

Supporting Local Post-Production Sector Development

Spring 2021

This policy brief is part of a series developed for the Okanagan Bioregion Food System Project. Each policy brief is connected to an area of local food policy development identified based on a review of local government comprehensive plans in the Okanagan bioregion. These briefs are designed to give context to the policy challenge and bring forth instructive examples to support local-level decision making.

To access all the policy briefs and get more information about the project visit:

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Introduction

The post-production sector is a key component in the functioning and growth of local food economies and a necessary link between producers and consumers (Todorovic et al., 2018, Diamond & Barham, 2012). In the food system, the post-production sector includes key activities such as processing, distribution, and aggregation of food and food products. Food Processing includes preparation of raw product via cleaning, sorting, peeling, slaughter etc. (primary processing), and bottling, freezing, dehydrating etc. (secondary processing) (Fellows, 2013). Processing allows producers to extend their marketing season, diversify product offerings and revenue streams, access niche markets (i.e. institutions, food service), convert surplus or undesirable products, and provide year-round employment (Gwin & McCann, 2017). Aggregation is a critical supply chain step that involves bringing products from different origins together to create a larger, more consistent supply for the market (Dillemuth & Hodgson, 2016; Day-Farnsworth et al., 2009). Distribution completes the connection between producers, processors and retailers or consumers. This includes the people, equipment, and networks involved in transporting food from aggregation, storage and processing facilities to locations where it is purchased or prepared for consumption.



In BC and across Canada, consolidation and centralization of post-production infrastructure has significantly impacted the capacity and economic viability of regional food systems (Rice, 2014). A guide on food policy in the United States notes how “often, food processing capacity is one of the weakest links in the local food system” (The Harvard Law School Food Law and Policy Clinic, 2012). Other research identifies post-production infrastructure and regional food value chains as important areas to address in order to “scale up” local food systems (Carter-Whitney & Miller, 2010; Clark & Inwood, 2016).

At local, national and global scales there are structural, regulatory, and economic frameworks that shape food systems. These frameworks have largely had a detrimental impact on small and medium-scale farmers, and on the growth of local food economies (Carter-Whitney & Miller, 2010, Rogoff, 2014). The shift toward more centralized and consolidated post-production infrastructure has created supply chain gaps within regional food systems (MacRae, 2006; Todorovic et al., 2018). This has resulted in a deficiency in the ability of regions to process their own products and distribute them to local consumers.

Although private businesses often play a significant role in post-production activities, local governments can realize significant benefits in their support of the sector. Within food systems, the post-production sector has been shown to hold the highest economic benefit to the local economy (Jenkins et.al., 2014). As such, local economic development departments are often involved in the development of the sector, but land use planning is also a key supportive tool, making planning departments relevant as well. There are also actions that local governments can take in their permitting and approvals processes to create supportive business environments. Local governments are important players in supporting this critical food system sector. Recognizing the impact of provincial, state and federal policies on climate mitigation some higher level policies are also highlighted.

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Policy and Planning Initiatives

Local Government Initiatives

Recognizing the need for local post-production capacity in comprehensive plans

The post-production sector is an essential part of functioning regional food systems and a critical link between producers and consumers locally. In the Okanagan, there is broad support in high level planning documents for post-production activities such as food processing and local food sales. However, few high level policy directives address critical post-production activities such as aggregation, storage and distribution, and language is usually framed broadly, without clear strategies to advance the sector. Integrating policy language in local-level comprehensive plans prioritizes the post-production sector and creates opportunities to leverage existing tools such as zoning, permitting local economic development to build local capacity.



Food System Consolidation and the Post-Production Sector

In BC and across Canada, consolidation and centralization of post-production infrastructure has significantly impacted the capacity and economic viability of regional food systems.

