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Investment platform established to develop organic agriculture and marketing in the Canadian Prairies

PODF builds resilience in the sector by investing in

- organic provincial associations (Capacity Fund); and
- high impact programs (Innovation Fund) related to marketing, research, policy, education and capacity development that have broad public benefit to the organic sector.

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The Canadian Organic Ingredient Strategy is funded by



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On-Farm Grain Processing

Is Value-Added
Processing a Good Fit
for Your Farm?



What is Value Added Processing?

45% of all calories consumed worldwide originate in grains. Grain processing is a BIG category!

Ranges in complexity:



Cleaning grains, seeds or pulses to sell as whole grains



Ingredient preparation: dehulling/splitting, milling flour or flakes, pressing oil, micronizing/roasting/steaming, mixing/blending, fractionizing, sprouting



Processing into ready to eat products – baked goods, plant-based “mylks”, pastas, cereals, etc.



Feed: blending, formulating and pelletizing



Why Value Added?

Farmers take home a small portion of the food dollars spent by consumers (Canadian agricultural production in 2021 accounted for farm revenue of \$76.9 billion (including exports), Food and Beverage processing for domestic sale alone accounted for \$141.3 billion in revenue)

Our economic system doesn't value (or know how to use) whole grains and ingredients as much as ready-to-eat products

Farmers are increasingly dependant on international markets, exchange rates, tariffs, transportation logistics, and external factors in the viability of their farm. Commodity pricing may not reflect the reality of food and farming in a particular community.

On-farm processing can add value to crops, increase farm revenue and stability, and help agricultural producers take home a larger slice of the pie.



"The Good"



Maximize income from fewer acres



Strengthen self-sufficiency of farm operations (less reliant on global economic factors)



Less drastic "peaks and valleys" in crop commodity pricing



Less transportation of goods = lower carbon imprint



More diversity of work-tasks



Increases community economic resilience, food security, and creates cohesion within society (connections between producer/consumer, urban/rural...)



“The Bad & The Ugly”



High up-front costs
(facility construction or retrofits, processing equipment, product testing, packaging design, market development...)



Financial risk (Stats Canada: 28% chance of a manufacturing industry surviving the first 10 years of business)



Additional labour
(Do you have time for a 2nd job?)



