



**Municipal Economic Development  
Readiness Initiative**

**Best Practices in Rural & Small Town  
Economic Development**



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**MUNICIPAL ECONOMIC DEVELOPMENT READINESS INITIATIVE  
HURON COUNTY**

**A STAGE II REPORT: BEST PRACTICES IN RURAL AND SMALL TOWN  
ECONOMIC DEVELOPMENT**

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**PART 1. EXECUTIVE SUMMARY**

The purpose of a best practices review (BPR) is to learn from the successes of others. In setting a course for community economic development (CED) for Huron County, it is helpful to:

1. learn what has worked in similar circumstances elsewhere and then to,
2. consider whether/how to apply any lessons to satisfy Huron’s CED goals.

**General Observations**

The BPR has shown that there are ingredients or characteristics shared in common by successful rural and small town CED programs. Put another way, successful communities tend to be of a “particular personality type” if we choose to look at it in human terms.

Second (and at the risk of over-generalizing), three strategic approaches to CED seem to rise to the surface throughout the literature as best practice.

The “ingredients for success” and the three general strategic directions are summarized.

**Ingredients for Success**

1. **Political Commitment.** Which includes providing both adequate resources and ‘operating freedom.’
2. **Investment in CED.** Which includes a) having an Economic Development Officer or equivalent, b) multiple funding sources and c) a dedication to research and analysis.
3. **Plan or Strategy.** CED is not random exercise. A vision for the future is needed for community commitment.
4. **Participation.** Broad participation is recommended from Council, business, community groups and the general public.
5. **Collaboration.** Partnering with community groups, business groups, institutions, service clubs, other municipalities and other levels of government has proven to be efficient and effective.

**Recommended Strategic Approaches**

1. **Capacity Building** requires improvement to community infrastructure and is characterized by:
  - Expanding citizenship participation
  - Expanding leadership base
  - Strengthened individual skills
  - Widely shared vision

Strategic community agenda  
Progress toward goals  
Effective community organizations and institutions  
Efficient resource utilization.

## **2. Building on Strengths: Business Retention and Expansion**

A close working relationship allows local government to respond to industry needs more effectively;  
Strong business relations create the reputation of a good place to do business, (a community's best advertisement);  
Working closely with business adds significantly to the municipality's knowledge base;  
Such relationships offer early warning of problems and/or reduce the potential for conflict.

## **3. Self Development - Local Entrepreneurship**

The literature shows that programs to help business start-ups are effective. HBDC and the County of Huron have adopted a number of such programs with the result that local entrepreneurship, in Huron County, has become an engine for the economy.

The job looking forward may be twofold: 1) to continue to facilitate business start-ups and 2) to focus on the retention and possible expansion of small business enterprises.

### **The Municipal Challenge**

There are within Huron County various initiatives underway that fit within these three strategic approaches. The BPR suggests that by applying the 5 ingredients for success and by focusing on CED strategies that work for rural areas, municipalities can take a stronger role (filling a gap in CED), and elevate the current level of effort/success.

## **PART 2. BEST PRACTICES REVIEW**

### **Purpose and Introduction**

The purpose of a best practices review (BPR) is to learn from the successes (and sometimes the failures) of others. In setting a course for community economic development (CED) for Huron County, it is helpful to:

- learn what has worked in similar circumstances elsewhere and then to,
- consider whether/how to apply any lessons to satisfy Huron's CED goals.

There is much written about rural and small town economic development and therefore the BPR begins with the lessons that can be gleaned from a literature review.

The lessons have broad application having to do with community involvement and organization, good planning, and sound process in general. The lessons will not tell us what specific steps led to the establishment of the 'holy grail' of ED prizes – a new manufacturing plant - which steps, if repeated, will then permit a Huron County municipality to procure a similar plant. There appear to be no such lessons.

The BPR is undertaken primarily through a literature review. The report will serve as one guide in the process of formulating an Economic Development Action Plan for Huron County.

In addition to the literature review, a 'select survey' of Ontario rural CED programs will be conducted through the course of the MEDRI project. The survey is considered to be part of both 1) the BPR and 2) the Options Report which is to be prepared after the ED Readiness workshops and before the ED Opportunity Team assessments. The survey will ask:

1. What were your main goals?
2. What has worked best?

Again, a specific recipe for success is not to be expected. However, the 'select survey':

1. will 'test' the findings of the BPR and
2. will identify/clarify potential program options for the MEDRI project.

### **BEST PRACTICES REPORT - Literature Review**

#### **1. Introduction**

There is a considerable body of work on rural development, much of the most recent of which has been done out of the University of Guelph by and under Professor David Douglas. The Ontario experience is of particular interest in the MEDRI. Nearly as important are the various studies examining rural development elsewhere in Canada and in North America as they provide breadth and depth to the review. (A number of articles about European rural issues are also noteworthy.)

## 2. Ingredients for Success

### 2.1 The Douglas Reports

The various reports associated with Douglas' work serve as a good starting point on the ingredients of successful rural community economic development (CED). In the March 2003 report titled "Towards More Effective Rural Economic Development in Ontario – A Report on 'Best Practice' in Local Economic Development in Rural Ontario," the Douglas team zeroed in on five common characteristics of exemplary practice:<sup>1</sup>

**Political Commitment.** Which includes both an adequate resource base and 'operating freedom.'

**Investment in CED.** Which includes a) having an Economic Development Officer or equivalent, b) multiple funding sources and c) a dedication to research and analysis.

**Plan or Strategy.** CED is not random exercise.

**Participation.** Broad participation is recommended from Council, business, community groups and the general public.

**Collaboration.** Partnering with community groups, business groups, institutions, service clubs, other municipalities and other levels of government has proven to be efficient and effective.

These 5 traits are not unique. Accordingly, Douglas identified a 6<sup>th</sup> characteristic - the 'transferability' of these 5 practices. (The 5 characteristics must be applied to higher levels to qualify as 'best practice'). For the purposes of this report, we will consider closely the first 5 characteristics, which may be called ingredients for success.

As it happens, others share the Douglas view. The very small Town of Blue Mound Illinois (pop 1,161) succeeded in facilitating the establishment of 20 new businesses and in expanding public and health services. The following were Blue Mound's ingredients for success<sup>2</sup> (and note the similarities to the Douglas findings):

Community leadership,

Community support/involvement,

Sound planning (recognizing needs, setting a future vision, building on strengths),

Organization (of people and limited resources),

A sense of accomplishment (success leads to more success).

Returning to Canadian soil, David Bruce of Mount Allison University has considered how best to manage change at the community level. Generally he supports a bottom-up approach in which government is an enabler (as opposed to a provider) of community development. He goes on to speak of community change accomplished through leadership, partnerships and multi-community collaboration.<sup>3</sup>

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<sup>1</sup> David J. A. Douglas, Towards More Effective Rural Economic Development in Ontario – A Report on 'Best Practice' in Local Economic Development in Rural Ontario, March 2003, pg. 1-3.

<sup>2</sup> Steven Kline, Community Leadership and Vision Pay Off for Blue Mound, Illinois, from "Small Town and Rural Economic Development: A Case Studies Approach, Edited by Peter V. Schaeffer and Scott Loveridge, Praeger Publishers, Westport, CT, 2000 pages 97-98.

<sup>3</sup> David Bruce, The Challenge of Managing Change at the Community Level: New Mandates for Communities and Governments pg. 29, from "Challenge and Opportunity: Managing Change in

In short, it appears there is consistency among researchers on the essential ingredients or characteristics of successful rural CED.

For the purposes of this report, we return to the 5 ‘Douglas ingredients’ to use them as a framework for the next part of the literature review.

## **2.2 A Closer Look at the Ingredients for Success**

### **2.2.1 Political Commitment.**

Political commitment and leadership are closely connected.