Proponents of food system regionalization largely agree that moving away from a centralized, and consolidated food supply chains towards more flexible, regionally focused ones is a key requirement for the development of sustainable, regional food systems (Carter-Whitney & Miller, 2010; Day-Farnsworth et al., 2009). Within the post-production sector in particular, there is significant potential for local economic development that can be captured by regionally focused enterprises. Established regional food supply chains can also increase producer income and reduce economic uncertainty, which can help sustain small farm businesses, and rural economies, and have a positive impact on local employment (Jarzębowski, Bourlakis & Bezat-Jarzębowska, 2020).

Some examples of comprehensive plans with language in support of post-production activities include the [City of Victoria's Official Community Plan \(OCP\)](#) which includes deliberate strategies to increase post-production activities and infrastructure, the [Central Saanich OCP](#) which promotes agri-industrial zoning to support agriculture related businesses such as processing, distribution and storage facilities, and the [District of Squamish OCP](#), which includes an objective for enhancing a broader range of post-production capabilities such as facilities, relationships to the bioregion, and appropriate scale.

Zoning to support post-production

Zoning bylaws regulate how land can be used and identify the location, name and boundary of those uses (Government of British Columbia, n.d.). A study investigating the use of zoning ordinances to support local food systems concludes that zoning ordinances can support uses which would be less likely to occur otherwise, including those related to post-production (Haines, 2018).

One of the simplest means of utilizing zoning in support of post-production activities includes zoning which permits post-production uses. Examples include Rural Industrial Zones and Agricultural Industrial Zones. Such zoning designations address post-production and provide supporting guidelines on how such activities can be permitted. The [City of Pitt Meadows has an Agriculture and Farm Industrial Zone](#) which permits processing, storing, distributing, wholesaling, grading, sorting, and packaging of farm produce, animal, and fish products as primary uses. [Chilliwack also has Agricultural Food Processing and Agriculture Commercial zones.](#)

In Orange County, North Carolina, an [Agricultural Support Enterprise conditional zoning district](#) was established to allow for agriculturally related activities not considered bona fide farming within a rural buffer zone. These included provisions in support of agricultural processing, cold storage facilities, farmers markets, farm stands, microbreweries and wineries, as well as community and regional meat processing facilities in these areas. This type of conditional zoning allows the County Commission to consider applications on a case-by-case basis and enables projects to be tailored to specific sites and mutually agreed-upon conditions, rather than broad zoning requirements. This kind of zoning is *"helpful for ...communities that wish to achieve specific goals outlined in a comprehensive plan"*, such as post-production infrastructure and activities (Curtin & Ariail, n.a.).

The "Last Mile" Problem

Infrastructure for aggregation and distribution of food is often beneficially located near population centres where demand for food is concentrated. This critical supply chain link is often referred to as "last mile" infrastructure and is increasingly a pinch point when it comes to local food supply chain logistics. Increasing competition for industrial land and high urban land costs can create challenges in securing space for "last mile" infrastructure necessary for aggregation and distribution of local food. Some communities are exploring decentralization of last mile infrastructure through community embedded food hubs and leveraging technology to improve local food supply chain logistics. The City of Madison (Wisconsin) has dedicated significant resources and capacity to exploring [innovative strategies for local food distribution](#). In 2018 the County Council pledged \$100,000 to conduct a [feasibility study](#) to advance the idea of a multi-tenant, food aggregation and distribution facility within city limits. The feasibility study is exploring a number of sites in Madison that could be considered as possible food terminal sites.



Overlay zoning creates a specific zoning district that is placed over top of existing base zones to identify specific provisions for development in that area. In the US, this has been used to encourage the co-location of food-oriented business/services within a predetermined location and can be particularly appropriate for uses that often straddle zones, as is the case with many post-production activities. The [Olmsted Green Smart Growth Overlay](#), in Boston, Massachusetts, includes permissions for the development of a farm, garden, and/or food production center, as well as other food-oriented retail outlets. A team from the Michigan State University School of Planning, Design & Construction developed a [food innovation districts overlay zone template](#) which could be used as a model to draft related ordinances. While rare in BC, the Local Government Act, Section 903, does support the creation of overlay zones. Most overlay zones in BC currently exist in the context of hazard mitigation.

