adapting to a rapidly changing business environment that offers clear opportunities for regional marketing initiatives.

The Six Principles of Value Chain Management

1. Focus on customers and consumers
2. Create and share value
3. Get the product right
4. Ensure effective logistics and distribution
5. Have an information and communication strategy
6. Build effective relationships

Collins & Dunne, 2002

The Seven Principles of Maintaining Successful Alliances

1. Share a clear vision and common goals
2. Possess capabilities to create value
3. Have a culture that supports cooperation and learning
4. Have compatible partners
5. Proactively manage the relationship
6. Regularly evaluate and report
7. Continually adjust to changing circumstances

Collins & Dunne, 2002

Desirable Value Chain	
<i>Ideal:</i>	<i>Short</i>
	<i>Fast</i>
	<i>Transparent</i>
	<i>Seamless</i>
	<i>Collaborative</i>
Too Often:	Complex
	Price-driven
	Confrontational
	Disjointed

Hughes, 2002

Activities That Take Place in a Value Chain

1. Critical and add value to the end product
 - Termed: *value-adding activities*
2. Necessary for the chain's operation, though do not add value to the end product
 - Termed: *value-enabling activities*
3. Not necessary for the chain's operation and do not add value to the end product
 - Termed: *Muda (waste)*

Hines, 2000

Workshop

The workshop is divided into 3 sessions:

1. Map the current chain for a product with which you are familiar:
 - a. Identify a market that you are currently supplying
 - b. Identify the product you are currently supplying to this market
 - c. Map the activities involved in supplying that product and market
 - d. Identify which companies are presently situated in that chain
 - e. Identify where value is added along the chain
 - f. Identify where, in the chain, the greatest number of problems occur
 - g. Is there a preferred market that you would rather be supplying? Why?

2. Map a chain for the same product – perhaps to a preferred market:
 - a. Starting at the end market and work backward
 - b. Why would you like to supply this end market?
 - c. Identify challenges at each level of the chain involved in supplying this market
 - d. Look for correlations between challenges facing each level of the chain
 - e. How can these challenges be successfully addressed?
 - f. Identify the type and regularity of communication that need to occur between each level of the chain to supply this market competitively
 - g. What information is not exchanged, though could be exchanged for mutual benefit
 - h. Describe what the chain does well
 - i. Describe what the chain does not do well
 - j. List potential areas of improvement – and prioritize

3. For the preferred marketing initiative:
 - a. Identify the type of partners you would like to see involved in the revised chain
 - b. Identify the *value adding* steps and processes required to supply the end market
 - c. Identify the *value enabling* steps and processes required to supply the end market
 - d. Identify the role(s) that each partner would play in delivering the end product to market
 - e. Describe how this scenario is different to that which you envisaged in step #1
 - f. Prioritize the differences in order of importance
 - g. Develop a list of suitable protocols for supplying the identified market
 - h. Describe how you could develop closer relationships with customers / suppliers?
 - i. Identify ways to monitor the chain's performance

Mapping the Chain

A value chain encompasses the entire series of activities: from on farm production, through to processing, distribution, and the retailing of a final product to the consumer. The development of closely coordinated, proactive, positive relationships is as important to the success of a regional marketing initiative as it is to any other business undertaking.

Value chain management involves ascertaining why someone belongs to the chain that currently exists, identifying what value they bring to the chain, and looking for ways to produce and deliver the end product more effectively and efficiently. It is a reiterating process, continually looking for opportunities to improve the overall chain's performance in order to successfully adapt to market conditions and retain competitiveness against increasingly capable competitors.

With the attributes of an end product often emanating from a particular point in the chain, identifying which attributes suit a particular market, and how those attributes can be protected, enhanced and delivered to the end market in the most effective and efficient manner possible, can place you in a powerful competitive position.

The first stage of preparing to adopt value chain management principles is mapping the chain. The purpose behind 'mapping the chain' is to identify the path taken by your product, and other ingredients, as they are processed and delivered as a final product to a specific market. This allows you to familiarize yourself with the businesses involved in producing a final product purchased by consumers, and identify the major operations undertaken during that process.

