Community Food Enterprise - 2022 Pulse Check

Understanding the current state of the community food sector - Findings and recommendations



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Glossary

Definitions

Community Food Enterprise	Community Food Enterprises (CFEs) are locally-owned/-controlled food businesses or ventures founded around a desire to create positive outcomes for the communities they serve. This may be in the form of improved social or environmental outcomes, increased access to healthy food and support of local producers by providing fair farm gate prices.
Food Justice	Food Justice is an approach to food that provides eaters equitable access to culturally relevant, ecologically sustainable food, in addition to supporting food sovereignty for First Peoples and paying a fair price to farmers.
Short supply chain	Food moves from farmer through very few (often none or one) intermediaries to the final consumer, with source transparency maintained.
Values based supply chain	Values-based supply chains (VBSCs) involve partnerships between producers, processors, distributors, retailers, and/or food service operators who share environmental, economic and/or social values (Hardesty et al. 2014)
Local food	Food grown by farmers in a given geographic region is eaten by consumers in that region. We often interchange "local" and "regional"; it can be counter-productive to get hung-up on particular boundaries and distances. If claims are made about the relative benefit of local food (emissions; employment etc) this should also be backed up with evidence from the specific context.
Regenerative agriculture	Agricultural practices that build ecological function.
Food Hub	A food hub is a business or organisation that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers in order to satisfy wholesale, retail, and institutional demand.
Food Sovereignty	Food sovereignty asserts the right of peoples to nourishing and culturally-appropriate food produced in ethical and ecologically-sound ways, and their right to collectively determine their own food and agriculture systems. The term is commonly attributed to members of the peasant organisation La Via Campesina.[1]

[1] The Australian Food Sovereignty Alliance, 2022

Executive Summary

Australia's food system has been hit hard by a number of external pressures which has led to record levels of food insecurity. Community Food Enterprises (CFEs) play a vital role in the food system, however little research has been undertaken into the sector in Australia. Open Food Network Australia has conducted a 'pulse check' over 3 months in 2022, with responses from 75 CFEs.

Of the CFEs surveyed, 50% of them reported that they were growing, and just 7% were retracting. Interestingly of the 31% of enterprises who reported that they had remained stable, 48% were struggling. Many CFEs also reported high levels of growth during COVID, but that this had returned to normal.

CFEs reported numerous challenges, with the three most frequently cited being balancing supply and demand, building a customer base and access to finance. 84% of CFEs also reported difficulties with technology and 57% reported that connectivity between the multiple software platforms they use would be helpful.

Many CFEs were focusing on increasing their impact across a broad range of food justice areas including ecological function, community resilience, affordability and access to food. 93% of CFEs were focusing on three or more areas of impact. 79% of CFEs were pursuing at least one form of food justice initiative, with 56% of CFEs prioritising it.

There were several themes that took prominence in the pulse check including:

- **Technology** - Most CFEs used multiple software platforms but had not integrated them. 57% or respondents reported that doing so would help them to streamline and grow their enterprises.
- **Operations** - CFEs struggled with balancing supply and demand. Producers struggled with finding seasonal/ part time staff, while Food Hubs and Other CFEs (Food Relief and Community Gardens) found it difficult to rely on volunteer labour.
- **Funding -** Funding is key to a CFEs ability to operate and have an impact. Grants and fundraising training was the most requested form of training, and additional funding was the most requested resource when it came to upskilling. Access to capital was also the third most common need amongst CFEs.

Recommendations:

1.) **Define and size the market -** the lack of clear definition of the 'CFE sector' and understanding of it's size makes it difficult to advocate for CFEs as a sector
2.) **Amplify the impact of CFEs** - Making it easy to understand and communicate their impact.
3.) **Drive funding to the sector** - This includes training for CFEs to help get funding.
4.) **Increase technological sophistication of CFEs** - Make it easier for CFEs to access better tech solutions, including through: interoperability, integration, training, support and education about what is possible.

Author’s Note: The fragility of the sector is surfacing

In the months between the Pulse Check data collection & analysis and the release of this report, major events have highlighted the fragile nature of Community Food Enterprises. Summarising results into percentages partially obfuscates this fragility - there is brittleness under the surface.

Widespread flooding across Victoria in October 2022 compounded the burnout that CFEs were experiencing, on the back of fluctuating demand and significant post-COVID declines in sales for some.

We have concerns about a possible discrepancy between the aggregate reasonable business confidence expressed in the Pulse Check and what we are currently seeing in the sector. Challenges facing CFE’s, including smaller ones who have fewer staff or volunteers to call upon (to fill in surveys), may contribute to less frank or overly positive responses.

For example, as a result of the Victorian floods submerging one vegetable grower’s entire property, a local Food Hub which sourced the majority of its vegetables from that enterprise closed its doors. There was not enough staff and volunteer capacity to source more suppliers, and as cost of living pressures bite and sales stagnate, this disruption was the ‘straw that broke the camel’s back’. The tangible and immediate effects on producers have unlocked community generosity i.e. a crowdfunding campaign has raised almost $30,000 for the farmer. But the flow-on effects into the CFE sector sink almost without a trace.

While the results of this pulse check can stand alone, Open Food Network will be doing further research to delve deeper into the vulnerabilities and needs of Food Hubs in the face of persistent shocks and stressors.