Food safety and regulatory requirements for food processing



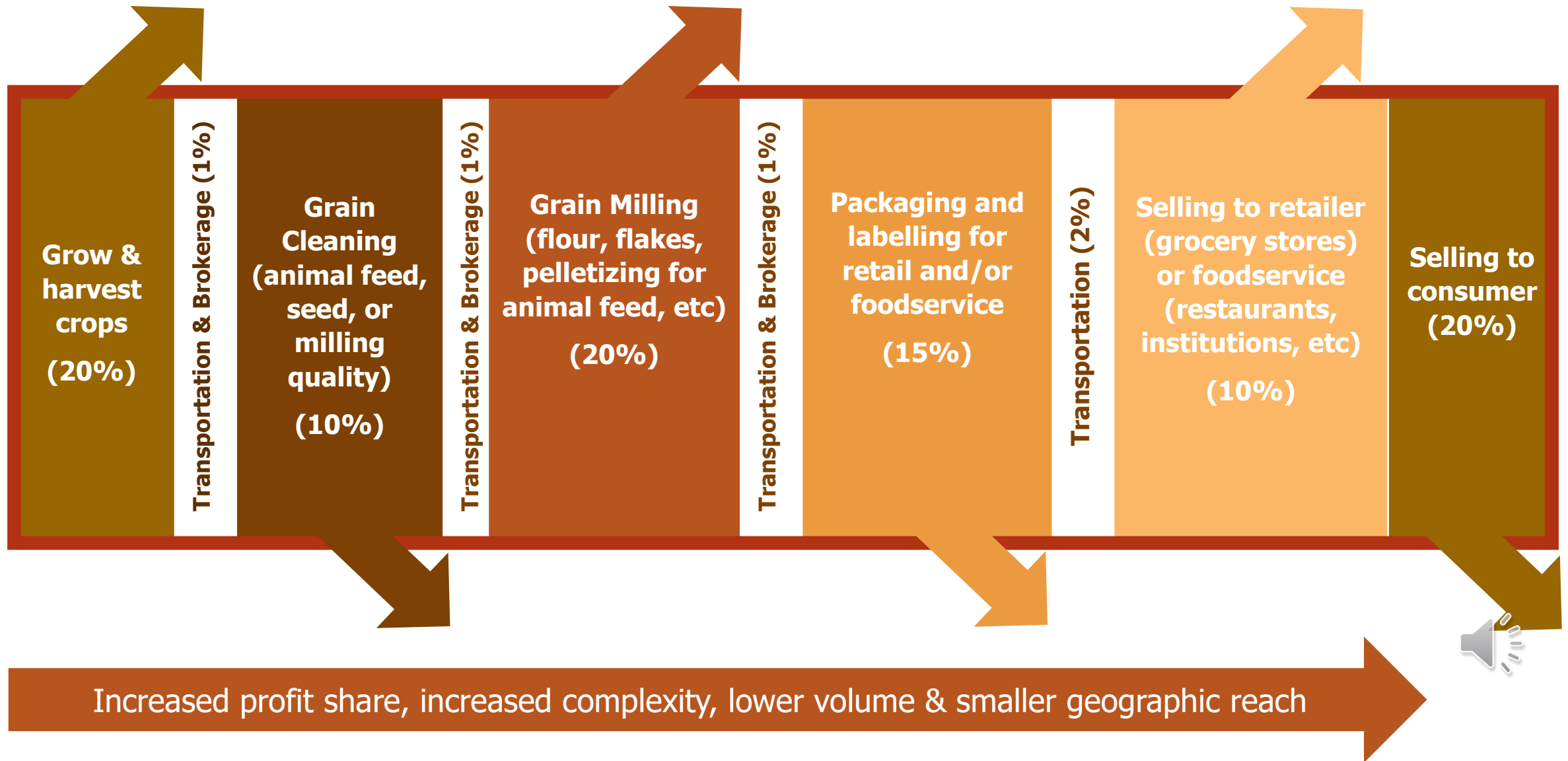
Lower volume sales



Managing multiple inter-dependent businesses stacked on top of each other



The Grain "Value Chain" (Minimal Processing)



Identify Your Product

Whole grains/pulses, Flours, Flakes, Oils, Blends, Animal Feed, Sprouted/Roasted/Steamed/Fractionized grains, Ready-to-eat products (baked goods, cereals, wedding cakes...)

Is there a particular crop/variety that is not available locally?

Is there a feature of your farm that would be desirable to consumers but is undervalued in the commodity market? Is there a crop that you grow well, but that poses challenges in marketing?

How many layers of processing do you want to add?
Increased profit share but also increased complexity & increased Risk

Are there barriers to entry for processing (dehulling, roasting, sprouting, micronizing, fractionizing, blending, etc.)? Barriers are not always negative!



Identify Your Infrastructure Needs

Farming requires significant access to capital and land - can be helpful leverage in starting a processing business, or an additional burden

Potential advantage if space/buildings/infrastructure/machinery are already available on-farm

Food handling establishment criteria and inspections are provincial. Facility requirements vary depending on the risk level.

Reach out to Health Inspectors before starting.