Leadership cannot be underestimated. One researcher found that despite poor location and other disadvantages, small towns, which thrive, typically have strong community leaders.<sup>4</sup>

In CED the leadership torch may be carried by politicians, business people, professionals, labour, community activists, community groups/organizations and/or others. It is ideal when there are multiple leaders working collaboratively.

Political leadership does not necessarily mean one takes a direct and active role in CED activities. Frequently it is a matter of a strong commitment to goals in the form of resources provided, policy direction and a visible presence when it counts. Leadership can also mean empowering others to advance policy. Interestingly, one U.S. study found local development organizations “are more successful at business recruitment and more effective at retention/expansion, both in number of firms and in jobs” than are local governments. This is explained by two factors; a) their networks and b) the amount of effort they can give to ED.<sup>5</sup>

It would seem political commitment should be firm and unwavering though not necessarily all-consuming. In other words, leading is not the same as doing.

### **2.2.2 Investment in CED.**

#### Research and Information

In rural government there seems to be a tendency to act quickly, to get on with the job. The collection/analysis of information just delays the obvious solution. Right? Well, ‘right’ some of the time but not always. As already noted, Douglas states that an emphasis on research typifies our Province’s “best CED practisers.”

Christopher Bryant of the University of Montreal (and affiliated with the University of Waterloo ED program) explains the importance of good information and on-going strategizing. He notes that while global trends cannot be controlled, they can be acted upon if a community is aware of its competitive advantages. To Bryant that means

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Canadian Towns and Villages.” Editors Clare Mitchell and Fred Dahms, Department of Geography, Series No. 48 University of Waterloo

<sup>4</sup> M. Wall, “Factors in Rural Community Survival: Review of Insights from Thriving Small Towns,” Great Plains Research, No. 1 1999.

<sup>5</sup> G. P. Green and others, The Role of Local Development Organizations in Rural America, Rural Sociology 67 #3, 2002.

thoroughly knowing the community's economy and investing in research and information. That investment can take various forms including:

- the hiring of an EDO
- the hiring of an EDO on a shared basis
- the engagement of consulting services
- the purchase of service from an existing local ED operation and
- the redeployment of existing staff to the task.

### Resources and Implementation

Knowing what to do is part of the job. Finding and deploying the resources for implementation is another part.

While rural communities have found success relying on local organizations and volunteer efforts, the literature also points to the role of selective use of outside expertise. An illustration can be taken from the West Virginia example of the 'Community Design Team' concept in which the purpose is to bring together local professionals to assist in improving public streetscape and park space. It was concluded that outside experts can be the difference in the success of a community project.<sup>6</sup>

#### **2.2.3 Plan or Strategy.**

Some Huron County communities have CED strategies. However, many of these strategies are older now and others were done for now defunct municipalities. The plans may remain useful but likely need to be revisited.

The literature suggests that the establishment of a future vision (flowing from a strategic SWOT exercise<sup>7</sup>) is a building stone for a sound CED program. Having a widely endorsed 'vision of what the community should be like' has been shown to generate the enthusiasm and staying power necessary for successful CED. Setting a vision for the future need not be a complex exercise. The "readiness workshop" and "Opportunity Team" components of MEDRI can help move a municipality toward its CED vision (or at the least, achievable goals that fit the nature of the community).

Municipalities may also choose to undergo a more focused strategic planning exercise (or to update existing Strategic CED Plans).

#### **2.2.4 Participation.**

It has been found that CED is often helped in rural areas by a variety of local "community economic development organizations" (CEDOs). Characterized by strong volunteer support and funded often from various private, public and community sectors, these organizations often bring about community improvement or development around specific causes.

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<sup>6</sup> S. Loveridge and I. Christopher Plein, Catalyzing Local Leadership and Infrastructure Development, from "Small Town and Rural Economic Development: A Case Studies Approach", Edited by Peter V. Schaeffer and Scott Loveridge, Praeger Publishers, Westport, CT, 2000, page 19.

<sup>7</sup> SWOT refers to the examination of a community's strengths and weaknesses, and to the opportunities present and the threats it may face.

Taken as a group, their contribution is often significant and can be made more significant through local government encouragement and support. (See also the discussion on ‘Collaboration’.)

It will be recognized that there is potential for such groups to come into conflict with each other and/or local Council. (See discussion on Planning or Strategy.)

There are a variety of means for obtaining broad participation in Community Economic Development ranging from community forums, to newsletters in the municipal website, to action committees and to formal public meetings. Direct meetings between Council and key community groups are also recommended. The form is very much a local matter but, it is an ‘across the board’ suggestion to seek wide participation in CED.

As an aside, tourism is one area in which broad participation has worked. Huron County is a case in point. In addition, it was found that community based partnerships served effectively in tourism development in one Eastern Canadian example. Broader case studies reports support the contention that a community approach to tourism development works.

### **2.2.5 Collaboration.**

Collaboration need not be restricted to specific tasks in CED. Rather collaboration is best done if it is both broadly based and goal-oriented. To explain, the authors of one study found that businesses that support the community in a general manner (eg. supporting recreation, youth, seniors, culture etc.) and whose community supports them are more likely a) to consider themselves successful and b) to expect to expand their businesses.<sup>8</sup>

Other reports suggest active collaborative effort by local government can serve to  
Coordinate resources for community development and  
Bring conflicting groups and agendas together (as can a common vision for the future).

As with other aspects of rural CED, the literature suggests there will be some cases that the resolution of controversial local issues can be facilitated by outside expertise.

Public-private partnerships are a very good means of formalizing collaboration. In Huron County, Goderich has been recognized provincially in this regard. While the private sector’s goals may be profit and market share, the municipality is focused on more cost effective service or in the ED field, increasing assessment and job creation. One researcher suggests private-public partnerships for CED can work provided:

The partners have the same goals i.e. growth equals profit and new assessment;  
Shared risks/rewards;

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<sup>8</sup>M. Kilkeny, L. Nalbarte, T. Besser, Reciprocated Community Support and Small Business Success, Entrepreneurship and Regional Development 11, No. 3 1999, p231-246

Shared decision making.<sup>9</sup>

The question this leads to is: Will this work in Huron County?

The Goderich example provides argument for public-private partnerships. The anticipated economic benefits of their water-sewer operations private-public partnership have been described as follows:

The “*recapture*” of *reserve capacities* in infrastructure leads directly to economic growth when that is combined with other Town and community initiatives.

The partnership provides professional management at *reduced/capped rates* thereby fostering public and *business confidence* in the Town. *Confidence in public health and in the environment* is essential in community development. Last but not least, favourable rates; a) release individual and corporate *funds for use elsewhere in the economy*, and b) are in and of themselves a growth attractor.<sup>10</sup>

In other areas, municipalities have succeeded in developing health service facilities through public-private partnerships. Public-private childcare facilities provide for family needs in a number of Huron communities. There are also examples (though usually in larger communities) of business incubator projects which are supported through partnership.

### **3. A Strategic Perspective on Rural CED – Suggested Strategic Direction**

#### **3.1 Are There Lessons for CED Strategy?**

Section 2 points to the “ingredients” of sound CED practice - community leadership and organization, partnerships, efficiency in the use of resources etc. - as providing the right conditions for economic development. The literature suggests these ingredients represent best practice. Section 3 considers these ingredients further in terms of recommended strategic approaches.

#### **Recommended Strategic Approaches**

##### **3.2 Capacity Building**

Capacity building has been a consistent strategic direction of the Huron County and HBDC. (MEDRI is one example). Generally it can be recommended, even before the completion of the MEDRI project, that municipalities should ‘buy into’ this strategic approach. The reason will become clear but first, a definition is in order.