View the Pulse Check Infographic

A summary Infographic of the Pulse Check results has been produced alongside this report. To view the infographic please go to:
https://about.openfoodnetwork.org.au/project/community-food-sector-pulse-check/

Introduction

Australia's food supply has been hit hard by a number of external pressures and disruptions including:

- The COVID-19 pandemic
- Droughts
- Severe flooding
- Russia's war in Ukraine
- Rising levels of inflation

This has meant that large amounts of food have been unable to be harvested or distributed, leading to shortages of stock, rising food prices and record levels of food insecurity (see Image 1 below):

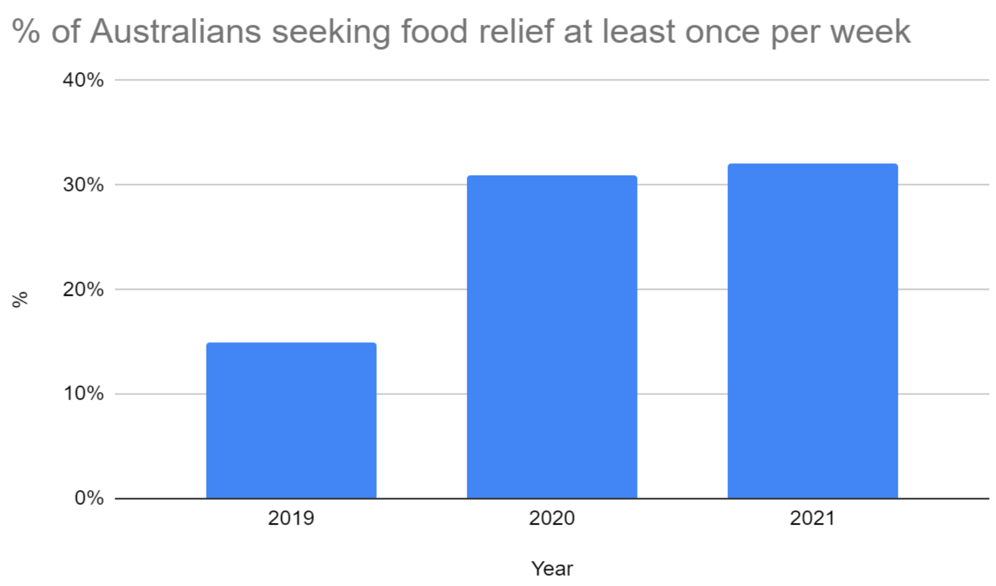


Image 1 - The % of Australians seeking food relief at least once per week has risen from 15% in 2019 to 32% in 2022 (Source Foodbank Hunger Report 2021 & 2020)

Community Food Enterprises (CFEs) play a vital role in addressing food insecurity and helping people to access food with dignity, while also improving community health and wellness, creating local jobs and helping farmers and producers to get a fair share of the profits from the sale of fresh, local produce.

CFEs tend to be lean and innovative. They also have diverse supply networks and collaborate with other enterprises, which means that they can often respond and adapt to shocks to the food system much more rapidly than traditional food enterprises. *Recipes for Resilience*

(Schultz et al 2020) outlines the strong evidence that CFEs play a critical part in ensuring resilient food supply.

Despite the critical role that CFEs play in ensuring resilient food supplies, and the economic viability of local farmers and producers, little work has been done to understand CFEs in Australia, to inform and focus efforts on what can be done to make them more successful.

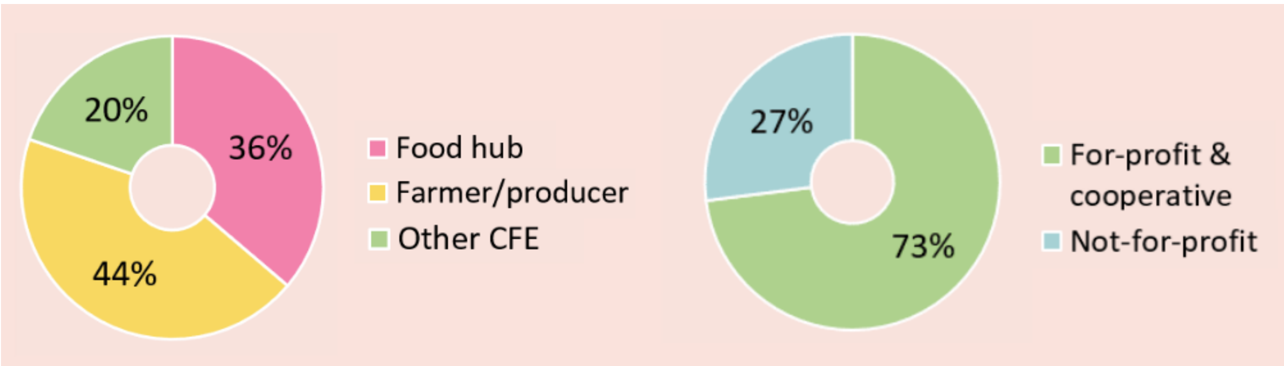
This 'pulse check' survey has been conducted by Open Food Network Australia, a not-for-profit (NFP) organisation who helps provide the tools and resources needed to shape a new food system that is fair, local and transparent.

This survey was carried out with the aim of better understanding the current state of the CFE sector, and what is needed to support its growth and viability. The findings will help Open Food Network Australia and many other organisations develop a viable range of solutions, and increase investment, philanthropic and policy support to the sector.

Survey Participants

The survey was shared with Open Food Network's audience of farmers, producers and Community Food Enterprises via email and social media between July - September 2022. We received a total of 75 responses, representing approximately 5% of the Open Food Network's total database of 1500 farmers, producers and community food enterprises.