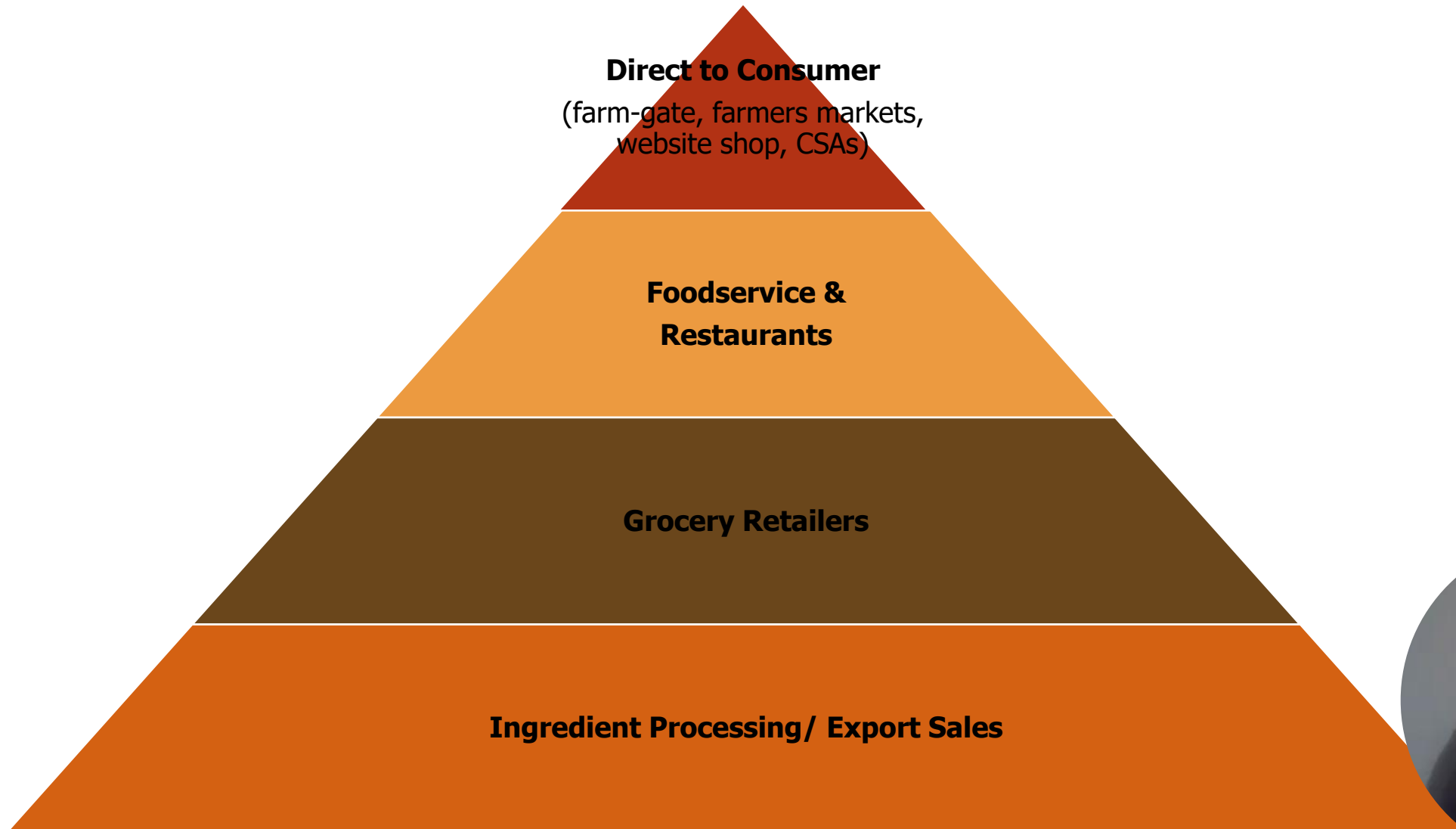
The equipment required for value-added processing are often less common, more difficult to acquire and/or liquidate than farm equipment



Identify Your Geographic Reach

| Direct-to-Consumer (within arms reach) | Provincial (selling to a retailer/foodservice before it gets to the end consumer) | Intra-provincial (selling to retailers/foodservice/distributors outside of your home province) |
|--|---|--|
| Provincial Food Processing Permit **MAYBE** | Food Processing Permit from Provincial Regulators (Manitoba Agriculture, Saskatchewan Health Authority, Alberta Health Services, etc.) | Safe Food for Canadians License required (small annual fee) 3 rd party HACCP audits may also be required |
| No inspections required for whole fruits and vegetables, honey, whole poultry, or ungraded eggs. Grains that have been milled will need to be inspected. | Facility inspections occur regularly (annually for low-risk processors) by provincial health inspectors. Several hours for an inspection. | Inspected regularly (annually or bi-annually for low-risk processors) by Canadian Food Inspection Agency. Several days for an inspection. |
| Grain that have been milled are considered a (processed product), and Provincial regulations and inspections apply. | Inspections will verify that you have good practises in place for cleaning/maintenance/quality control/traceability/personnel operations, etc. | Inspections will ALSO verify that you have a Preventive Control Plan (written procedures to explain and regulate your operations, and documentation systems to verify that the procedures are followed) |
| | Ex: Provincial inspections will look at whether there is evidence of pests in and around your facility, and whether traps are in working order. | Ex: Federal inspections will ALSO require a written pest control plan showing the possible risks, how these risks are moderated through design considerations and cleaning procedures, explains and maps what controls are in place and the frequency of control measures, and documents and verifies all actions taken. |