Capacity building refers to *improvements in human, social, physical and environmental assets*. The emphasis is on facilitating development as opposed to doing projects or tasks. The evidence of capacity building is found in these 8 activities<sup>11</sup>:

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<sup>9</sup> Peter V. Schaeffer, Introduction: Public- vs. Private-Sector Roles, p.187, from Small Town and Rural ED.

<sup>10</sup> Town of Goderich, Private Public Partnership Award Proposal, June 2001.

<sup>11</sup> C.B. Flora and V. Luther, An Introduction to Building Community Capacity, from Small Town and rural ED, pages 2-3.

Expanding citizenship participation  
Expanding leadership base  
Strengthened individual skills  
Widely shared vision  
Strategic community agenda  
Progress toward goals  
Effective community organizations and institutions  
Better resource utilization.

Clearly, capacity building is a multi-faceted pursuit. It has to do with creating the right conditions for growth, in the economy and in society. It means meeting people's needs for health, recreation, social activity, and cultural development as well as attending to economic prosperity. The goal is to achieve these things first and foremost from the resources within the community.

### **So, does capacity building work?**

The literature does indeed suggest rural communities interested in CED should focus effort on capacity building. For example, one article indicates that new development is more likely to occur in communities characterized by:

- a. Empowered individuals
- b. Skilled leadership
- c. Innovative institutions
- d. Social capital
- e. Sense of place.<sup>12</sup>

A wide-based review offers powerful evidence:

Looking at 99 rural Iowa communities, researchers found that social infrastructure (ie. community organizations, businesses that support community projects, strong community fund-raising capacity, linkages to other communities and government levels) translates to higher levels of self-development (ie. entrepreneurship and local resource development). In fact, social infrastructure was found to be more important than the largest of the "traditional factors" influencing growth (population size). Moreover, it was stated that "improving social capacity will benefit self-development undertakings more so than industrial recruitment efforts."<sup>13</sup>

It is noteworthy that capacity building is very much a central principal of the federal Government's Community Futures Program (under which HBDC operates).

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<sup>12</sup> D.L. Barkley, *Communities Left Behind: Can Non-viable Places Become Smart?*, Review of Regional Studies 28, No. 2, 1998, p1-17

<sup>13</sup> Sharp J.S.; Flora J.; Agnitsch K., and others, *Social Infrastructure and Community Economic Development Strategies: The Case of Self-development and Industrial Recruitment in Rural Iowa*, Source: Journal of Rural Studies 18, no.4 (2002) p. 405-417

### 3.3 The Case for Building on Strengths: Business Retention and Expansion

In the discussion on collaboration, a strong argument is made for concentrating ED efforts on existing businesses. Industry that views itself as part of the community is likely to be supportive of the community and is more inclined toward expansion.

There are other solid reasons to engage existing business. One researcher makes these points<sup>14</sup>:

A close working relationship allows local government to respond to industry needs more effectively;

Strong business relations create the reputation of a good place to do business, (a community's best advertisement);

Working closely with business will serve to add significantly to the municipality's information and knowledge base;

Such relationships offer early warning of problems and/or reduce the potential for conflict.

### 3.4 Self Development - Local Entrepreneurship

Local entrepreneurship in Huron County is and can be an economic driver. The best evidence of the success of capacity building as a good path to local entrepreneurship or self development is found in the examination of 99 rural Iowa communities as mentioned in section 3.2 above.

Huron County seems to have had similar success. Its workforce is about 20 per cent self-employed which is nearly twice the Provincial mark. The challenge may be twofold: 1) to continue to facilitate business start-ups and 2) to focus on the retention and possible expansion of small business enterprises.

Huron County continues to emphasize its small business development through its "Huron Small Business Enterprise Centre." Located in Seaforth, this service offers business information and business planning and management assistance.

### 3.5 Conclusion to Section 3.

The best strategies for creating rural prosperity share in common programs that empower the community. The result is the creation of wealth, jobs and tax assessment, gained in small bites. Progress is not necessarily dramatic but the strategies work and the risk of failure for the community is small because the effort is multi-faceted.<sup>15</sup>

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<sup>14</sup> Loveridge, Introduction: Maintaining and Enhancing the Community Economic Base, pg 57-60 from Small Town and Rural ED.

<sup>15</sup> The pursuit of a major new industry may lead to jobs and assessment in one big bite. The risks inherent in relying primarily on such an approach are obvious.

## 4. Comments on Economic Sectors

### 4.1 Tourism

While the scale and intensity of development at Whistler B.C. are quite different to tourism in Huron County some of the observations from that community seem relevant. First, it is important to involve the community in tourism planning. Tourism can result in change even to the extent of changing that which makes an area appealing in the first place.

Therefore and second, change/growth should be monitored.<sup>16</sup>

As to what works, tourism in particular benefits from collaborative strategizing and promotional initiatives (as already discussed). Huron County follows a collaborative approach. The wheel need not be re-invented. Municipalities might consider whether/how best to contribute or facilitate in the efforts that are already well underway.

### 4.2 Retail

The retail sector is “up against it” in Huron County and in rural Ontario. Local markets are small and a static population also affects the service function of our towns and villages. Society’s mobility and the big box/shopping mall experience combine to draw shoppers to larger centres.

Generally, it seems prudent to focus on such strategies as:

- Downtown revitalization
- Tourism and specialty niches
- Cultural and heritage attraction
- Aesthetics.

If there are retail development program features that are transferable from one locale to another, they may be found in a report that compares the retail communities of two towns in central Kansas. The ‘prescription for success’ includes these features<sup>17</sup>:

- Strong retail business organization,
- Good partnership with local government,
- Collaboration leading to success which success leads to more success,
- Support for existing businesses,
- Incubation of new businesses,
- A ‘shop local’ campaign,
- On-going effort to capture outside dollars,
- Targeting of new businesses that complement the nature of the retail district.

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<sup>16</sup> Alison Gill, Growth Management in Tourism Communities, pg. 197, from “Challenge and Opportunity.”

<sup>17</sup> David L. Darling, Building a Healthy Retail Community: Lessons from Two Towns, pg 65, from Small Town and Rural ED.

### 4.3. Service Sectors

Service businesses are not in fact a single type of business. There are therefore no specific lessons or best practices revealed by the best practices review. On the other hand, there are concerns and opportunities that are expected to emerge as the MEDRI proceeds e.g. out of the readiness and opportunity workshops.

### 4.4 Industrial Development

The general public seems to expect their Councils to go out and bring in new industry. Industrial recruitment deserves consideration but caution is needed. In addition to the resources necessary for the legwork, such an outreach effort requires ample, serviced and zoned private industrial land and/or a municipal industrial park. Frequently industrial park lots are sold at cost recovery prices. In short, it is expensive work and the pay-off is elusive.

There seems to be little evidence of the success of rural communities in attracting major new industry from outside through active recruitment. On the other hand, there are reports that suggest efforts may be best placed elsewhere. (See Section 5. Notes of Caution).

Therefore, the best plan for attracting outside development would seem to be to make the community attractive and receptive to appropriate new industry by focusing on the key ingredients to success and by building capacity.

The most persuasive industrial development stories, set in depressed areas of Belgium and France, appear to owe their success to capacity building and not recruitment.<sup>18</sup>

(To offer an atypical success story, there is some evidence of merit in one community's effort to research, initiate and own in part a manufacturing plant eventually bringing in a major industrial investor.<sup>19</sup> That example however seems to be an anomaly.)

The reader will have taken from the discussion so far that Huron's communities should concentrate on CED areas other than industrial recruitment. That is not to say however that the municipality should put aside the matter of meeting the need for industrial land. It is important to ensure there is sufficient zoned, serviced and serviceable private land. As to starting or enlarging a municipal industrial park, it is suggested that an alternative may be to build a reserve fund for use in the extension of services to an industrial site when it is needed.