The respondents are as follows[2]:



Key Considerations

This research has been undertaken to try and understand the drivers and needs of the CFE sector, which comes with a range of resourcing and other challenges including:

- No commonly understood definition of what the CFE sector is
- Difficulty reaching smaller CFEs

[2] Other CFE refers to Food Relief and Community Gardens.

- Difficulty reaching CFEs from outside the Open Food Network's network
- Few to no large scale exploratory studies being conducted on the sector in Australia to date

As such, the survey is skewed towards the following demographics:

- Open Food Network platform users
- Victorian CFEs, farmers and producers (60% of responses were from Victoria)
- Larger, better resourced CFEs with staff or volunteer capability to fill in the survey

While not necessarily representative of all CFEs in Australia, the preliminary study does provide some interesting insight into the demands and challenges of operating a CFE in Australia, and what can be done to improve and enhance the sector. It also provides a solid basis from which to design a comprehensive and well resourced benchmarking study.

Qualitative and quantitative analysis of the 75 responses has been provided, to identify common themes and threads, and key quotes from the survey participants have been included to show specific examples of what is needed to drive advancement in the sector.

Australia's food enterprise sector: A snapshot

Survey Participants

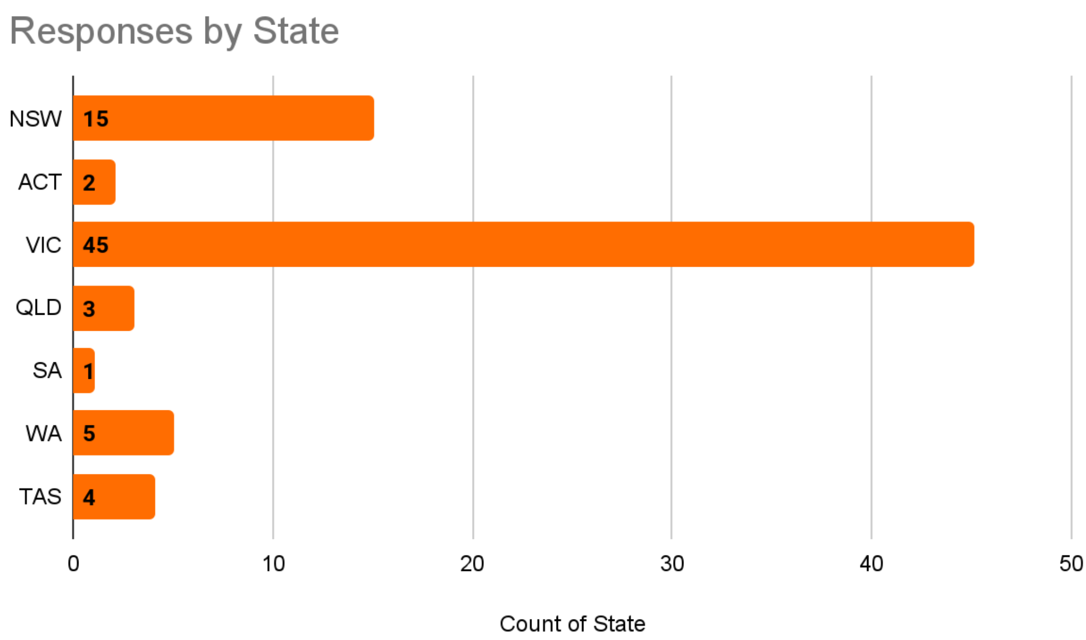
The survey approached enterprises from two perspectives, their enterprise type and operating model.

Type of Enterprise	
Producers/ Farmers	44%
Food Hubs	36%
Other CFEs[4]	20%

Operating model	
For-profit	73%
Not-For-profit[3]	27%

For further details about segmentation, see **Appendix 1 - Segmentation.**

Locations



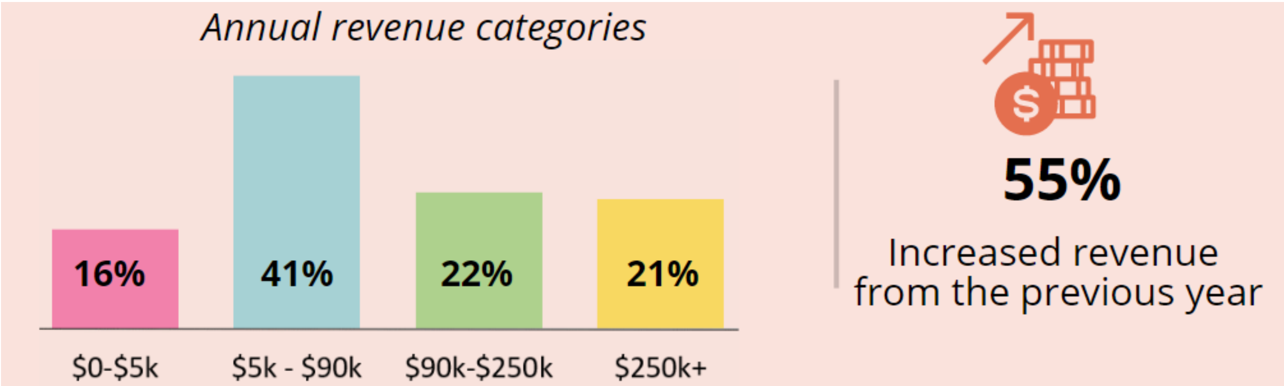
The vast majority of responses were from Victoria (60%), this is due to the Open Food Network having a much bigger presence and wider networks in this state. There is also a sense that

[3] Includes cooperatives
[4] Includes food banks, food relief charities and community gardens.

