

Berry and honey production in Alberta: Exploring the market system

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Aleksandra Tymczak studies the berry and honey industries in Alberta's agricultural system. Here, she discusses the challenges and opportunities for farmers to access markets, as well as the current capacity for the distribution system across Alberta's agricultural system

Access to retail markets

As producers aspire to scale up their operations, they must naturally address the challenge of accessing markets. Scaling up requires transitioning into larger markets in addition to or in lieu of traditional farmers' markets. This often includes selling products to larger retail markets, such as grocery stores.

In Alberta, if a farmer wants to sell their product at a specific retail store (e.g., Sobeys, which has approximately 156 stores in Alberta), they must be able to supply a specific quantity to all 156 stores. This is hard to do with a crop that is not consistent from year to year and is produced on a small scale, such as berries and honey.

Smaller retailers, therefore, present themselves as an opportunity within the market system. Several farmers start with Freson Bros because they are smaller (only fifteen stores) and independent retailers, which allows the farmers to test the market.

Farmers have the opportunity to get their products into new stores through local programs that retailers roll out; however, the process is cost prohibitive. Costs include renting shelf space, additional fees on top of margins, marketing costs, including putting the product on the store's website, and meeting packaging standards.

It is typically challenging to scale up operations and sell products at grocery stores; however, the regulatory system adds additional barriers to this process. Some grocery stores, such as Sobeys, have relatively strict standards and specific certifications that vendors must meet to sell at their retail stores, which also aligns with their business model.

To sell berries, Sobeys requires CanadaGAP certification and Good Agricultural Practices (GAPs) to be implemented. Receiving CanadaGAP certification [provides berry farmers](#) with a competitive advantage, as they are deemed to have operations running with minimal food safety risks, making the process of scaling up their operations to larger retail markets, wholesalers, or interprovincial sales more favourable.

However, the process of becoming CanadaGAP certified has been described as “ridiculously rigorous” and laborious, in addition to being costly. Consequently, some farmers have decided not to sell to large retailers due to the stringent requirements and administrative burdens of certifications, and have instead opted to sell to smaller, independent retailers, such as Planet Organic, which does not have the same requirements. Similar trends are seen in the restaurant industry. Larger chain restaurants, such as Subway, require more certification from their producers than small-scale local coffee shops and restaurants.

Access to alternative markets

Other markets that farmers scale to include community-supported agriculture (CSAs) and restaurants. Berries and honey are two of the most desirable products that consumers desire in CSA subscriptions. Not only does this allow farmers to collaborate with other producers, but it also ensures a reliable market channel and a stable income source due to the structure of CSAs.

The other market channel that farmers have scaled to is the restaurant industry. There is an opportunity to access this market channel because independent restaurants do not require large volumes of produce during procurement, unlike chain restaurants, which mainly procure items in bulk and have unchanging menu items.

The distribution system

Furthermore, when analyzing market access, it is invaluable to consider the distribution system within the agricultural system. Operating as an independent distributor presents challenges for farmers because fuel costs and reefer maintenance are not financially feasible in comparison to the quantity of produce being distributed.

One opportunity within Alberta’s agricultural system is partnering with Cisco, a larger-scale distributor in the province. This is a unique partnership within the agricultural system because Cisco is the primary catalyst for connecting farmers with others in the market. For example, Cisco distributes its products to restaurants, care homes, hospitals, and retail stores in major urban centres such as Calgary, Red Deer, and Medicine Hat. The buyer in the market procures the produce directly from them, and once harvested, Cisco delivers it.

However, a barrier associated with distributors such as Cisco is that a particular volume of products is required to partner with such large-scale distributors. In connection with this, another barrier within the distribution system is the lack of alternative options, particularly a central distribution hub. The practice of distribution hinges on the desire to reduce food miles and conduct the practice in a sustainable manner, in addition to finding ways to reduce freight costs.

One opportunity to achieve this is to coordinate a distribution hub network, allowing certain producers to utilize the empty backhaul of the distribution network. This also provides an opportunity to reduce costs regarding food safety requirements (refrigeration, sanitization of bins, etc.) and to minimize the use of cardboard and plastics in recyclable and returnable crates.

On average, it takes two years to get one's product to market, and the most challenging part of getting the product on the shelf is distribution. The costs of distribution are a significant challenge because the product must be brought into a warehouse, and a producer must conduct distribution themselves until they have scaled up to a particular size. As a result, this restricts farmers from selling only within their local areas, following the farmers' market model.

However, farmers willing to expand may lack sufficient workforce or energy to sell at multiple farmers' markets. Once a farmer has scaled up beyond the farmers' market model, they must determine the optimal product scale, and the number of retail stores needed. A farmer needs to pursue a reasonable market in proportion to their scaling-up capabilities to avoid underachieving once in the retail market.

Reference

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