Nor are we suggesting industrial recruitment and promotion be automatically discarded. There are examples of inter-municipal collaboration to attract investors. One group of rural municipalities has organized to pool their resources for marketing purposes. Specifically, it may be worth considering the Southwestern Ontario Marketing Alliance (SOMA)<sup>20</sup> which organization works to attract outside investors

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<sup>18</sup> Bruno Henry de Frahan, Pierre Dupraz and Beatrice Van Haepelen, Local Capacity and Industrial Restructuring in the Periphery of Belgium and France, page 174, from "Small Town and Rural ED."

<sup>19</sup> David Zimet, The Development by a Community and its Part Ownership of an Investor-Owned Manufacturing Plant, page 163, from "Small town and rural ED."

<sup>20</sup> R. Hundey telephone interview with Wendell Graves, Aylmer CAO and member of SOMA, July 11, 2003.

in plastics, automotive and food processing areas. Stratford and Northwest Middlesex are two members of the alliance from the general area.

#### **4.5 Agriculture**

The literature review has focused on small urban communities and those initiatives that complement and support agriculture.

Certainly the industrialization of agriculture and farm consolidation are expected to be critical concerns as the MEDRI proceeds.

Similarly the problems facing small farm operations is important. In fact the viability of small farms in Huron County was the subject of a best practices review in 1999. A review of that report suggests its recommendations are still valid.

By way of overview, the 1999 report found that while globalization and agricultural industrialization have created income and market access problems for small farms, there is a concurrent demand for greater variety in food products. That situation creates opportunities for new community driven approaches for small farms to access local markets and market niches. To take advantage of these opportunities, various CED supports are needed (many of which are now being provided in Huron County).

The report's strategic directions are highlighted below<sup>21</sup> with explanation where required (The report is attached as an Appendix.):

*Building Local Markets*, calling for efforts that get local institutions and businesses to buy local product.

*Alternative Sources of Credit*, available for example through HBDC.

*Beginning Farmer Programs*, in part intended to deal with the aging of the Huron County farmer.

*Direct Marketing*, intended to give the farmer a larger share of the consumer food dollar.

*On Farm Value Added*, examining the potential for value added products and the obstacles to creating and marketing value added products.

*Kitchen Incubators*, a program that would make large kitchens available for value-added work.

*Agri-Tourism*, which may include farm tours, bed and breakfast, festivals and the like.

*Mentoring programs*.

*Business Management Training*.

*Product Promotion*, ie. branding Huron County products.

The report concludes, "The key is building the collaborative infrastructure to help small farms."

#### **4.6 Resource Development**

The literature review leaves aside resource development (eg. forestry, aggregate development and oil and gas exploration). Those matters will be considered in other stages of the project.

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<sup>21</sup> Rod MacCrae and Paul Nichol, "Small Farm Viability: Things That Work." Briefing Note, The Agroecology Service Team, Maitland Conservation Authority, 1999.

## 5. General Comments and Notes of Caution

### 5.1 Industrial Development

This section examines cases in which there is “fallout” and/or unmet expectations following the establishment of a new industry.

Some rural communities have attracted major industry (although again, in the absence of major financial inducements, researchers suggest such location decisions may have more to do with head-office factors than local initiative). The findings of three studies may be of interest:

Most new employment generated by a new major development was accommodated by commuting flows.<sup>22</sup> (Local job creation did not meet expectations.)

The cost of attracting a major industry was locally incurred (including tax incentives – not permitted in Ontario) but 70 % of the new employment went to individuals outside the local community.<sup>23</sup>

Examining the preparation for and impact of a new major low-pay scale industry ‘dropped’ into a prairie town, another article advises careful review prior to courting or approving such industry. Problems of social disorder, inadequate housing and environmental impact were noted.<sup>24</sup>

While being aware of global trends is important, one must be cautious about automatically pursuing the potential fruits of those trends. One researcher for example found that high tech firms tend to cluster, raising doubt as to whether rural communities are wasting resources by efforts to attract such industry.<sup>25</sup>

So if industrial recruitment is unlikely to attract new industry from outside, how do we explain it when it does happen in rural Ontario? The location decision is usually not based on good land prices or low taxes or community services or recruitment. Those things are important but, the following are a few factors that “trump” local attractors:

Geography – This is the big one. Is the branch plant or the parts plant close to head office? Or, is it close to the industry and/or market to be served? For most of rural Ontario, these are distance and transportation infrastructure barriers that no amount of promotion can overcome.

Population – Large communities offer business service and labour force advantages that are key to big companies.

The global economy – Companies, even smaller ones, are global in their reach now. Rural locations usually do not meet their needs.

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<sup>22</sup> M. Renkow, Employment Growth, Worker Mobility, and Rural Economic Development, *American Journal of Agricultural Economics* 85, no.2, 2003 p.503-513.

<sup>23</sup> Andrew A. Zekeri, Is the City Really a Growth Machine? A Case Study of Forestville, Alabama, From “Small Town and rural ED.”

<sup>24</sup> M.J. Broadway, Planning for Change in Small towns or Trying to Avoid the Slaughterhouse Blues, *Journal of Rural Studies* 16 No. 1, 2000.

<sup>25</sup> S.J. Goetz and A. Rupasingha, .High Tech Firm Clustering: Implications for Rural Areas”, *American Journal of Agricultural Economics* 84, no.5, 2002.

Luck – If your rural community happens to be within the “geographic search area” then you have a chance.

## **5.2 Tourism**

On the tourism side, another study found that attracting transient tourists certainly created service and retail business but on the job front, low paying positions only were created.<sup>26</sup> While not to minimize the importance of such development, the findings tend to direct one’s tourism efforts to more permanent and all seasonal customers.

## **5.3 Marketing/Promotion**

The general thrust of this discussion paper leaves one with the impression that capacity building, facilitating entrepreneurship and community involvement etc. should be done to the exclusion of other traditional ED as practised in urban centres. That is not the intent. It is always useful to do what is possible within the limits of priorities and resources.

To this point external marketing/promotion has not been discussed. However, there are some simple rules to consider:

- Consider targeting a niche market that fits the community’s goals;
- Use inexpensive tools to best advantage (eg. the municipal website);
- Partner with existing organizations in the County;
- Search out and use any senior government information service;
- Seek out comparable communities outside the County and consider a marketing cooperative. See section 4.4 on SOMA.

## **5.4 The Use of Experts**

Whereas the technical expert has a stronger role in urban and regional municipalities, the smaller role in rural Ontario is still an important one. The literature shows expertise is needed most obviously for research. But, the expert can also help in:

- the development of community leadership
- community improvement/design teams
- strategic planning
- specific initiatives of various kinds.

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<sup>26</sup> Don E. Albrecht, Recreational and Tourism Development vs. the Decline of Agriculture in Southern Utah, from “Small Town and rural ED”

## **6. Conclusions**

### **6.1 The Municipal Challenge**

Many organizations involved in CED in Huron County possess the five “ingredients for success” as discussed in section 2.

Furthermore, there are, within Huron County, various initiatives underway that are consistent with the three strategic approaches the literature review seems to recommend for rural areas.

Huron municipalities therefore have an advantage over their counterparts in other rural Ontario Counties in that they may be able 1) to collaborate with existing CED organizations in their activities and 2) to pattern their CED programs after the approaches of those organizations.

The BPR suggests then that by applying the 5 ingredients for success and by focusing on CED strategies that work for rural areas, municipalities can take a stronger role (filling a gap in CED), and elevate the current level of effort/success in the County.

### **6.2 What Lies Ahead**

The Best Practices Review offers municipalities a sense of direction as opposed to a specific CED recipe to follow. This report is (along with the examination of local economic conditions) preparation for the planning/strategizing of stages III and IV. Municipalities will see concrete ideas emerge from:

- the Economic Development Readiness Workshops conducted with each participating local municipality,
- a Program Options Report,
- the assessments and recommendations of the Economic Opportunities Team, set up to consider the situation in each of the participating municipalities, and
- the Economic Development Action Plan in which the MEDRI results will be compiled.