Identify Your Market



Selling Direct to Consumer

You set the final price without any middlemen

- Flexibility and ability to adapt and change
- Welcomes seasonality and fluctuations
- Wide variety of communication methods
- Target audience looking to support local farmers
- Create a food community and connections between urban/rural, farmers/consumers

Smaller volumes/limited reach

- Proximity is essential (how far do you need to drive to get to markets)
- Time consuming
- Seasonal
- Less predictable



Selling to Retail

Extends your geographic reach

Retailers want to feature local products and will often forego stocking and listing fees

Ideal for shelf-stable products, smaller items & common products that don't rely on a sales pitch

- Potential for balanced year-round sales
- In-store demos allow you to connect with consumers directly

Juggling two different customers: the retailer and the end consumer

Wholesale pricing

Packaging & labelling must be compliant with CFIA regulations

Shelf appeal, graphic design

- Making changes to a product is difficult, costly, and slow
- Meet retailers requirements for regular/predictable deliveries, sales targets, promotion schedules



Selling to Foodservice

Working with passionate foodies to showcase your product

Potential of higher volumes

Less emphasis on shelf appeal and graphic design

Larger package size reduces labour and costs of packaging

Same certification, inspection, labelling requirements as retail

- Highest demands for product quality and product consistency
- Necessity of prompt deliveries, convenient ordering



Selling to Export Market and Ingredient Processors

High volumes

Ability to focus in on a very specialized or niche crop or product

Can match production capacity of larger grain farms

Pricing (usually) set on global race-to-the-bottom economics

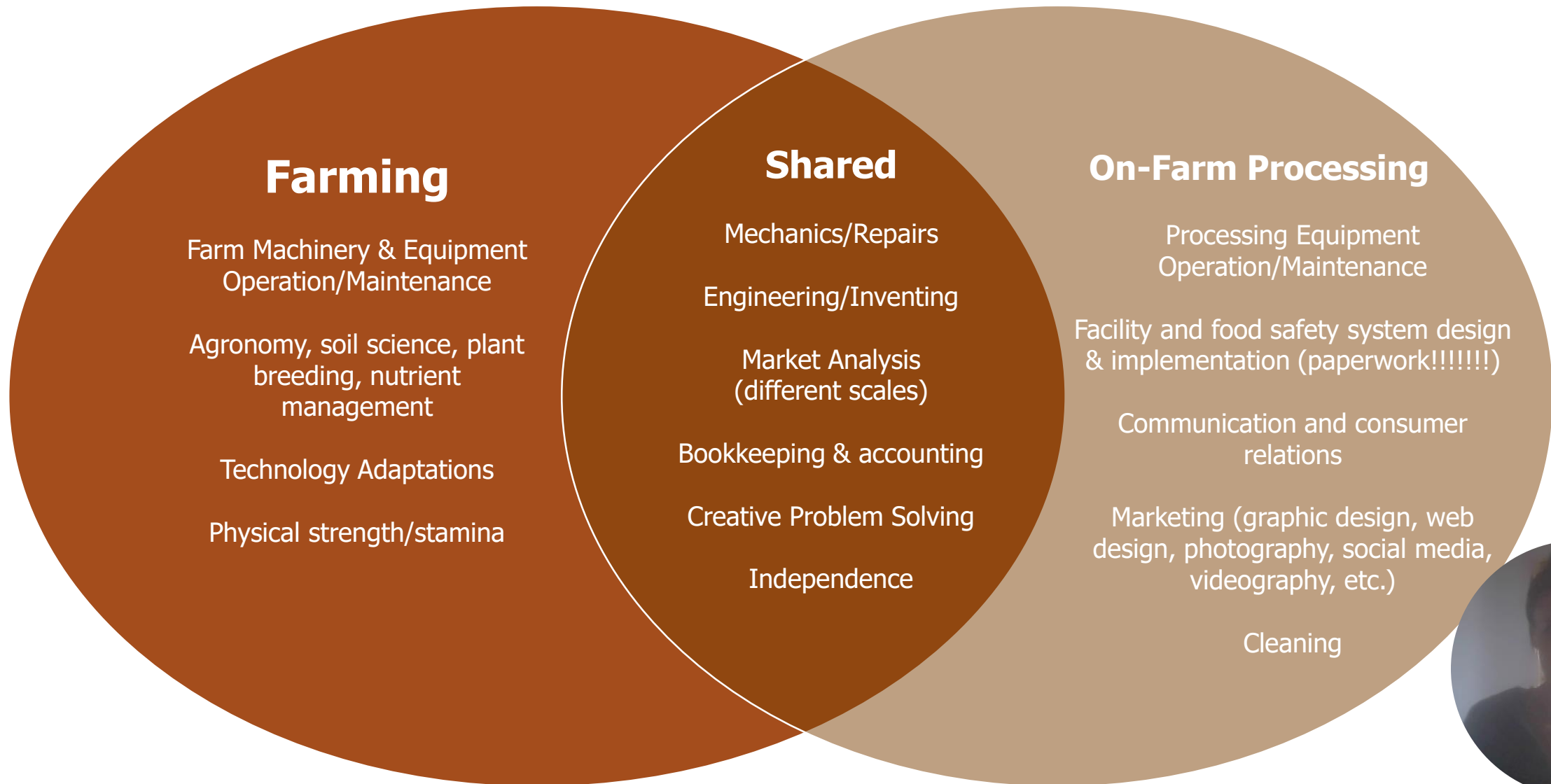
Must follow Federal regulations, may also require 3rd party HACCP certification and audits