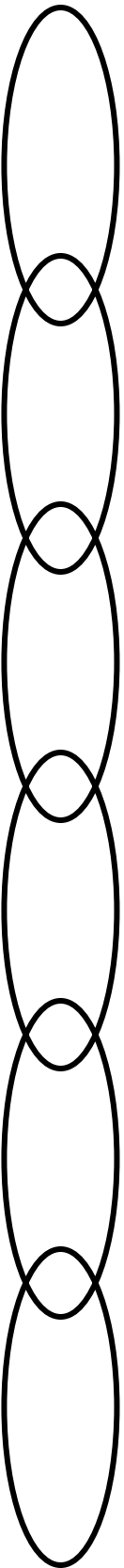
Once you are able to identify the current path taken in supplying an end product, the opportunity exists to first better understand the businesses that are involved in producing and delivering an end product to consumers. You will possess added awareness of some of the challenges that they face and how these challenges influence their relationships with others operating along the chain. Assessing the relationships that exist between, and eventually within, the involved businesses, and the impact that this has upon the overall supply process, enables you to begin the process of developing more effective relationships, which are the glue that holds value chains together.

You are then in a position to map a new and enhanced value chain, including the necessary partners. This is particularly important when developing new products and markets. Identifying the target market's demands, and the challenges involved in meeting those demands, helps develop the roles, responsibilities and accountabilities of each member of the alliance, which are required to ensure the alliance's long-term success, and to develop the chain into an effective governance structure. Once all the 'parts are in place', the next step is translating market demands into an economic value that can be shared amongst the members of the alliance.

From this point onward, the objective of value chain management is to identify ways to improve the overall chain's operations and, in doing so, maximize your competitive advantage; not least by reducing the level of risk facing your business. Companies can strategically embed themselves into the value chain, though never forget that attention must continuously be given to both strategic and operational factors in order to make this happen successfully.

Map the chain by identifying the MAIN members of your chain. Do not forget to identify where your business lies in the value chain.

Input Suppliers Producers Processors Distributors Retailers Consumers



List the Key Firms	List the Key Firms	List the Key Firms	List the Key Firms	List the Key Firms	List the Key Market Segments

Knowing Your Market

Which segment of the consumer market do you target?

If you produce a product that is highly processed at some stage further down the chain, answer the questions on this page.

If you produce a product that is consumed in more or less the same state as it is in when it leaves your business, answer the questions on the next page.

Processed products

Think about your customers. Has any research been done to identify how you could better serve them in order to capture greater value from the product they are involved in supplying to the end consumer?

If yes, has any of that information been passed onto you?

Has any of the information been effective to you in terms of helping you meet the needs of a) your customer, b) the consumer?

If no, is there some research that you can see needs to be done?

How would you undertake this research, and how do you envision it benefiting your business?

Whole (or minimally) processed products

You produce a product that is purchased (and possibly consumed) in a similar state to that in which it left your business.

Think about the consumers of your product. Can you identify what segment(s) of the market best describes them, for example, by age, gender, occupation or where they live? Give one example of a segment at which your product is targeted, and why.

Has any market research been done to identify the drivers of why this consumer segment finds your product appealing, and the attributes that they particularly value? If yes, describe.

Has this information been communicated with you in a way that allows you to adapt your business and capture greater value from better meeting your customers' / consumers' needs? Is there evidence to support your answer?

If no market research has been conducted, what information would be of benefit to you? Why?

What evidence would you need to prove the information's effectiveness?

Overall, imagine yourself as the consumer of your product. How satisfied do you believe a consumer is with your product in terms of the following attributes:

- Quality
- Consistency
- Visual appeal
- Taste
- Presentation
- Price

Communicating With Your Customers & Suppliers

How well do you know your customers, suppliers, and the end-consumers of your product, or the final product of which your specific product is used to produce? The extent to which you know these people and their business requirements often illustrates the level of meaningful interaction that you have with them.