Victoria has a much higher number of CFEs than other states, however more research is needed to understand if this is in fact the case.

60% of respondents to the survey were from rural areas, 40% were from metropolitan areas. No respondents indicated that they were from remote areas.

Annual Revenue



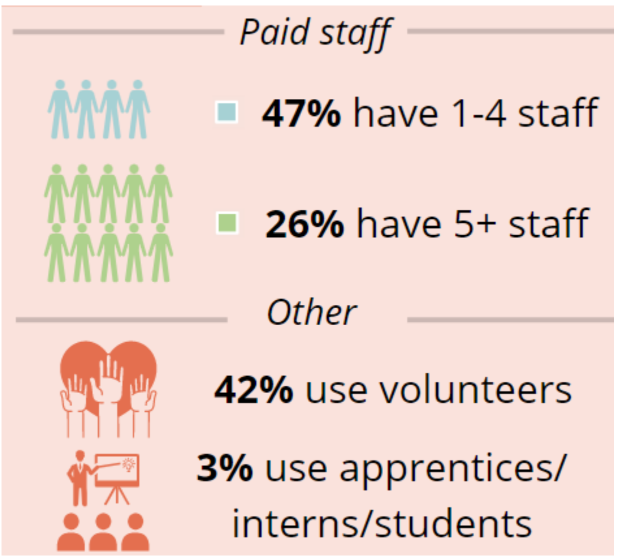
79% of respondents generate revenue of less than $250,000, and 57% generate revenue of less than $90,000. This was despite 55% of the CFEs surveyed having increased their annual revenue. Anecdotal evidence since closing the pulse check survey suggests that the sector is facing extremely volatile and challenging conditions, with large CFEs telling us they have had a precipitous drop in customers over a short period of time.

Staffing Levels

73% of survey respondents had at least one paid member of staff, and 42% reported using volunteers to staff their operations.

There was a significant difference between the number of NFPs and for-profit organisations using volunteer labour, with 70% of NFPs using volunteers compared to 31% of for-profit organisations.

Very few CFEs use apprentices/ interns / students. This is representative of a trend in the Agricultural sector, where there are half as many graduates as what is needed for the sector to thrive (Agrifutures Australia 2021). This is also potentially reflective of the lack of capacity to properly support apprentices/ interns / students.



Growth over the past 12 months

Only 5% of the enterprises surveyed were 'just starting out'. 50% of enterprises reported that they were growing, 31% remained stable and 7% were retracting. Of the 31% of enterprises who reported that they had remained stable, 48% of them reported that they were struggling.

The vast majority of these struggling enterprises are food hubs. These enterprises have been impacted by recent floods and subsequent poor growing seasons, as well as a reduction in consumers compared to the midst of the pandemic, and rising cost of living pressures.

"We closed for several months due to flooding and we're only getting back up to full operation now."

Producer - NSW

"Increased as the size of our operation increased and our value-add products decreased due to flooding and having to start again."

Producer - NSW

Growth and Challenges during the COVID-19 Pandemic

The COVID-19 pandemic placed unprecedented pressure on food supply chains, leading to global trade disruptions and labour shortages[5]. Although COVID-19 forced some CFEs into 'survival mode', many CFEs also experienced increased demand during this period. There were a number of reasons for this:

- CFEs presented an alternative to the supermarket duopoly who frequently experienced empty shelves.
- CFEs presented an opportunity to cope with food system disruption.
- Consumers who would normally have attended farmers markets instead chose to shop online through food hubs.
- Consumers were anxious about food supply after seeing empty supermarket shelves, and went in search of alternative food sources.

Because of this, 28% of CFEs saw a rapid increase in sales and 17% observed new consumers during temporary lockdowns. This was also used by 8% of CFEs as a chance to educate customers about the impending food insecurity crisis.

[5] Carey, R., Larsen, K., & Clarke, J. (2020). *Good food for all: Resetting our food system for health, equity, sustainability and resilience* (Paper No.2). Victorian Health Promotion Foundation.

"[COVID-19] increased people's awareness of what is available to them in the communities and therefore increased the amount of people wanting to access local short-chain food supply."

Food Hub , ACT

The pandemic brought many challenges. Many CFEs had to make operational changes to comply with legislative challenges and also struggled to cope with the increased growth and demand.

"We put on immunised staff to accommodate staff that would not be immunised to keep our school contracts going...Mandates are revolting and unnecessary!"

Not for Profit Co-Operative - NSW

"No volunteers have been on farm since COVID."

Producer - WA

Most CFEs have stated that their sales are now back to 'normal' pre-pandemic levels. This suggests that while buyers (and producers) turn to them in times of crisis, it is difficult to sustain attention when things return to 'normal'. This is challenging as the fluctuation makes it harder to sustain staff and infrastructure ready for the next crisis. Many CFEs observed changing attitudes and increasing awareness towards alternative and local food systems, even if the actual purchasing is hard to sustain.

"[There were] highs and lows, lots of adapting, responding. Managing risks for staff and customers, dealing with anxiety, going over and above to reassure and offer flexible support. [...we] stayed open, increased home deliveries in lock down, but lost customers when lock downs ended. [Our] deliveries are not lower than before COVID-19.