Many of these zoning tools have been used in the US in the creation of “Food Innovation Districts”, which are districts that support the co-location of food businesses of various types, including post-production activities. A [guide exists from the Michigan State University Centre for Regional Food Systems](#) to assist local governments in creating such districts.

Municipal investment in post-production infrastructure

Increasing demand for local food has generated interest in building local food systems. The [Montpellier Market of National Interest \(MIN\)](#) (France) emerged from policy directives in the [Montpellier Métropole’s Food and Agroecology Policy](#). The innovative food processing, distribution and networking hub was developed on city-owned land. The facility houses a number of processing businesses and supports sustainable agriculture and local supply chains in the region. In Canada, the United Counties of Prescott-Russell have committed support to a \$36-million public private partnership that would build an innovative [local food hub](#). In this case the municipality would be a major stakeholder, along with a private sector partner. By investing in infrastructure development, the municipality can create opportunities for local food producers and a new revenue stream for the local government.

Local governments can also seek additional investment to fund post-production initiatives. The City of Toronto partnered with federal and regional agencies to develop Food Starter, a food incubator for the region. The City of Toronto, in partnership with the federal-provincial funding program Growing Forward 2, provided the initial funding for the project, which was also supported by the Agri-Food Management Institute and the Golden Horseshoe Food and Farming Alliance (Moyer, 2016). The 20,000 square foot facility provided access to packaging facilities as well as advising and training programs for entrepreneurs in developing new food products and initiatives. While [Food Starter](#) later closed due to lack of ongoing funding, it was reborn as the [District Ventures Kitchen](#), which the City now funds through their economic development strategy.

In BC, the provincial government provided \$250,000 to [Commissary Connect](#), a local food incubator in Vancouver, which serves as the pilot project for the developing food hub network in the province (Government of BC, 2019). The Vancouver Economic Commission, the economic development agency of the City of Vancouver, is also a partner.

Conduct feasibility studies

Feasibility studies can be a tool for better understanding opportunities to promote or develop additional post-production infrastructure by assessing existing capacity and potential barriers at the local level. Although it can be useful to have this kind of research, there also needs to be wider political and financial support in order to see these kinds of opportunities through. Feasibility studies can provide the rationale for greater political and financial commitment in the post-production sector.

Support Navigating Permitting and Licensing for Food Businesses

Interpreting and navigating complex bureaucratic processes can represent a significant barrier to establishing and expanding post-production businesses. This can be especially true for small-scale enterprises with limited capacity. The [Chicago Food Policy Action Council](#) has a working group focused on helping food businesses navigate complex permitting and licensing processes and also advocates at the municipal level for reform of permitting processes in order to better support food entrepreneurs. They produced a visually-rich [guide to navigating the licensing landscape](#) in the region. In BC, the provincial government provides a guide for [starting food or beverage processing businesses](#), while the [Small Scale Food Processors Association](#) offers courses and assistance in navigating the permitting process. These kinds of resources could be shared and promoted by local governments, while at the same time ensuring their permitting processes are streamlined, timely and accessible.