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## Appendix 1: Small Farm Viability: Things that Work

Briefing Note #2 (1999)  
Small Farm Viability: things that work  
Agroecology Service Team  
Prepared by Rod MacRae and Paul Nichol

### Purpose of this briefing note

To provide examples of programs operating in different parts of North America that have had success helping to make small farms more viable. This note focuses on descriptions of the programs, their costs and any concrete outcomes that have been identified by program deliverers. This note does not go into detail on new businesses that local entrepreneurs develop as a result of these programs.

### Brief rundown of issues related to small farm viability:

The agricultural economy of Ontario has been changing for a number of years. After several decades of consolidation and centralization, two divergent trends are now defining food and agriculture: one that includes globalization and industrial consolidation; the second is characterized by a breaking up of markets, companies and processing, with renewed emphasis on quality and locale. Large-scale industrial agriculture has had its success, but at a cost. Ontario has become a huge food importer, with a \$3 billion annual food deficit. We have lost a significant amount of processing capacity in the last few decades, particularly in fruits and vegetables and beef<sup>27</sup>. Farm prices for many raw commodities have been at historically low price levels, and net farm income is poor<sup>28</sup>.

This polarization is significant for small farms. It is not necessarily so that small farms are inefficient. Numerous studies speak to the efficiencies of small to mid-size operations. In many cases, it is that industrialization and globalization limit the access of small producers to markets. States the Center for Rural Affairs in Nebraska, “It’s that industrialization leads to closed markets where prices are fixed not by open, competitive bidding, but by negotiated contracts, and where producers who don’t produce in large volumes are discriminated against in price or other terms of trade. Under these market conditions, many smaller farmers who don’t participate in vertical integration are forced out of business because they have no place to sell their product in a timely manner at a fair price.”<sup>29</sup>

Following years of accepting the standardization and industrialization of food, consumers are increasingly demanding of producers, processors, and distributors

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<sup>1</sup> Cf. Winson, A. 1992. *The Intimate Commodity: food and the development of the agro-industrial complex in Canada*. Garamond Press, Toronto.

<sup>2</sup> Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). 1994. *1993 Agricultural Statistics for Ontario*. Queen's Printer for Ontario, Toronto.

<sup>3</sup> Center for Rural Affairs. *Corporate Farming and Industrialization*. [Http://www.cfra.org/issues.htm](http://www.cfra.org/issues.htm).

foods with more taste, greater variety<sup>30</sup> and more nutritional value. Associated with this is a growing market for products of local farmers and a greater desire to buy foods from the region where people live<sup>31</sup>. Increasingly, consumers are associating higher quality with a reduced distance between producer and consumer. As well, the rapidly changing ethno-racial mix of the Ontario population has created demands for new foods grown and processed in different ways. These realities create opportunities for small farms.

To take advantage of these trends, new approaches, falling under the heading of Community Economic Development (CED), are emerging, driven in part by the failure of global competitiveness strategy and mass production systems to meet local needs<sup>32</sup>. CED is "the process of organizing for local community renewal - economic, social, ecological"<sup>33</sup>. It is guided by the following concepts<sup>34</sup>:

- 1) Identifying what goods and services are not freely available in a local community.
- 2) The new heart of society is the small association (groups of citizens/people) coming together with a common cause, voluntarily and spontaneously to solve problems/issues, and assuming the responsibility and authority.
- 3) Communities must reclaim their own capacity, functions, and knowledge from institutional systems. Families should not be seen as merely "collections of clients" for the operation of larger (institutional) systems.
- 4) Democracy must be exercised through small associations of people in solving issues and problems.
- 5) Through associations and their initiatives, CED can effectively solve economic crises whereby "citizen spaces" are created, and discussions and processes for change are effected.

To make CED a reality requires that:

Government and business focus on supporting many small initiatives and on creating local self-reliance

Capital be available for small entrepreneurs, especially those with social objectives

CED training be readily available to potential community entrepreneurs

Business development supports be available, including the development of business plans

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<sup>4</sup> Not in the traditional definition of variety (defined by the food industry as the production of large volumes of only marginally difference), but rather variety of foods truly distinct from each other.

<sup>5</sup> OMAFRA's evaluation of the Foodland Ontario program demonstrates this, as does focus group testing of consumers regarding the emerging organic milk market in Ontario.

<sup>6</sup> See Toronto Food Policy Council discussion paper #2, Health, wealth and the environment: the impacts of the CUSTA, NAFTA and GATT on Canadian food security, August 1994.

<sup>7</sup> Taken from Our Local Economy conference materials, Toronto 1994.

<sup>8</sup> John McKnight, one of the leading practitioners of community economic development in the USA.

In this changing environment there are substantial new farming and processing opportunities. Three general responses are emerging:

1. Farmers are looking for ways to move closer to consumers by marketing directly fresh products or taking over the processing of their raw products and locating plants on their farms or within rural communities.
2. Firms in small rural communities provide economic services to larger companies by developing plants that contract business from large companies. These initiatives succeed by creating cooperation between producers of the raw product, the towns people and the processors.
3. Farmers are providing new kinds of recreational services to largely urban dwellers looking for a rural experience.

Market surveys confirm that these new opportunities exist. For example, a study of the Niagara Region has identified opportunities for high quality products, using local supply, of bakery goods, jams and jellies for the hotel/restaurant trade, specialty ice creams (with local fruit), and specialty pastas<sup>35</sup>. Surveys in Windsor concluded that a high percentage of local consumers wanted to buy local product and thought they were, but examinations of retail outlets revealed that much of what people thought was local was actually imported. Consumers were very interested in buying more local product, both fresh and value-added, from a variety of distribution outlets. Seventy-one percent of grocers indicated an interest in using local value-added products in their businesses<sup>36</sup>. A study by Duncan Hilchey of the Farming Alternatives Project concluded that small scale food processing is the only class of food processing growing in NY State (companies with 1 to 4 employees). A Wisconsin study of 190 consumers at supermarkets in the Twin Cities, River Falls and Hudson areas found that: 89% would pay more for a meat product (up to 10 cents/lb) if there were assurances that it was a quality product; 66% would purchase meat products certified as being produced by family operated farms using sound environmental standards; shopping habits were changing - consumers were less inclined to make extensive meat purchases preferring to purchase meat regularly for a few days at a time, citing convenience of regular trips to the supermarket. Such findings increase optimism for small producer/processors or for farmers to form cooperatives to process and market upscale, high quality meat, market by distinct, branded packaging that serves as a guarantee of the meat's quality.

Given these circumstances, interest in smaller-scale farming and on-farm processing has been on the rise in North America. Although there are some success stories, it seems that a number of structural forces have constrained the emergence of such

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<sup>9</sup> Niagara Regional Development Corporation (1994). Food processing in the Niagara Region. In: Community Economic Development Secretariat. The Food System in Niagara: report on a pilot project. Ontario Ministry of Economic Development and Trade, Toronto.

<sup>10</sup> Community Economic Development Secretariat. 1995. The Food System in Windsor: a report on local community economic development. Ontario Ministry of Economic Development and Trade, Toronto.

activity. In the following sections are provided examples of programs different organizations have offered to help overcome these constraints.

### *Building Local Markets*

Many local and regional public and private sector institutions do not really support the local agricultural economy because most of their purchases come from outside the region. There can be many reasons for this, including: institutional dependence on central procurement facilities; perceptions that local products are of inferior quality; lack of local year-round supply; integration of both the institutions and the farmers into the conventional commodity chain system and a history of exporting food out of the region. This lack of attention to the local economy has significant costs, as studies consistently show that keeping dollars in local economies results in much more significant economic multipliers than export / import economies.