[...However, it was] understood that people did value local, [and] wanted to support it. But convenience and cheapness are strong motivators."

Food Hub, VIC

Business confidence

Confidence in staying in business is high amongst those surveyed, with 88% reporting that they were either 'somewhat confident' or 'highly confident' that they would remain operational in 12 months' time. Only 9% of respondents said that they were 'neutrally confident' and just 3% said that they were 'not very confident' that they would be in business in 12 months' time.

Enterprise Size

The majority of enterprises surveyed (68%) were operating at their desired scale, with only 16% saying they were not operating at their desired scale and 12% saying that they were almost operating at their desired scale.

Community Food Enterprises' Needs

Understanding the needs and gaps of the CFE sector is an important first step to identify opportunities for capacity building and development. The most commonly cited challenges by survey respondents were:

1. Balancing supply and demand (49% of respondents)
2. Building a customer/ membership base (37% of respondents)
3. Access to capital (35% of respondents)
4. Dependance on volunteer labour (35% of respondents)
5. Managing growth (24% of respondents)
6. Economic conditions (23% of respondents)
7. Meeting food and safety requirements (20% of respondents)
8. Issues resulting from a lack of ownership of infrastructure (20% of respondents)
9. Customer retention (19% of respondents)
10. Finding appropriate technology to manage operations (19% of respondents)

While the top three issues were ranked highly by all enterprise types, there were some variations across different enterprise types:

- Finding reliable seasonal and / or part time staff was of high importance to farmers and producers (33% of farmers and producer respondents compared to 3% of Food Hubs and 1.5% of Other CFEs).
- Food Hubs were much more likely to be dependant on volunteer labour (52%) than Other CFEs (33%) and Producers (21%)
- Food Hubs (25%) and Other CFEs (26%) were also much more likely to be interested in finding appropriate technology to manage their operations than farmers and producers (9%).

Access to training

We also asked Community Food Enterprises what training they would be likely to attend. The results are below, ranked by the total number of enterprises who responded either 'Very Likely' or 'Likely' to attend training on these topics:

1. Grants and Funding (65%)
2. Strategy and Governance (63%)
3. Decision Making (51%)
4. Marketing (48%)
5. New Product Development (40%)
6. Staffing and Resources (34%)

Of the respondents, Food Hubs demonstrated the greatest amount of interest in upskilling across all categories.

Access to capital

While 68% of CFEs were able to secure the funding they needed to operate, access to capital was the third most frequently cited organisational need for CFEs (35% of respondents). This is important because the pulse check results indicate that CFEs that are able to attract funding:

- Are more likely to be optimistic about the future of their operations[6]
- Believe that they have a greater positive impact.

Out of the three enterprise groups, Other CFEs were the least likely to be able to secure adequate funding (53%), compared to 67% of Food Hubs and 76% of producers. Grants were raised as a particularly challenging area, with 63% of Food Hubs and 60% of Other CFEs who were unable to access funding through grants.

Not-for-profits are also less likely to be able to secure adequate funding - with 45% of NFPs being unable to secure funding compared to 20% of for-profit organisations. This suggests that NFPs may need assistance in their capacity to access funding, which is further evidenced by the fact that training for Grants and Fundraising was the most requested form of training by CFEs.

Although CFEs demonstrated similarities in their capacity to secure grant funding, they differed in their capacity to secure other funding sources. Data was not collected on preferred funding sources, however of the 32% of CFEs who could not access, there seemed to be some commonalities amongst enterprise types:

- 33% of producers struggled with equity investment, bank loans, bank overdraft and mortgages for the enterprise property.
- 40% of Food Hubs were unable to access loans from Community Finance Organisations.

[6] 70% of those that were able to secure funding were highly confident in their capacity to remain operational, compared to 58% of those that were unable to secure funding. This is an important observation; it indicates the importance of funding in the capacity of CFEs to meet their goals, and remain optimistic and motivated.

- 80% of Other CFEs were unable to access donations.

Many CFEs did not seek funding. While the Pulse Check did not explicitly ask why this was, many responses elaborated on why this might be, with responses including:

- Not seeking funding due to having sufficient funds from sales (3)
- Operating outside of official systems (1)
- Resistance to mandatory COVID-19 vaccinations (1)
- Difficulty navigating the financial and legal requirements of running a co-op (1)

Again, funding is likely to improve a CFEs long term viability, and its ability to have a positive impact.

Technology

Technology has the power to transform the CFE sector, drive more effective processes, improve customer experience and marketing/ sales outcomes. Most CFEs recognise this, and there was a strong desire amongst CFEs to leverage technology within their business, with only one respondent saying that they would like to operate without technology. Of the 75 enterprises surveyed 84% encountered challenges with technology. These included:

- Keeping software skills up to date (21%)
- Not having the time to use, setup or implement new technologies (21%)
- Difficulty navigating different software platforms (17%)
- Lack of integration between software platforms (15%)
- Difficulty starting to use new technology to operate their business (9%)

Increased technological sophistication will help CFEs to compete with other food businesses, lower costs and may even help to improve funding outcomes from investors.

Interoperability between software platforms

CFEs often have to use multiple software platforms, with functionality covering:

- Accounting platforms (65%)
- Email marketing platforms (56%)
- Website providers (53%)
- Ecommerce solutions (52%)
- SMS Marketing platforms (24%)
- Logistics platforms (17%)

31% of CFEs reported using other platforms. It was not clear the extent to which CFEs had connected their systems, however it should be noted that only 8% of CFEs were using third party integration tools (e.g. Zapier), so it is reasonable to assume that unless the platforms used have native integrations to each other, there is a lot of time needed to manually transfer data from one system to another.