Additional Import/Export regulations for each country

Inconsistent demand/higher risk



Identify your Skillsets/Labour Needs





**Shared skillsets:
craziness, resilience, optimism, and determination**

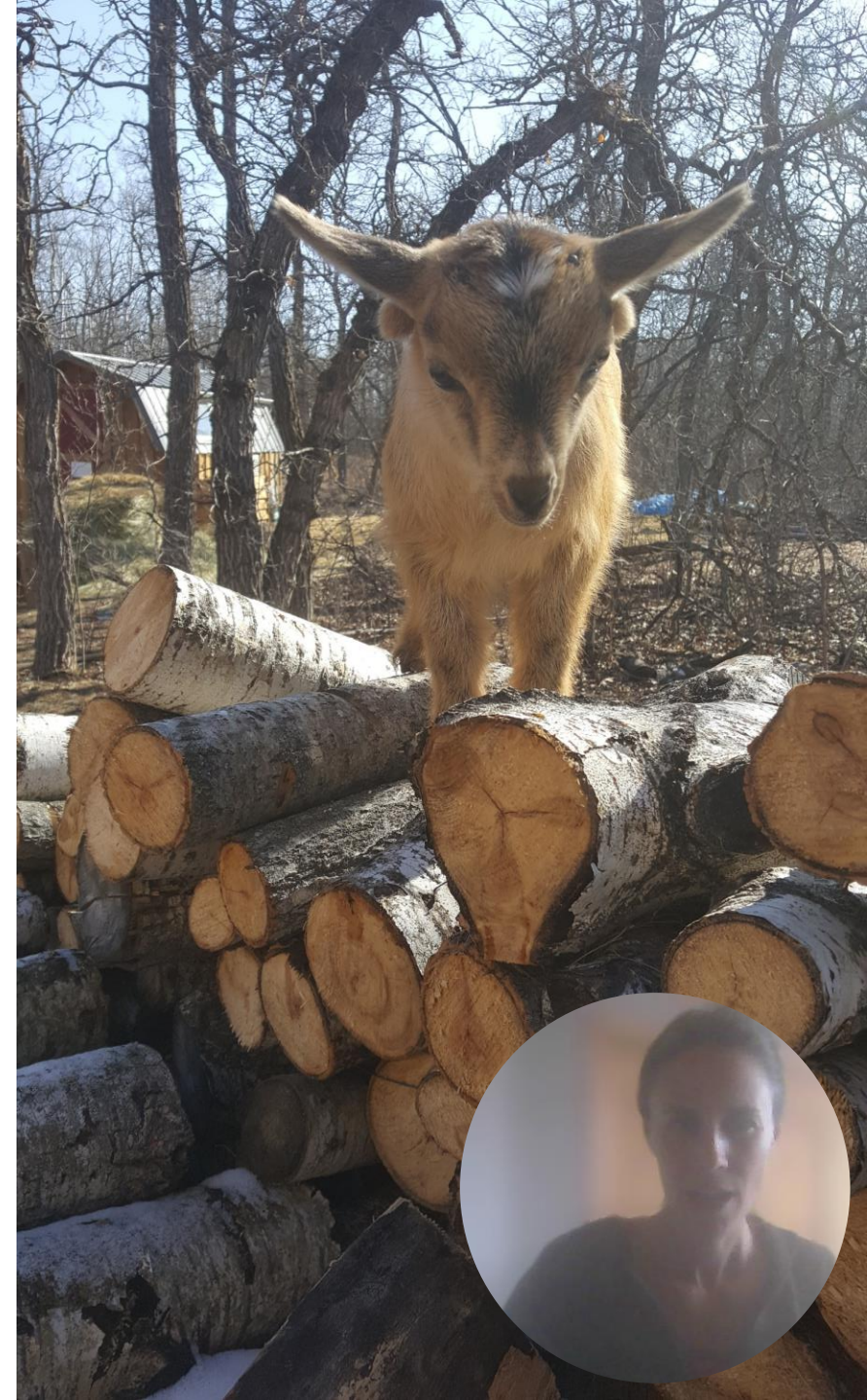
Identify Your Business Structure

Similar options as a farm: sole proprietorship, partnership, or corporation

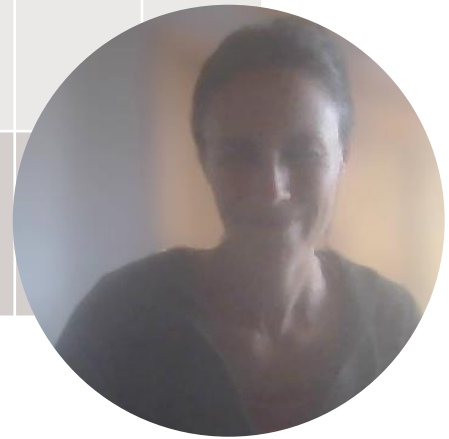
Might be a separate business entity or combined with your farm

May be helpful to separate farm and processing businesses in order to fairly evaluate profitability, manage expenses, and grow

Don't take advice from a farmer. Talk to an accountant or tax advisor.



| Is Value Added Processing a Good Fit For YOU? | 1 (no) | 2 (not really) | 3 (kind of) | 4 (yes) |
|--|-------------------|---------------------------|------------------------|--------------------|
| 1. Is it important for your farm to maximize income from limited acres? | | | | |
| 2. Does your farm have underutilized labour capacity? | | | | |
| 3. Do you grow a unique product that is undervalued in conventional markets? | | | | |
| 4. Would your farm budget benefit from consistency, year-round work flow, and also smaller sales spread out evenly through the year rather than a few large sales post-harvest? | | | | |
| 5. Do you have strong organizational, communication, and financial management skills? | | | | |



| Is Value Added Processing a Good Fit For YOU? | 1 (no) | 2 (not really) | 3 (kind of) | 4 (yes) |
|--|-------------------|---------------------------|------------------------|--------------------|
| 6. Does your farm have buildings and infrastructure that could be used for grain cleaning/packaging/storage? | | | | |
| 7. Does your farm have seed cleaning equipment or experience with operating/maintaining/calibrating them? | | | | |
| 8. Does your farm have access to capital for purchasing processing equipment & inventory? | | | | |
| 9. Do you have a wide variety of communication skills? Marketing can take the form of verbal/interpersonal, written, and graphic communication (photography, social media, etc), but some of each of these will be essential. | | | | |
| 10. Does your farm have close proximity to an urban centre and markets? | | | | |



Next Step: Making a Decision

Take an inventory of your farm, your assets, and what makes your situation unique.

