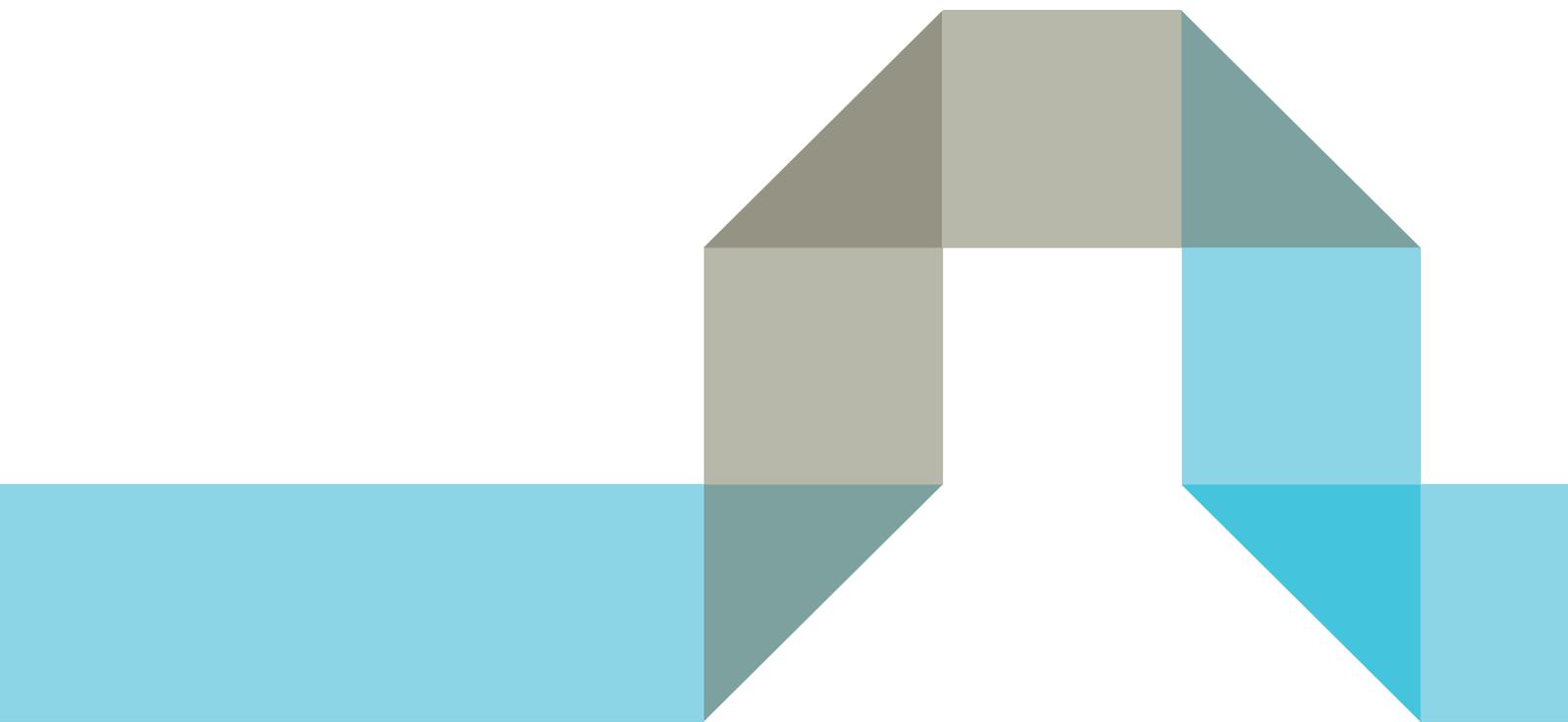


# Green Social Enterprise Case Study June 2012

By Social Traders  
with Sustainability Victoria

CERES Fair Food



Green Social Enterprise Case Study Series  
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# FOREWORD

Social enterprise is an inspiring model for delivering a broad range of social, environmental, cultural and economic benefits to individuals and communities through the trading of goods and services.