While only 15% of respondents cited integration as a barrier to software use, there was significant evidence that increased integration capabilities would be useful. Of the CFEs studied:

- 57% indicated that connecting systems would be useful for their enterprise
- 47% indicated that it would help with product and inventory management
- 40% indicated that it would improve order management
- 37% indicated that it would benefit customer communications

Some of the reasons that CFEs gave for this were issues with data duplication and erasure, and a requirement for manual data entry which can be time consuming and error prone.

> *"We went from a manual system with then one small box order program ... to a multi program system because one didn't suit all our requirements and we were hoping they would integrate. Having used this now for a few years I can say that we are doing more manual checking than ever, stepping around glitches in programs and them not supplying what we need."*
>
> ***Food Coop, NSW***

There are many benefits to connecting systems, with CFEs indicating that it would simplify and streamline existing processes, improve efficiency, reduce costs and make their data more accurate.

The Positive Impact of CFEs

CFEs are values-aligned enterprises that pursue positive community outcomes to enhance the three pillars of sustainability: economic viability, environmental protection and social equity. The areas of impact, as prioritised by CFEs are as follows:

1. Low food miles/ short supply chain (91%)
2. Food access (75%)
3. Community resilience (72%)
4. Land protection and sustainability (69%)
5. Education and skills (56%)
6. Food sovereignty and justice (56%)
7. Affordability (55%)
8. Economic Development (44%)

67% of survey respondents indicated that they would like to increase their impact and 96% of the CFEs surveyed were simultaneously pursuing three or more areas of impact.
Over the past year, 53% of CFEs have had a more significant impact on their outcomes, while only 7% had a smaller impact. 53% of CFEs expect their impact to continue to increase.

Funding is an indicator of the capacity to meet impact outcomes. 58% of participants who were able to have a more significant impact had received adequate funding, compared to just 38% of participants without adequate funding. It is likely that recent economic conditions have affected the capacity of enterprises to achieve their desired outcomes.

With recent external shocks and events, some CFEs have had to prioritise their business delivery over secondary outcomes and areas of impact. While there is a clear desire for CFEs to have a positive impact on their community, many of them have had to prioritise business delivery over secondary outcomes and areas of impact due to the pandemic, shocks to the food system, floods, fires and other disruptions.

Food Justice

Definition: *Food Justice is an approach to food that provides eaters* ***equitable access*** *to* ***culturally relevant, ecologically sustainable*** *food, in addition to supporting food sovereignty for* ***First Peoples*** *and paying a fair price to* ***farmers****.*

Food Justice is an approach to the food system that provides eaters equitable access to culturally relevant, ecologically sustainable food, in addition to supporting food sovereignty for First Peoples and paying a fair price to farmers.

Overall, 79% of CFE participants are pursuing a form of food justice. 86% of NFPs are pursuing food justice, compared to 76% of for-profit CFEs. The areas of food justice that CFEs are focusing on is demonstrated in the table below.

Type of food justice	% of NFPs	% of for-profit
Fair price for farmers	40%	25%
Tiered pricing	60%	25%
Ecological practices	30%	25%

How CFEs are achieving food justice:

- **Ensuring a fair price for farmers:** CFEs are setting prices to reflect the 'true costs' of producing that food, including the social, environmental and taste benefits of the produce.
- **Tiered pricing models:** CFE's achieve tiered pricing models by providing discounts or free products to vulnerable and disadvantaged people, offering membership discounts, donating produce to food relief and charity and providing food to volunteers. Some producers also take an informal, discretionary approach to 'Food with Dignity'.
- **Ecological practices:** Many CFEs focus on improving the environment through agro-ecological or regenerative practices. These include increasing biodiversity, carbon sequestration, minimising or eliminating the use of synthetic inputs, no- and low-till methods and various forms of agroforestry.
  Many Food Hubs also choose to exclusively work with producers who are using agro-ecological methods and/or are using sustainable or naked packaging. They also encourage collaboration and sharing of resources which can reduce emissions and food waste.
  Many producers are also running workshops to encourage other CFEs to move towards agro-ecological or regenerative agricultural practices.
- **Contributing to local food movements:** Small scale supply chains give local consumers greater control and access to the food system, and give them a greater awareness of where and how their food is produced (Wittman, Desmarais, & Wiebe 2010).
  - 93% of food hubs participating in the survey sourced from local farms
  - 48% of producers sell directly to consumers
  - 45% of producers sell at Farmers Markets

Opportunities to improve the impact of CFEs on Food Justice

While there were a high number of CFEs pursuing impact areas related to food justice, it was clear that some of the respondents were not. Reasons for this include:

- Focusing on producing good food at a reasonable cost for the local community (1)
- Focusing on profitability (2)
- Lack of people capacity (1)
- Not understanding / being offended by the question format (2)
- Still trying to learn about food justice (1)

It should be noted that CFEs were not prompted along certain lines when it came to food justice. Certain areas, such as food sovereignty for First Peoples and providing access to culturally relevant food did not come up in detail.

- **Food Sovereignty for First Peoples:** Of the CFEs surveyed, none reported that they were working with First Peoples and/or Indegenous farming practices. It should be noted that this question was not prompted, and many CFEs may not have realised that this is an area of food justice.