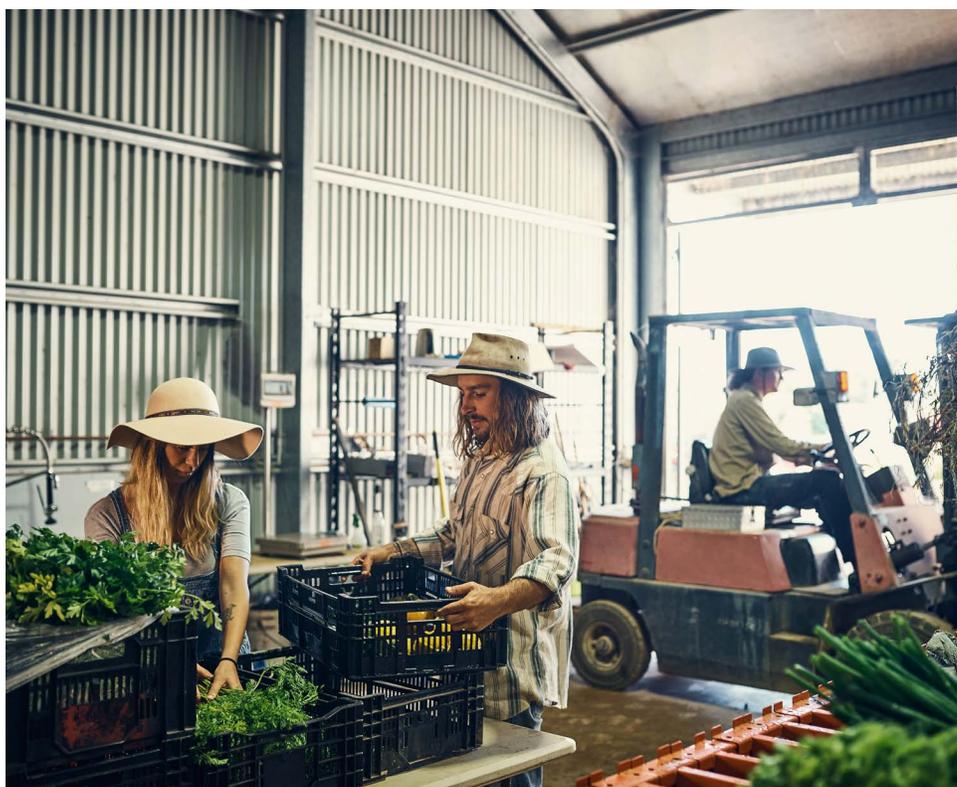
The B.C. government has recently committed to the development of a provincial Food Hub Network, “to enhance sustainable growth and innovation in the processing, packaging and marketing of B.C. food and beverage products” (BC Ministry of Agriculture, 2019). This initiative is in alignment with the BC Ministry of Agriculture’s Feed BC mandate to procure more local food by government facilities. The [District of Summerland completed a feasibility study](#) for the South Okanagan Food Innovation and Processing Hub. Another local study is the [Central Okanagan Small Scale Food Processing Study](#), funded by Community Futures, which outlines what is needed to support and grow value added agriculture opportunities in the region.

Provincial, State and Federal Initiatives

Funding for post-production infrastructure

Local governments may be limited in their ability to provide funding to support the development of post-production infrastructure. Higher levels of government may be better positioned to fund infrastructure development to support economic development in rural communities, create jobs and address food access challenges.

As part of the newly released Food Policy for Canada, the Federal Government announced funding for local food infrastructure. This funding includes the \$50 million [Local Food Infrastructure Fund](#) and \$100 million in support for innovation in the food processing sector. Provincially, new funding is also available for post-production businesses through the [BC Food Hub Network](#). As part of this initiative, the District of Summerland is championing the South Okanagan Food Processing innovation hub project. The Ministry of Agriculture, BC Rural Dividend Fund, Community Futures, City of Penticton, and District Municipality of Summerland have all been ready partners and have made financial and in-kind contributions to fund the feasibility study, business plan and supplemental project development costs. To date, a total of \$224,494 has been invested by the partners mentioned above.