Meaningful interaction, the sharing of market-related knowledge that you can apply to your business situation, is increasingly important. The ability to share accurate and timely information that can be acted upon in conjunction with your customers and suppliers, and applied with precision ahead of your competitors, is itself a competitive strength. When you can monitor the outcome of collaborative business decisions and review this information to continually improve your operations, you have the basis of a strong and competitive chain.

<u>Chain Partner</u>	<u>Know very well</u>	<u>Could know better</u>	<u>Don't know well</u>
My input suppliers			
My customers			
My consumers			

For each of the suppliers, customers and consumers that you do not know well, write down one way that you could improve the extent to which you communicate with any of these that you rated as "could know better" or "don't know well", OR briefly explain why it is not necessary to know their needs. Then list the benefits of knowing the needs of these businesses better.

<u>Chain Partner</u>	<u>Could know better</u>	<u>Don't know well</u>	<u>What the benefits would be</u>
My input suppliers			
My customers			
My consumers			

Two-way flow of communication

Communication, in order to understand each other's challenges and identify ways to improve business operations, and therefore competitiveness, is the primary way of strengthening business relationships.

Looking at the above table, what part of the chain do you feel you know the most about? Does this give you hope that you can improve relationships between yourself and others along the chain that have, to date, not been as good as you desire?

Explain: yes, no, and why?

Could knowing more about the challenges, operations, as well as the opportunities facing members of the chain improve the business relationships that currently exist?
- On what evidence do you base your answers?

What part of the chain do you currently know least about? Why?

Why do you get insufficient information about this part of your supply chain?

What information would you like to possess about the part(s) of the chain that you currently have the least understanding about?

Suggest two ways by which you could begin to share information more openly with this chain member and, in so doing, begin to improve your relationship(s)?

1

2

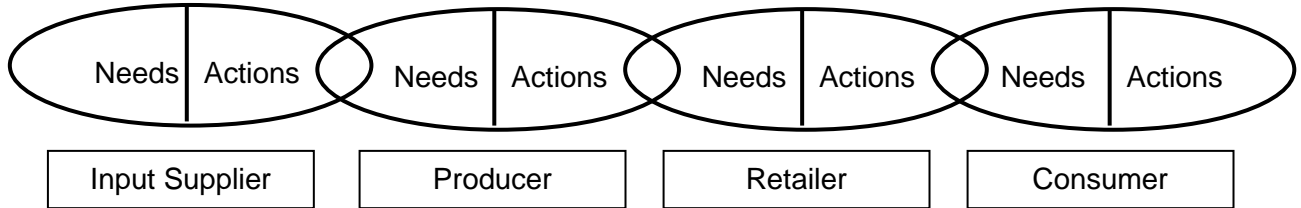
Name two benefits that you could achieve through more openly sharing information with members of your chain?

1

2

Knowing your business partners' needs

Your customers have needs. The closer you align your operations to your customers' needs and the final consumers' needs, the more successful and profitable your business can become. Achieving this effectively, efficiently, and over the long term, requires close interaction between you, your customers, and your suppliers. It also requires you to continually improve your operations in line with market demands and, in coordination with your buyers and suppliers, acknowledge that your business operations are to a certain extent dependent on the success of their operations too.



Think about your present value chain

What are three things that your value chain does well?

1. _____

2. _____

3. _____

What are three things that the chain does not do well and you would like to improve?

1. _____

2. _____

3. _____

Identifying preferred Suppliers and customers

1. Certain factors that influence your business often relate to the competence of a supplier. What would **you** rate as the most valuable indicators to use when deciding whether or not to continue with a supplier?

Quality 0 – 1 – 2 – 3 – 4 – 5 Price

Service 0 – 1 – 2 – 3 – 4 – 5 Product range

2. Certain factors that influence your **customer's** business often relate to the competence of a supplier. What would you expect your **customer** to rate as the most valuable indicators to use when deciding whether or not to continue with a supplier?