Discussion

There were several emergent themes that appeared when looking at the results of the pulse check. These include:

Technology

- Most CFEs used multiple software platforms, and indicated that integration between systems would help to streamline their processes and drive efficiencies.
- Growing a customer base, customer retention and finding appropriate technology were three of the 10 most cited needs of CFEs. These customer needs all revolve around technology, as it is a core component of any growth and retention strategies.
- There was a strong desire to increase growth post COVID, which could be achieved through technological adoption.

Operations

- Balancing supply and demand was the most cited need for CFEs. This was particularly strong amongst producers. Facilitating collaboration between producers or logistics and inventory management platforms could assist with this.
- Many producers had experienced strong growth during the pandemic, and were hoping to get back to these growth levels.
- Staffing presented an issue to many CFEs. For Producers, staffing issues revolved around the ability to attract seasonal and part time workers. Food Hubs were much more likely to rely on volunteer labour.
- The areas of training that CFEs were the most likely to attend included Grants and Fundraising (65%), Strategy and Governance (63%) and Decision making (51%). Supply & Demand.
- Only 3% of CFEs report having apprentices, interns and student placements. This may suggest limited resources or opportunities for professional pathways for youth to

pursue a career in the CFE sector. This is consistent with the agriculture sector, who have half as many graduates as what is needed for the sector to thrive[7].

Finance and funding

- 68% of CFEs studied were able to access the funding they needed to operate. Funding improved CFEs ability to have an impact, access training and other resources and keep their enterprise operating. It also improved CFEs long term viability.
- There appears to be gaps in existing funding streams. Many not-for-profits expressed difficulty accessing grants, and many for-profit enterprises operated under non-traditional business models which made it difficult to attract funding from banks.
- Training for Grants and Fundraising was the most requested form of training by the CFEs studies, and access to capital was the third most frequently cited organisational need.
- CFE Enterprise type played a part in a CFEs ability to access funding - 33% of producers struggled with getting finance from banks, 40% of food hubs were unable to access loans from Community Finance organisations and 80% of Other CFEs were unable to access donations.
- Some CFEs did not seek funding, which was often because they wanted to operate independently, operated outside of the official systems or had difficulty navigating the financial and legal requirements of operating a CFE.

Impact areas

- There was a strong desire among CFEs to have a positive impact on the world around them with 93% of CFEs surveyed wanting to have an impact in three or more areas, the most common of which were low food miles (local sourcing and supply) (91%), food access (75%) and community resilience (72%).
- CFEs who were able to successfully attract funding were more confident about their ability to make an impact. There was also evidence that recent fires, floods and COVID lockdowns had forced many CFEs to shift their focus from external impacts to business continuity.
- 79% of CFEs were pursuing at least one form of food justice and 56% of them were prioritising it. The ways in which they were doing this included ecological function, a fair price for farmers and tiered pricing models and there is an opportunity to educate them about other elements of food justice such as access to culturally relevant food, or Food Sovereignty for First Peoples.
- Participants would benefit from being able to articulate and quantify their impact, which could help to attract funding from Government, Funders and Philanthropists.

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[7] AgriFutures Australia. (2021). *Annual Report 2020-21.* https://www.agrifutures.com.au/product/agrifutures-australia-annual-report-2020-2021/

Opportunities

Followup and complementary studies:

The Pulse Check surveyed 75 CFEs, approximately 5% of the Open Food Network Australia's database. It has been a useful pilot study to understand the sector, but further research and complementary studies are needed to paint the complete picture including:

- **Market sizing and definition -** A universally accepted definition of what makes someone a CFE is the first step to understanding the size and potential of this market. The Open Food Network database has over 1,500 CFEs in Australia, but these skew towards established enterprises operating in Victoria or near our existing networks. Spending time to properly define the CFE sector, and then conducting research into the size of the market would mean that future studies could say if they were (or were not) representative of the sector at large, and would also make it easier to generate more responses.
- **Focusing on specific enterprise types -** The Pulse Check provided evidence that different enterprise types (Producers, Food Hubs, Other CFEs) had different operating models, different needs and different customer groups. Further studies that focus just on one enterprise type would help to further understand and articulate the needs of each enterprise type, and how best to support them.
- **Focusing on specific regions -** Some of the respondents to the survey were from flood and fire affected regions, and this gave us an understanding of the issues that were affecting these organisations. No respondents were from remote areas, or the NT, however we know from other research that CFEs in these areas play a vital role in food accessibility and community wellbeing. Further studies that focus on these and other regions could help us to better understand the sector as a whole.
- **Focus groups and qualitative studies -** Some enterprises provided answers to certain questions that provided interesting insights into how they operate, and the challenges they faced. As responses were gathered through a survey, no follow up was done. Focus groups could be useful in teasing out some of the frustrations and barriers that prevent CFEs from operating as effectively as they would like too.
- **Consumer research -** Consumers flocked to CFEs during the pandemic, driven by panic buying and the closure of local farmers markets. This led to record levels of demand, which are by all accounts back to pre-pandemic levels. In order for the CFE sector to reach its full potential, a better understanding of consumer needs, attitudes and behaviours is needed.
- **Food Justice -** The Pulse Check identified that CFE's were contributing to some areas of food justice but that others - access to culturally relevant food and food sovereignty for First Peoples - were not part of their primary function or areas of impact. Further

research to understand why these are being overlooked is warranted to help everyone in our community benefit from CFEs.

Recommendations

Define and Size the market

The first part of doing this should be through a community consultation with a wide range of CFEs to understand and define exactly what enterprises count as CFEs and why.