While social enterprise in its various shapes and sizes is not new, we have witnessed an elevation in interest around Australia over the last five years from a number of quarters – from community organisations and local community groups, individual social entrepreneurs, governments, philanthropists, social investors and the commercial business sector. This recent resurgence in interest recognises that ‘the market’ has an important role to play in addressing many of the problems it has created.

And the prevalence of green social enterprises is no exception. In a study undertaken by Social Traders last year in conjunction with Sustainability Victoria, at least 570 green social enterprises are estimated to be operating throughout Victoria. Social enterprises are involved in a broad range of environment-related pursuits from waste management and recycling, energy efficiency, environmental services, land care management and sustainable food production.

The purpose of this publication is to build broader awareness and understanding of the way in which social enterprise models can be used to effectively address a range of environmental challenges. Social Traders hopes it provides impetus and inspiration to others to consider opportunities that can be applied in other local community settings.

The Case Study Series builds on other case studies developed by Social Traders as a critical resource for policy makers, along with would-be social entrepreneurs and existing operators.

I wish to acknowledge Sustainability Victoria (SV) for their partnership with, and support of, Social Traders in undertaking this work. And a big thank-you to each of the five enterprises for their cooperation and contribution to making this such an interesting and useful resource and reference point on green social enterprises.

Personal thanks to Mark Daniels and Mindy Leow from the Social Traders team, for fostering the partnership with SV, completing the report and producing these excellent case study stories.

David Brookes  
Managing Director  
**Social Traders**

# CERES FAIR FOOD



# CERES FAIR FOOD

## SUMMARY

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CERES Fair Food is a fresh fruit and vegetable delivery business serving households across Melbourne. Fair Food's fresh produce is locally sourced, seasonal and organic. From its website, consumers can choose from seven types of fresh food boxes, ranging from the \$25 juice box to the \$68 large mixed fruit and vegetable box that can feed a family for a week. Consumers can add extra produce to their box, as well as other grocery products including bread, dairy, dry goods, and other household products.

Each week, food boxes are delivered to 50 drop-off points, also known as food hosts, around Melbourne, extending as far as 25 kilometres out of the city to Eltham North. Customers can choose to pick up from a food host near their home, workplace or route of travel. Food hosts are individuals, businesses or organisations who agree to provide a secure location a few hours each week to store food boxes until they are picked up.

In an average month, Fair Food supplies 1350 households and sources produce from 30 Victorian growers, contributing close to \$1 million annually to the local farming economy.

As a not-for-profit intermediary between producers and consumers, Fair Food maximises returns for farmers and reduces food costs to customers.

<b>Establishment cost</b>	\$620,000 grant from Jobs Fund
<b>Years to break even</b>	16 months (July 2010 – October 2011)
<b>Annual Turnover</b>	\$1.2 million (last calendar year)
<b>Annual Profit</b>	On track to make its first profit this financial year
<b>Staff</b>	13 permanent full-time and part-time employees
<b>Environmental and Social Outcomes</b>	Supporting local farmers to reduce food miles and create a sustainable food system Providing permanent jobs to people with a disadvantaged background Providing healthy, accessible and affordable food to the community Generating income to support the activities at CERES, a community environment park
<b>Support</b>	Start-up funding from Jobs Funds Intellectual and non-financial resources from CERES

The mission of Fair Food is:

- (1) To support sustainable agriculture and build a local food system by supporting and nurturing local growers
- (2) To provide permanent jobs to people from disadvantaged backgrounds
- (3) To provide affordable, fresh, organic food to the community in a way that builds community through the food host model
- (4) To generate income that goes to support the activities of its not-for-profit parent organisation, CERES

## BACKGROUND

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CERES (the Centre for Education and Research in Environmental Strategies) is a community environment park started in the 1980s in inner-city Brunswick East, eight kilometres from Melbourne's CBD. Its objectives are to address the causes of climate change and to promote social wellbeing and connectedness within the community. CERES is an urban oasis visited by 350,000 people each year. It had a turnover of \$8 million last financial year and operates six social enterprises on its 4.5 hectare site, including a café, an organic farm, a plant nursery, a market and organic shop, event and conference facilities and an education centre. Fair Food, located in a warehouse less than a kilometre from the main site, is the seventh and newest social enterprise.