Quality 0 – 1 – 2 – 3 – 4 – 5 Price

Service 0 – 1 – 2 – 3 – 4 – 5 Product range

3. Do you notice any differences between the two sets of answers? Explain the reasons why.

4. If your **customer** was seeking to rationalize or improve its supplier base, how great an influence would you expect the following factors to have on their decision?

Quality Consistency	1 – 2 – 3 – 4 – 5
Volume Consistency	1 – 2 – 3 – 4 – 5
Price Consistency	1 – 2 – 3 – 4 – 5
Length of Supply (e.g. 3, 6, 9, 12 months)	1 – 2 – 3 – 4 – 5
Supply more than one product	1 – 2 – 3 – 4 – 5
Communicate openly and often re supply issues	1 – 2 – 3 – 4 – 5
Seek improvements that benefit you	1 – 2 – 3 – 4 – 5

5. Given your answers, how could you position your business so that it would be retained as a preferred supplier?

Value Creation

Your capacity to create value is at the very heart of value chain management. How do you create value for your customers, and how do you know that the value you create is appropriate for your customers' needs?

My business creates value for my customers in these ways:	These are the reasons why I believe that my business can create value for my customer:

Knowing Who Creates Value in Your Chain

For each stage in the chain that you mapped earlier, identify one major business that operates at that stage and write down what that firm does to create value.

<u>Stage</u>	<u>Name of chain partner</u>	<u>How that partner creates value</u>

**What financial return is secured from this process and by which partner?
I.e. How is value shared in your value chain?**

Consider the value that is created by the sale of the end product that you had a hand in producing. Starting with the value of a typical 'consumer' transaction for your product, can you identify how much of it is shared by each chain member back down the chain?

		Estimated price spread	Estimated price spread
The consumer pays	\$___ (100%)		
Retailer's share	\$___ (___%)	<u>Can of peas</u>	<u>T-Bone</u>
_____ share	\$___ (___%)	The consumer pays \$ <u>1.00</u>	The consumer pays \$ <u>8.50</u>
Wholesaler's share	\$___ (___%)	(100%)	(100%)
_____ share	\$___ (___%)	Retailer's share \$ <u>0.25</u> (Retailer's share \$ <u>2.97</u> (
Processor's share	\$___ (___%)	<u>25%</u>)	<u>35%</u>)
_____ share	\$___ (___%)	Wholesaler's share \$ 0.10 (Wholesaler's share \$0.43 (
Producer's share	\$___ (___%)		
_____ share	\$___ (___%)		

If you cannot do this calculation because you do not accurately know the amounts involved, to what extent does this represent a deficiency in your knowledge of the chain to which you belong?

How could you benefit from better knowledge of the way that value is created and shared within the chain?

Looking at the shares of retail value calculated above (if you were able to complete this question), make a judgment as to whether each key member in your chain makes a profit that reflects the value they add to the chain.

<u>Member's Name</u>	<u>Comment on their share of profit vs the value that they add</u>

What effect do you believe the current situation has upon whether members are likely to remain committed to continuing to be part of the described chain?

Do you believe that the current practices are a satisfactory incentive for each member of the chain to be committed to forming a long term alliance? Do you have enough knowledge to make an informed assessment? – Yes, no, why?

How could the incentives be improved to ensure that the chain operated as an alliance?

Upon which factors / decisions would you calculate the incentives, in order to strengthen the commitment of each player to the alliance?

Final Assessment

Identify three operations that currently take place within your chain and which add value to the final product purchased by the consumer. *Justify your statement from the point of view of a consumer purchasing a product.*

1.

2.

3.

Identify three operations that currently take place within your chain and which do not add value to the final product purchased by the consumer, though are necessary for the chain's operation. *Justify your statement from the point of view of a consumer purchasing a product.*

1.

2.

3.

Identify three operations that currently take place within your chain and which do not add value to the final product purchased by the consumer, nor are necessary to the chain's operation. *Justify your statement from the point of view of a consumer purchasing a product.*

1.

2.

3.

Finally, list five ways in which the operations of your preferred chain differ from that which currently takes place, along with the benefits that the improvements would bring your business?

1.

2.

3.

4.

5.