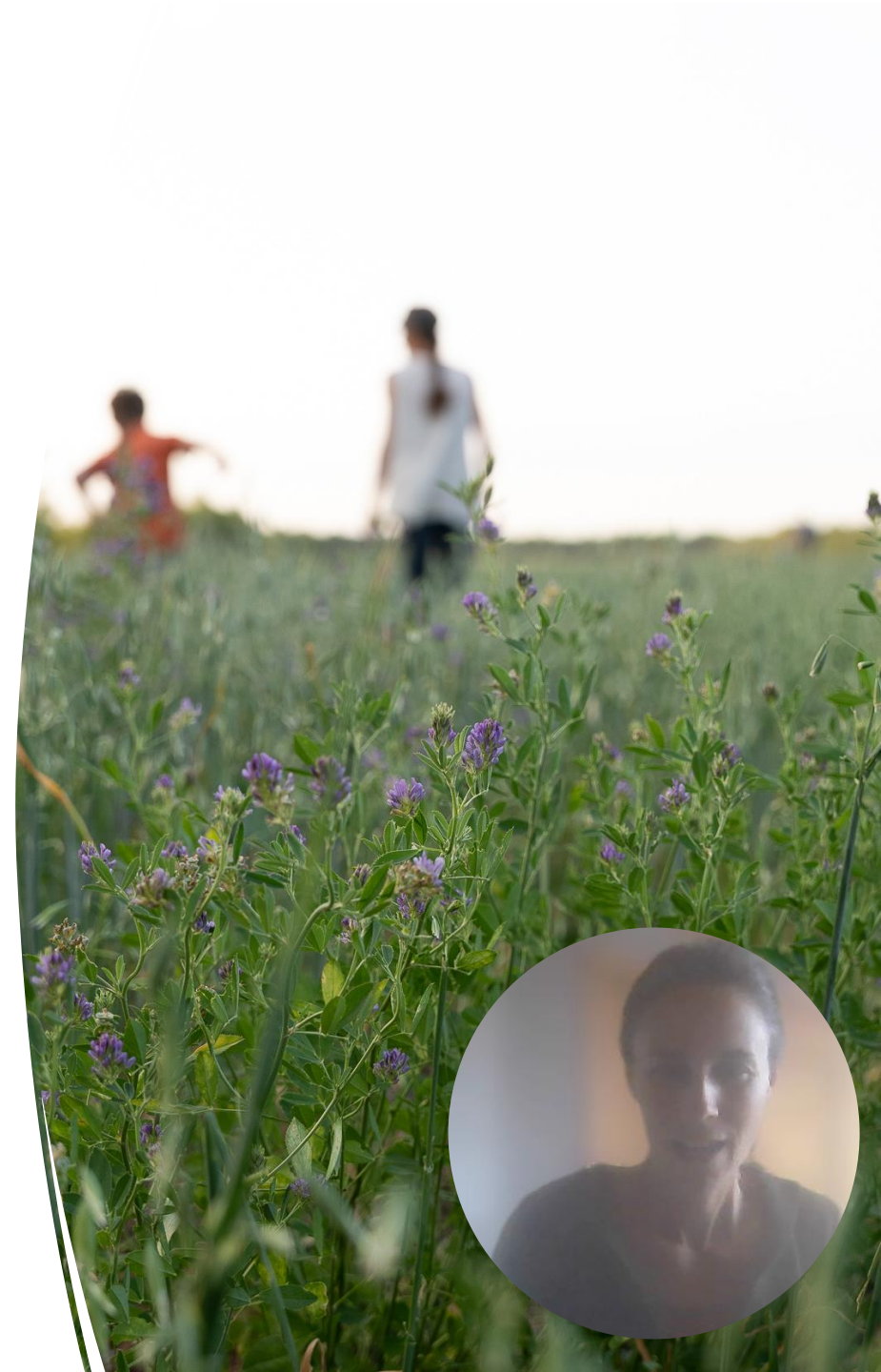
On-farm processing doesn't mean just one thing. There are lots of options and different ways of doing things. Don't rush into a decision.

Talk to someone who's already there. Reach out to people producing similar products in your region (or identical products in a different region) and see what advice they can offer.

- Ask if they think your niche is a viable one.
- Ask what they would have done differently
- Ask what advice they would give to someone following their path.

The next modules: Operations and Infrastructure, Business Flow and Human Resources, and the final module on Marketing your Grain Products

Give yourself time to reflect - what do you hope to gain from on-farm processing? Is this a realistic goal?





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