Given these realities, encouraging institutional buyers to purchase local product is much more complex than simply knocking on doors. A number of organizations have developed programs to: a) identify the “leakages” out of the local economy; b) explore the feasibility of supplying imported goods locally; c) identify entrepreneurs who might take advantage of these opportunities; d) broker new commercial relationships between buyers and local producers.

Iowa State’s Leopold Center for Sustainable Agriculture has been providing grants to a number of projects focusing on localizing the food economy. One, entitled Community and Economic Regeneration through Strengthening the Local Food Economy has as a goal to identify practical pathways to enable institutional food buyers to purchase products and services from Iowa farmers, processors and distributors. The project has been successful in establishing local/regional purchasing at Allen Hospital, Rudy's Tacos, and the University of Northern Iowa dining services. Primary difficulties encountered are the small volume of fruit and vegetables grown in northeast Iowa, the lack of marketing channels that accommodate local agricultural products, and the lack of well-organized data on existing sources of Iowa-grown or Iowa-processed food products.

Another, Making the Connection: Linking Farms to Hotels, Restaurants and Institutions (HRIs), is organized by Practical Farmers of Iowa. Their focus is on the HRI market in Iowa which they believe appears to hold great potential for small- to medium-scale farmers. Plans include estimating the potential HRI market for Iowa-grown and raised foods; characterizing opportunities and barriers in this market for both HRI buyers, staff and clients as well as farmer producers; estimating profitability potential for Iowa producers; analyzing possible models for linking Iowa producers and HRIs in these markets; and educating producers about HRI markets<sup>37</sup>.

Hendrix College in Conway, Arkansas, implemented a local food project beginning in 1987. Three years later, they had increased their local food purchases from seven to 30 percent, several new farms had been started to help supply their needs, and several

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<sup>11</sup> Leopold Centre for Sustainable Agriculture web site

others had expanded operations. This change redirected \$200,000 of the college's annual food budget back to the local economy<sup>38</sup>.

The Huron Business Development Corporation (HBDC) started the Harvest for Hospitals program, designed to link local growers with the food service operations of local health care facilities. With funding from Canadian Farm Business Management Council (CFBMC), the project has produced a user-friendly “How-to” manual to assist small food-related businesses wishing to do business with the health care system. The manual outlines both the opportunities to increase sales and the specifications local health care buyers require to buy local. Even with that, the challenges still outweigh the opportunities, with the largest obstacle being the consistent scale and volume of sales required by institutions that is beyond the reach of most local producer/processors.

HBDC also partnered, with the Wingham and Area Chamber of Commerce, the Wingham Economic Development Committee, Westcast Industries and OMAFRA, in a feasibility analysis of 20 local business opportunities in manufacturing and agri-food. The agri-food opportunities included: agri-tourism; garlic production and processing; honey production, processing and pollination services; custom poultry processing; herb production, nut production and processing; frozen vegetable processing; special events and in-home catering. Approximately 35 entrepreneurs reviewed the market material assembled. To date, 4 local agri-business ventures have been launched in the area, resulting in 5 local jobs. To take a project like this to the next level would require: a) a more detailed analysis of local markets; b) help broker connections between growers and potential buyers; and c) linking report conclusions to credit and mentoring services.

#### *Alternative Sources of Credit*

The Center for Rural Affairs in Nebraska runs a peer lending program called the Rural Enterprise Assistance Project (REAP). Started in 1990, it is designed to help self-employed individuals. The program is delivered through associations of microentrepreneurs in different regions of Nebraska, Kansas, Iowa and South Dakota. There are currently 35 associations with 8 members each. The project has made 183 loans of an average size of US\$1606 and total lending of almost \$300,000. REAP provides both peer lending - where small loans are “secured” by the group and the group members take turns borrowing money - and individual lending. The project also provides business management training, technical assistance and networking opportunities. A section of the project focuses on the needs of rural youth. About 30% of participants take loans and the other 70% take advantage of training and advice. Over 500 microenterprises have received assistance. This project employs 8 full time equivalent employees and has a total annual budget of about US\$500,000.

Regional development corporations operate in many parts of the USA. In California, they make loans and guarantee loans to small businesses under the auspices of the California Department of Commerce, Office of Small Business. One, Cal Coastal, makes direct loans to farmers using the federal Farmers Home Administration

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<sup>12</sup> Leopold Letter Summer 1998.

(FmHA) loan guarantee program. The primary purpose of their loan program is to assist farmers already in operation. Loans are available for production, real estate, and refinancing. The loans are guaranteed by FmHA and their eligibility requirements apply. Prior farming history is crucial for loan approval. Cal Coastal also guarantees loans from other lending institutions for up to 80 percent. Special emphasis is given to farm operations that will create or retain jobs. The maximum term is seven years and the maximum amount is \$350,000<sup>39</sup>.

The Huron-Perth area has a loan program similar to that of the Center for Rural Affairs targeted to rural microenterprises. The Rural Enterprise Loan Fund was launched in 1995 as a joint venture of Women and Rural Economic Development, the Mitchell and District Credit Union, and the Huron Business Development Corporation. The Fund provides small loans of up to \$3,000 to first time entrepreneurs. To date, 8 loans totaling \$10,000 have been disbursed to Huron County businesses (mostly farm wives), including such things as rural daycare services, wedding and special event planning, and production of emu oil.

For larger scale operations, the Huron Business Development Corporation provides financing to businesses unable to obtain traditional bank financing. This may include financing for such "unbankable" projects as new business start-up, expansion, inventory or working capital. Agri-businesses from Huron County can apply for up to \$125,000 at flexible terms. The Farm Credit Corporation has some alternative financial products. Their Clinton office will be contacted to find out how appropriate these might be for the kinds of initiatives outlined in this report.

### *Beginning Farmer programs*

Beginning farmers are not necessarily small farmers, but they face distinct challenges that most agricultural institutions have been unable to support. As in Canada generally, the majority of farmers in the watershed are thought to be 55 and over, retiring in the next decade. And their retirements will throw into question the future of significant numbers of acres of local farmland.

Beginning farmers usually don't have access to capital. If they buy the family farm, they usually start with high debt loads. If they wish to get into farming, their options are usually limited to smaller operations because they have little chance of affording a fully operation large-scale, highly capitalized one.

As a result of all these factors, a number of organizations have implemented programs for beginning farmers, attempting to provide additional supports not offered by the agricultural mainstream. Nebraska's Center for Rural Affairs offers the Beginning Farmer Sustainable Agriculture Project. It's designed to improve research and extension for beginning farmers, and to help create mutual support networks and design effective start-up strategies. Training is also a big part of the program. Their Land Link database matches retiring with aspiring farmers. Credit is available through their Stewardship Investment Finance Fund, "a secondary market for loans made through state "aggie bond" programs [that] will allow small banks greater

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<sup>13</sup> [www.ucdavis.edu](http://www.ucdavis.edu)

ability to lend to beginning farmers with less equity and higher risk.”<sup>40</sup> The fund will also provide financial and technical assistance to develop and implement whole farm plans for protecting the farm’s natural resources. The total beginning farm program costs \$200K to 300K US each year.

The Farm Beginnings program is cooperatively supported by the Land Stewardship Project and University of Minnesota Extension. A farmer-based steering committee provides continual leadership and guidance to the program. Each program participant attends a series of informational workshops in conjunction with hands-on mentoring, advice and individual assistance in developing a business plan. The workshops focus on: financial management, generating wealth, quality of life, holistic decision making alternatives, alternative marketing, business planning, lowering production costs, and farm management.