Once we have established a shared definition of CFEs, we can then undertake internet research to try to identify the CFEs in Australia with an online presence. This is an important step in CFE advocacy and will help us to quantify the impact of CFEs on food justice in Australia, better understand the conditions in which they are created and what can be done to help them succeed.

Further works could then be done to organise more coordinated advocacy, or help them to scale and grow through software, training and resources. There is significant opportunity to better support organisations such as the Australian Food Sovereignty Alliance which strongly supports producer CFEs in advocacy efforts and also helping to build capacity of social enterprise peak bodies such as SENVIC to advocate around the specific needs of the CFE sector.

Amplify the impact of CFEs

CFEs need to be able to understand and communicate the impact of their programs, and to categorise them under standardised and commonly understood labels. This will help them to:

- Attract funding from Government and Philanthropists for individual enterprises
- Lobby for investment and support to the sector
- Inspire others to start CFEs in their local area to address the issues that affect their local context
- Ensure their efforts are focused in areas where they can have the maximum impact

This could be done through a range of approaches such as running webinars, creating guides and running structured workshops (online and in person) for CFEs.

Future work to understand the impact CFEs have in perhaps less widely recognised areas of food justice - such as improving access to culturally relevant food and food sovereignty for First Peoples - is also needed, and may broaden the scope of the CFE sector.

Drive funding to the sector

Funding, or a lack of it, was a common theme throughout the report and CFE answers in sections relating to:

> **Technology -** CFEs operated using multiple software platforms, which was often costly. They did not necessarily have the skills in house to select and configure appropriate software, or integrate it into other platforms.
>
> **Impact -** CFEs self assessed confidence in their ability to have an impact was correlated to if they had successfully raised funding.
>
> **CFE Needs** - **Training & Resources -** The area that CFEs would like the most training in was Grants and Fundraising, similarly, the biggest resource that CFEs were asking for was Additional Funding. Access to capital was also the third most cited challenge by all enterprise types.

Many CFEs operating overseas have received targeted support from their governments, but this is not as prevalent in Australia. Helping CFEs to quantify their impact, and establishing an industry body would help to attract investment from Government and Philanthropic bodies in the sector.

At an individual level, training surrounding grants and fundraising would help to attract money to nonprofits, whilst training around business models and technology use could help CFEs to paint a better picture of how their organisation operates, which would help to attract funding from banks and other commercial lenders.

Grants could also be made easier to apply for, which would increase the chances of them being applied for by resource scarce enterprises.

Investment in technology

57% of CFEs indicated that connecting their systems would be useful, and only 8% of them used some form of third party integration tool like 'Zapier'. Establishing interoperability standards, and building out use cases and tools that leverage the Open Food Network's API endpoints would help CFEs to connect their systems, which would mean that they could automate manual tasks and processes including data entry between systems.

This would assist with tasks like marketing, reporting and customer analysis while also freeing up time that CFEs could spend on other business activities.

There is also an opportunity for the Open Food Network to act as the glue between systems, and use the Open Food Network Software platform's APIs as a way to pass data from one system to another via the Open Food Network.

Finally, there is also an opportunity to help CFEs setup and integrate different software systems as the skills needed to do so are not necessarily held by all CFEs.

How Open Food Network can help

Our motivation behind the 2022 Pulse Check is to guide where our efforts can be most effective for the Community Food sector.

We are open to discussions and partnerships intended to progress most (if not all) of these recommendations. Specifically:

- The Open Food Network has the largest database of CFEs in Australia, and is ready to undertake a deeper study to gain an understanding of the size of the market and their needs.
- We are well positioned to design and facilitate training sessions to upskill CFEs to understand and communicate the impact of their programs, for example as group training sessions for local municipalities[8].
- The Open Food Network has already invested in technological solutions for CFEs, including integrations with email and SMS marketing platforms, and building a customer analysis dashboard in Airtable. We have a prioritised list of solutions we can develop for CFE's based on their needs expressed in this pulse check. Contact us to learn more.

The 2022 Pulse Check was completed as part of Open Food Network's in-kind contribution to a project funded by our partner, Sustainable Table.

SUSTAINABLE TABLE

[8] This would have the added benefit of bringing local producers, food hubs and other CFEs together, which would facilitate shared learning opportunities.

Appendices

Appendix 1 - Segmentation

Enterprise Type:

Producers/ Farmers - 'Producers' includes farmers and value-adders of primary produce (e.g. bakers and pickle makers) who often supply their produce to multiple sales channels, including wholesale, retail, hospitality, direct to consumer, markets and food hubs.

Food Hubs - All food hub respondents include and prioritise sourcing from local farmers and producers to build local supply chains. Many also have a mixed procurement strategy that includes state-wide and wholesale suppliers.

Cooperatives - Co-operatives (Coops) are jointly owned, for-purpose businesses formed to benefit their members who are also their owners. Coops can be either 'distributing' or 'non-distributing'. If distributing then they give profit to members and can be considered for-profit. If non-distributing then they are more correctly considered as NFP.

Co-ops are formed for many social and economic reasons, including to help their members scale or give them better buying power, to facilitate sharing the costs of running a business, or to pool risk and insure against unforeseen events (Business Council of Co-operatives & Mutuals).

Operating Model:

For Profit - These enterprises are trying to achieve a profit.

Not-For-Profit - These enterprises are not trying to achieve a profit. Because of the survey's design, Not-for-profit also includes Co-Ops.

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