

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

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Distribution Logistics: Getting Your Products to Market

This factsheet is one of a four-part series:

- *Distribution Partners: Working with Regional Carriers*, Agdex 845-26
- *Distribution Logistics: Getting Your Products to Market*, Agdex 845-27
- *Distribution DIY: Building a Solid Foundation*, Agdex 845-28
- *Distribution Consolidation: Working Together Along the Value Chain*, Agdex 845-29

These factsheets present innovative thinking and practical tips to help agricultural food producers and processors transport their goods to market. This factsheet explores key issues around distribution logistics.

These days, more of Alberta's producers and small processors are getting closer to the consumer, with many selling directly to food service companies, restaurants or retailers. While this approach can bring opportunity, it can also pose challenges.

One of these challenges is finding the best and most economical means to move products to market. Indeed, transportation costs represent a significant portion of the final price of a food product.

This factsheet will help you navigate the complex world of distribution with information on the following topics:

- kinds of transport available
- considerations for keeping food products fresh
- meeting regulations on food safety
- how to find and work with local or regional carriers

- negotiating shipping rates
- what is involved with "do-it-yourself" transport
- co-operating with other producers and processors for distribution, or dealing with co-packers and food brokers

Transport companies: matching their size to your needs

Essentially, there are three kinds of transport companies in Alberta. All are open to working with Alberta producers and processors, but each type will have unique benefits.

Larger transport companies:

- typically have larger trucks, and may require full trailer loads
- specialize in distance and volume, and routinely haul outside the province or country
- will haul only; they will not load the trucks
- can haul products with separate temperature needs in the same vehicle
- smaller loads and out-of-the-way locations are not ideal

- they prefer longer distances so often have little or no connection to the local food supply chain

Medium-sized transport companies:

- operate a mix of vehicle sizes, hauling primarily within the province
- often provide service to major centres like Calgary and Edmonton where food distribution centres are located

Transportation costs can be a significant portion of a food product.

- can break down loads into smaller trucks or vans
- often have temperature-controlled vehicles available
- may have terminals or drop-off centres to collect and store products
- may have a pre-determined network of customers you could access
- have some degree of flexibility with pick-up times and locations

Smaller, more regional transport companies:

- may haul to major centres (like Calgary or Edmonton), but more likely to haul to smaller centres (like Red Deer, Medicine Hat, Lethbridge and points in between)
- often specialize in certain geographic regions of the province
- more open to transporting smaller (or less frequent) loads
- used to dealing with smaller, localized businesses with specialized needs
- may have more limited options for special handling (like refrigeration)
- often very familiar with agri-food industry or may even be producers themselves

A list of logistics and transportation companies is available on the Alberta Agriculture and Rural Development website. Look under > *Directories > Services for Agri-Processors and Producers > Logistics & Transportation*

Timing and handling: keeping food fresh

The time it takes your product to spoil (also known as its “shelf life”) will influence the type of distribution you need. Products with a longer shelf life (like dry or canned goods) have more shipping flexibility because they require less special handling and have more wiggle room for transport timing.

Fresh or frozen products with a shorter shelf life will require a more complex distribution solution. Refrigeration and temperature control are essential, and specific delivery times must be met to ensure the product arrives at its destination as fresh as possible.

Not all transport companies offer special handling. Ask about what is available. Some companies have the ability to transport products at different temperatures in the same vehicle while others may only be able to transport one type of product in a vehicle.

Additional charges may apply for special handling, and you may pay a premium to have your product delivered

by a specific time/date if it means a single-purpose trip for the hauler. Large transport companies may provide more options but will also likely need a higher volume commitment.

Small transport companies can likely provide these same services but may have more stops along the way, which can affect delivery times and product freshness.

Meeting regulations on food safety

Alberta Health Services outlines several regulations regarding the transport, storage and distribution of food products. While in transport, foods must be protected from contamination, damage and micro-organisms that cause spoilage.

Temperature guidelines and information on storage and distribution units are outlined in Section 3.7 of the Food Retail and Foodservices Code found on the Alberta Health Services website at: <http://www.health.alberta.ca/>

The Canadian Food Inspection Agency (CFIA) (<http://www.inspection.gc.ca/>) seeks to alleviate risk and ensure the health and safety of Canadians when consuming food products.

CFIA general transportation regulations include the following:

- carriers must provide equipment that is clean, weatherproof and that prevents insects or animals from reaching the product
- containers should be sanitized after delivery (if required)
- temperature controls must be documented to prove product freshness and safety
- guidelines for transporting food and non-food items together must be followed, and organic and non-organic products must not be mixed during storage and transportation

Finding and working with local or regional carriers

As your market grows and you add more customers and locations, distribution logistics get more complex in terms of warehousing, temperature-controlled hauling, possibly cross-border paperwork and other issues. Likely, you will need to call on carriers who deliver farther away or who have more efficient food distribution systems in place.

You may also want to consider freight brokers or forwarders to take this added co-ordination off your

shoulders. More information can be found in the factsheet *Distribution Partners*, Agdex 845-26., in this series.

Negotiating rates with transport companies

While a certain amount of information can be gained from gathering bids from several companies, you can see what a complex system transport can be. You will get the best, and most accurate, rates if you have an in-person (or phone) discussion to outline your individual needs. With this approach, the carrier can find the best possible rates and solutions for your company.

Remember, you are looking to build a solid relationship that can grow with your business. The cheapest bid is not always the best bid, as transport companies who underestimate their rates may not be around to help you in a year's time.

Consultants like freight forwarders and brokers can also help source the best rates or the companies with the best solutions for you. For more information on how to establish shipping rates, refer to the factsheet *Distribution Partners*, Agdex 845-26, in this series. It outlines this process in more detail.

Considerations for “do-it-yourself” (DIY) transport

If you have a smaller customer base, you can often deliver your own goods. In fact, many prefer this shipping method because they can stay in touch with their customers.

As you grow, you may hire drivers or even haul for other producers or processors in your area. If that is the case,

there are additional licensing and liability requirements. More information on this topic can be found in the factsheet *Distribution DIY*, Agdex 845-28, in this series.

Innovation in distribution: the collaborative approach

As interest in local food grows, consumers, retail chains, schools and restaurants are increasingly interested in purchasing local food products. In Alberta, groups of producers and processors are coming together to co-ordinate their food deliveries or inbound supply shipments. Or they are using co-packers and food brokers to help get their product to market.

More information on this topic can be found in the factsheet *Distribution Consolidation*, Agdex 845-29, in this series.

Navigating distribution channels is an important part of getting your products to market, but the task can also be challenging. Investigating all the alternatives will help you find the right fit between your needs and all the options available.

For more information about distribution for agricultural food producers and processors, see the factsheets on “*Distribution Partners*,” “*Distribution DIY*” and “*Distribution Consolidation*.”

For a comprehensive study about food distribution along the value chain in Alberta, visit the Alberta Agriculture and Rural Development website www1.agric.gov.ab.ca and search “*Distribution of Local Food: Best Practices*.”

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