The workshops series features established farmers who run profitable, low-cost operations. Participants begin to develop a business plan over the course of the workshops. Upon completion of the workshop series, participants are matched with two advisory mentors as a means to gain hands-on farming knowledge. Apprenticeships allow participants to gain hands-on knowledge of farm operations and more in-depth knowledge of low-cost systems. An advisory committee works with participants on an individual basis to identify the "next steps" in carrying forward the individual's business plan. Examples of assistance that the committee can provide are: helping to locate a rental farm, providing support when going to a lender, establishing a low-risk incubation farm<sup>41</sup>.

### *Direct Marketing*

In the commodity system, farmers receive, on average, less than 25 cents of every dollar spent. “Direct marketing gives the farmer a larger share of the food dollar and a higher return on each unit sold. For some, adding value or marketing some minimally processed farm products directly to the consumer is a way of enhancing financial viability. Farmers who are unable to compete in, or are locked out of, distant markets, may run a thriving local business once they have established the right networks and connections. However, direct marketing is a hard and labor-intensive job requiring time and effort, creativity, ingenuity, sales expertise, and the ability to deal with people in a pleasant and positive manner.”<sup>42</sup>

Many organizations provide services to facilitate direct marketing. Farmers’ markets are promoted by the Ontario Farm Markets Association. Community Supported Agriculture projects have developed some informal networks and have a number of non-governmental organizations and extension agents brokering linkages between farmers and groups of consumers. Pick - your - own associations promote these activities.

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<sup>14</sup> Center for Rural Affairs. Programs and Projects. [Http://www.cfra.org/programs\\_&\\_projects.htm](http://www.cfra.org/programs_&_projects.htm)

<sup>15</sup> [www.landstewardshipproject.org](http://www.landstewardshipproject.org)

<sup>16</sup> [www.attra.org](http://www.attra.org)

### *On-farm Value Added*<sup>43</sup>

Small-scale food processing, on and off-farm, is emerging as one viable element of a rural community economic development strategy. The Ontario landscape was once dotted with small farms, smaller scale processors, some on-farm, others in small rural communities. The forces that resulted in their demise have been well-documented<sup>44</sup>. Associated with this second trend, firms, rather than refurbishing old plants costing millions of dollars to renovate, are using new technologies that allow companies to downsize to smaller plants, shrinking their overhead and diversifying their markets.

Value-added means processing or modifying the product through "cooking, combining, churning, culturing, grinding, hulling, extracting, drying, smoking, handcrafting, spinning, weaving, labeling, and packaging"<sup>45</sup>. Growing something in a way that is seen to be safer, packaging or adding new consumer information, education or entertainment are all ways to add value to a product. The customer has to do less work and the producer is able to charge extra for adding the value. Adding value holds the promise of additional income but it is certainly more labor-intensive and requires more management, more investment in equipment, and an awareness of legal and regulatory issues pertaining to on-farm processing. Value-added products do not have the same economies of scale as mass-produced goods and their success hinge heavily on the producer's retail strategy, especially advertising and promotion.

A review of 14 microprocessors by the Toronto Food Policy Council identified some common challenges facing these entrepreneurs:

- entrepreneurs find health regulations confusing, expensive and often irrelevant to their scale of operation
- marketing is frequently difficult and time consuming, as market channels for products that focus on locale and quality do not conform with dominant marketing approaches in the food system
- financing is always difficult and many entrepreneurs rely on family members and other forms of private financing
- equipment is not generally a problem because industrial overcapacity has created a significant used equipment market; modifications are, however, usually required
- entrepreneurs are frequently interested in collaborative and cooperative efforts, as these can increase volumes (frequently required by the dominant system), simplify distribution and reduce capital costs.

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<sup>17</sup> Much of this section is based on interviews with Larry Swain, Rural Development Centre, University of Wisconsin (Nov. 23/94); Lee Egerstrom, author on rural economic development, and agricultural business writer for the St. Paul Minneapolis Times (Jan. 7/95); and Duncan Hilchey, Farming Alternatives Program, Department of Rural Sociology, Cornell University, Ithaca, NY (Nov. 23/94).

<sup>18</sup> For two accounts, see: Winson, A. 1992. *The Intimate Commodity: food and the development of the agro-industrial complex in Canada*. Garamond, Toronto; and Menzies, H. 1994. *By the Labour of Their Hands: the story of Ontario cheddar cheese*. Quarry Press, Kingston.

<sup>19</sup> Richards, Keith and Wechsler, Deborah S. 1996. *Making It On The Farm. Increasing Sustainability Through Value- Added Processing and Marketing*. Southern Sustainable Agriculture Working Group. p.2.

The Farming Alternatives Program at Cornell University supports microprocessors by sponsoring the Small - Scale Food Processing Association which runs training programs and sponsors networking sessions for members and those interested in new product development, and by producing case studies analysing successful small scale processing initiatives

### *Kitchen incubators*<sup>46</sup>

The kitchen incubator concept is growing in several parts of the USA. It usually involves community groups that organize to create a large flexible kitchen space. An incubator:

- offers below market rental on flexible terms;
- eliminates building maintenance overhead;
- provides access to equipment not available or too prohibitive to purchase;
- increases tenants' awareness of financial and technical assistance;
- brings entrepreneurs together to collaborate in business and share experience;
- reduces anxiety and stress of running a business;
- increases visibility, image, credibility and legitimacy;
- creates a sense of security for customers and suppliers;
- reduces expenses through cooperative buying, marketing, advertising, and shared employee opportunities and training; and
- provides access to technical and management advisors.

One successfully established kitchen incubator is located at Eastern Washington University. It has been in operation for the past five years and 80% of the companies served are still in business. The facility includes a licensed kitchen space and equipment for the specialty foods industry. The incubator provides business and financial planning, management and technical assistance, mail drop service, office space and conference room, educational workshops and telephone reception service. For applicants to be considered they must meet the following criteria: must work from an approved business plan; be an owner-operated business with a need for incubator service; be developing or marketing a commercially viable product; and be willing to accept guidance, share management responsibility, and work with other businesses.

A California incubator rents kitchen and storage space but the leases have to put in their own equipment. To assist in the purchase of equipment the incubator has a loan fund. An Ohio-based kitchen in the construction stage will offer space in a fully equipped, large kitchen on a time-share basis. For example a person can rent space for 3 hours during the day or 8 hours during the evening. The facility is fully licensed and meets the health codes. A kitchen supervisor must be present at all times to meet the health code and to organize the space and time sharers. Small office spaces to operate the businesses and storage spaces are included. To assist business start-ups the incubator organizes training sessions and it caters to people on low incomes. The incubator has organized a loan fund to help people go out on their own when they are ready. This support helps interested businesses start without the cost of a licensed

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<sup>20</sup> Adapted from Toronto Food Policy Council. 1994. Stories of On-farm Microprocessing. TFPC, Toronto.

kitchen and they get their feet wet without too much investment. The organizers have tried to identify special niche markets or themes for the businesses so that they can supply complimentary foods to similar markets. The cross-pollination of different businesses working together is expected to result in co-ventures and shared marketing and distribution costs. The incubator organizers have worked hard with other community organizations to access training facilities, financial institutions and other service agencies.

In Humboldt County, California, the Arcata Economic Development Corporation (AEDC) constructed the Foodworks Culinary Center to help develop micro industry in the region<sup>47</sup>. The Center served as an incubator for 12 local gourmet and specialty food companies and includes 1000 sq. feet of shared commercial kitchen space in addition to each company's personal kitchen, 4000 sq. feet of warehouse space, and central office services. Products being made by the companies include baklava, pastas, Finnish coffee bread, smoked salmon and garlic cream cheese spread, tofu products, ice-cream and toppings, jams, flavored honey and chocolate confections. Tenants have formed a marketing cooperative and a mail order catalog featuring the products was made available to promote them all across the country.

Other models are less formal - perhaps rented space in a school cafeteria or community kitchen. These facilities must meet health codes but may not necessarily be set up for processing.