Tax incentives for post-production businesses and activities

Financial cost can be a significant barrier to the development and expansion of post-production activities, and so providing incentives in the form of tax breaks for post-production related businesses can help to stimulate growth and encourage further participation in the sector (MNP LLP, 2019). All levels of government can implement tax incentives. In the US, [Michigan's Agricultural Processing Renaissance Zones \(APRZ\)](#) are focused on supporting the agricultural processing sector in the state. Eligible businesses in this zone are exempt from many state level taxes such as the Michigan Business Tax (MBT), state education tax, personal and real property taxes, and local income taxes. The State reimburses school, community college districts and public libraries for abated taxes, but not tax revenue lost to local government or other taxing jurisdictions. Implementing this zoning requires support for local governments to ensure that adequate compensation for lost tax revenue is made, and that significant benefits for communities exist with the implementation of such a zone (Carter-Whitney & Miller, 2010).

[Hawaii's Enterprise Zones \(EZ\) Partnership Program](#) is a State-County partnership with Hawaii's Department of Business, Economic Development & Tourism. Eligible businesses can claim non-refundable income tax and state unemployment premium credits for up to seven consecutive years and counties may offer, "incremental property tax relief, priority permit processing, or fee waivers, as additional incentives. The program was created specifically to support economically underdeveloped regions and businesses, and although there are multiple industries which can participate in this program, agricultural production and processing constitute some of the primary recipients, as these are some of the most widely impacted and in need of support.

In BC, local governments may also pass a revitalization tax exemption bylaw for specific aims, such as downtown revitalization. Most likely, an argument could be made by a municipality to pass a bylaw for the purposes of encouraging the development of food processing activities, though as yet few, if any local governments in the province have done so, despite RTE bylaws being implemented in over 20 local governments as of 2009. As an example, the [City of Kelowna has a revitalization tax exemption bylaw](#) to "encourage new residential and commercial development to locate within urban centres". A similar process could be undertaken specifying the promotion of post production facilities and businesses.

Support for labour access and training

A shortage of skilled workers will continue to be a significant challenge facing the agricultural sector in Canada (Canadian Agricultural Human Resource Council, 2016), including in food processing. One recent program that has been launched by the federal government is the [Agri-Food Immigration Pilot](#), which seeks to support labour access particularly within the meat processing industry. The program seeks to create a specific immigration stream for industrial meat cutters, focusing on a pathway to permanent residency to those who have already worked in Canada.

Internationally, India's Ministry of Food Processing Industries has collaborated with skill development organisations such as the Food Industry Capacity and Skill Initiative (FICSI) and the [Sector Skill Council \(SSC\)](#) in food processing and the National Institute of Food Technology Entrepreneurship and Management (NIFTEM), to train skilled workers and reduce the skill gap in India's substantial food processing sector.

Licensing and regulatory reform

Policies and procedures at higher levels of government can have significant impacts on local post-production initiatives. An often cited example is the current Meat Inspection Regulation (MIR) in BC. In 2004, the BC regulations governing meat processing changed to require that meat products sold for human consumption be processed in inspected

facilities. As a result, impacts on meat producers included higher slaughter costs, lower profit margins, lost revenues, loss of farm status; and reduced livestock production (Johnson, 2008). There has been significant attention drawn to these issues and as a result the BC Ministry of Agriculture is currently [revisiting these regulations](#). These types of regulatory reform are necessary in order to better support food processing to serve regional food systems.

Conclusion

The regional post-production sector is critical to the economic vitality of the food system and in realizing the local economic benefits of the food system for communities. Local governments can play a direct role in stimulating the sector's growth and development through supportive policy language, permissive zoning, tax incentives, investment in post-production initiatives, and feasibility studies, while also partnering with higher levels of government on funding streams, support for licensing and permitting, and regulatory reform. In doing so, co-benefits of local economic and community development can be realized along with food system sustainability.

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About the Okanagan Bioregion Food System Project

These research briefs were developed as part of the Okanagan Bioregion Food System Project. Communities and governments are increasingly looking to strengthen regional food systems as a way to address many complex agriculture and food challenges. This multidisciplinary research project, initiated by ISFS and regional partners, can guide conversations among communities and decision-makers seeking to advance their regional food system.

To access all the policy briefs and the full project report visit: www.kpu.ca/isfs/okanagan-bioregion

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