Kitchen incubators are a relatively new concept and little is formally known about their economic impact at this point. However, numerous small-scale entrepreneurs claim they have been critical to their start up success.

#### *Agri-tourism*

In some areas of North America, agri-tourism has become an extremely viable dimension of keeping small farms viable. A number of programs have been launched by organizations to create the right kind of infrastructure for local agritourism activity. Farm tours, field days, farm bed and breakfast inns, and farm villages are all examples of successful agritourism. Agritourism is also increasingly complemented with agrientertainment: festivals, hayrides, petting zoos, seasonal events, and contests. Festivals and events might include things like: Easter egg hunts, perennial tours, Halloween costume contests and haunted houses, a pancake breakfast during sugaring season, a moonlight pumpkin-picking party, an annual Farm Fest.

On-farm classes, demonstrations, and workshops are also considered a form of agri-entertainment. Cooking classes, whether offered to chefs or the general public, are usually quite successful, as are workshops showing how to prepare fresh or dried cut flowers<sup>48</sup>.

Another option for recreational farming is leasing wooded land or marginal cropland for hunting, fishing, or hiking. Hunting leases are the most common form of

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<sup>21</sup> Anon. 1994. Moving start-ups out of the kitchen. In Business. March/April. p. 25.

<sup>22</sup> [www.attra.org](http://www.attra.org)

recreation leases and can range from one-day trespass fees to guided trips and lodging. Liability, licenses, and regulations are important considerations in planning for a recreational lease<sup>49</sup>.

Locally, the Federation of Agriculture, HBDC and Huron Tourism Association launched the Huron Harvest Trail in the fall of 1997. With tour bus promotions, farm gate tours and hospitality training, the Trail is designed to improve revenues for existing agri-tourism operations, create alternative income streams, and generate long-term employment for agriculture and the hospitality sector. Seventy-four agri-tourism businesses are participating on one of three travel routes throughout Huron County. In the first year of the program, tourists in Huron County increased by over 93,000 person visits with additional expenditures of \$4.9 million. Marketing dollars for the program have come from the CanAdapt program with the current year of marketing focused on group tour promotions.

### *Mentoring programs*

A significant challenge for many small farms is taking new financial risks when starting up a new enterprise. Even when credit or investors are available, the decision to use the money is not necessarily an easy one. Mentoring programs are designed to help small companies work through both the finances and the emotions of taking the plunge. Many of the projects described above include mentoring in their program delivery.

HBDC and WRED piloted the Farm Ventures program - lectures, group activities, guest speakers, information sharing, and 1 on 1 counseling to farm families exploring alternative ventures. Since 1995, 19 farm-related business ventures have been launched, including wool, freezer lamb, farm crafts and home baking enterprises. These enterprises in turn employ an additional 10 people from the local area.

### *Business Management Training*

Training is an essential element of small farm viability. Virtually all organizations involved in small farm work offer training programs, particularly on managing small businesses.

In 1993, the HBDC and the Ontario Agricultural Training Institute sponsored a business management training program for 19 Huron County farm families. Participants included existing farm operators that were looking to expand their operations, either through vertical integration or development of new products for niche markets. The program enhanced the management skills of participants through guest lectures, case studies and the development of business plans. Of the 19 farm families involved, 8 of them went on to launch new expanded ventures, creating a total of 32 new jobs in the region.

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<sup>23</sup> The book *How to Start and Run Your Own Bed and Breakfast Inn* provides more information. It is available for \$14.95 + \$2.50 S&H from: Northwind Farm Publications RR 2, Box 246 Shevlin, MN 56676.

The University of Nebraska-Lincoln (UNL) has the Entrepreneur Assistance Program (EAP) for those considering a food processing business<sup>50</sup>. Phase I is a one day seminar, "From Product to Profit," that introduces participants to all the issues: market selection, regulatory issues and agencies, product development, product pricing, legal issues, financial considerations, food safety, and packaging and promotional strategies. By the end of the day, participants should be able to make informed decisions about developing their business. Phase II is for participants who decide they want to develop a food manufacturing business. Food industry consultants and food scientists offer individual and confidential assistance with both technical and marketing issues. Phase II may take anywhere from 6 months to 1 year. Some of the most commonly requested projects by companies include: new product development; sensory evaluation; chemical analysis; shelf life studies; processing techniques; operations, business, and marketing plan development; export marketing assistance; financial analysis; information technology training; marketing research; and media and promotional plan development. Since the Program began in 1989, 80% of the participants who started a food manufacturing business remain in business.

*Generic product promotion*

Most projects dealing with small farm viability also have components that make it easier for consumer to identify products from smaller farms. Trade shows, the regional supermarket displays, fairs and festivals are all examples of generic product promotions. The most recent addition to this approach is local labeling schemes. An interesting collaboration exists between the New York State Department of Agriculture and Markets, the New York City Department of Environmental Protection and 2 New York City NGOs, Mothers and Others for a Liveable Planet, and Just Food. They are working with farmers around the New York City water supply to promote sustainable agriculture as a mechanism for ensuring water quality. Part of their activities involve developing a market place identity within New York City for the products of the "watershed"<sup>51</sup>.

Although Ontario has a well-developed "Buy Ontario" program, community coalitions in at least 4 Ontario regions have developed their own local labeling program. Peterborough's "Kawartha's Own, Locally Grown," Renfrew County's "From The Ottawa Valley", Windsor's "Bounty Of The County" and Grey-Bruce "Market Grey-Bruce" campaigns show what happens when farmers, tour operators, unions, social agencies and Main Street business groups and support local food businesses. Local labels are essentially a promotional tool to draw attention to what small, local processors are cooking up. They're spearheaded by a local organization -- a public health unit, a union, a merchants' association -- that recognizes a community and economic development opportunity. The coalition produces a visible logo that interested farmers and merchants can apply to use. The coalition also does generic label promotion to help with consumer recognition.

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<sup>24</sup> [www.attra.org](http://www.attra.org)

<sup>25</sup> Porter, Mary Jane. 1996. To Market, To Market, With Watershed Goods. *Farming Alternatives* 5(1):4-5.

**The key challenge for the Maitland watershed: building the collaborative infrastructure to help small farms**

If the Service Team wishes to pursue this as a priority action area, here are some of the things I see would have to happen next:

1. We should collect more data on the what is happening to farms, food processing and retailing in the Maitland watershed. ie. age of farmer; acres controlled by each of small, large, family, and corporate operations; primary crops grown for each and distribution channels. We would want similar kinds of data for food processing and retailing. A lot of this information could be assembled from census, OMAFRA and Huron Business Centre data. An analysis of this data can give us a clear sense of where the problems and opportunities might lie in the Maitland watershed.
2. Small farm viability programs all seem to require innovative collaborations. They are as much about new ways of working, as they are about providing technical and financial supports. We would have to devise some kind of collaborative infrastructure for organizations in the watershed to use to pursue small farm viability projects. The first step would be to identify those organizations in the watershed who are already doing things in this area (e.g., HBDC, WRED, OMAFRA) and those who may not be but need to participate (e.g., credit agencies). A second step would be to study more closely collaborations from other places (e.g., Farming Alternatives Cornell, Center for Rural Affairs) to understand the lessons of successful collaborative infrastructure elsewhere. The third step would be determining what kinds of resources are required to make the collaboration work on an on-going basis.
3. Once we had some ideas about the “infrastructure”, then we could match that with the kinds of programs we think would need to be run. Some things are common to any program. We need to help farms / entrepreneurs find access to credit; we need to help them get the skills to run new kinds of businesses; we need to help broker relations between buyers and seller; we need to look at generic product promotion for products of the region; we need to do mentoring work to help farms / entrepreneurs work through the necessary decision; we need to help people overcome technical hurdles - product development, health regulations, equipment challenges.