The CERES market and organic shop have been operating as successful enterprises since 2002 and was turning over about \$250,000 per year at the time. In 2003, market and shop staff came up with the idea of buying fresh organic food in bulk to split among staff to help subsidise their not-for-profit wages.

News of the initiative soon spread, and some in the community asked to join. Others wanted to start their own co-operatives and asked CERES to supply the food.

Seeing an opportunity to expand the organic food business beyond the site and to support more local growers, CERES started to supply food co-operatives in the community in 2004.

To support this growing food system CERES also developed kits to help food co-operatives start up. By 2009, more than 300 households were benefiting from CERES' bulk organic food supplies.

In April 2009, as part of the Australian Government's stimulus package, the Community Jobs Fund was set up to support and create jobs and develop skills. CERES received close to \$700,000 as seed funding to start a new enterprise,

enabling it to significantly grow the organic food delivery business. This involved securing a warehouse and vehicles, building a cool-room and developing an integrated web store and enterprise system under the new brand name of CERES Fair Food.

## FEASIBILITY AND START-UP

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The feasibility study set out to answer two questions:

- (1) How many boxes of food, and at what price, would Fair Food need to sell each week to support the cost of operating at a larger scale?
- (2) How quickly would Fair Food need to gain new customers in order to cover the cost of operations (i.e. achieve breakeven)?

CERES met with all 12 co-operatives it was supplying and invited them to switch from the co-op model to become customers of Fair Food. This way co-ops would be spared the effort of taking orders, packing boxes, and handling payments, with only one household from each co-op required as a collection point.

**More than 200 households agreed to join, providing a strong initial customer base for the enterprise.**

Seeking a deeper understanding of the key cost drivers for setting up the enterprise – the size of the warehouse, type of equipment and vehicles, and staffing levels – CERES consulted with a similar social enterprise, Food Connect Brisbane. This exchange yielded valuable insights, including that Fair Food needed a larger warehouse than originally thought.

With seven years of experience in supplying food co-operatives and running an organic market, CERES already had reliable information about the cost of the fresh produce sold, and was able to determine the mark-up needed to cover operating costs. A number of scenarios were developed using the different variables outlined above.

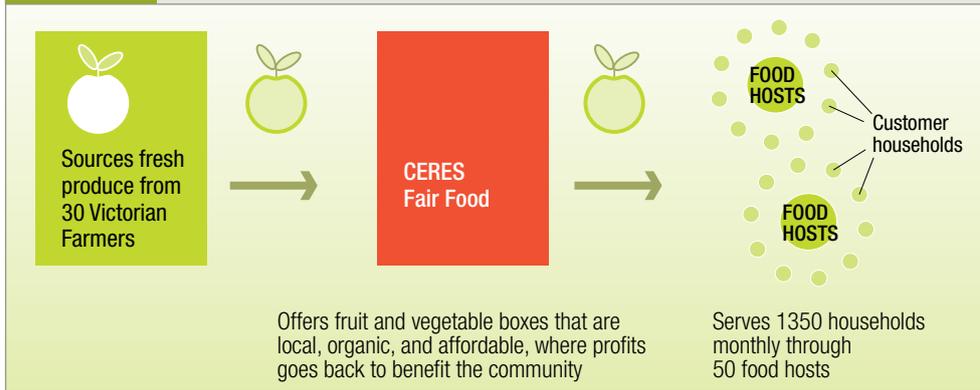
Ultimately it was decided that Fair Food would begin with the capacity to supply 1500 boxes each week and would achieve breakeven at around 650 boxes per week.

## ENTERPRISE STRATEGY

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Fair Food has a procurement policy that provides Victorian farmers with a reliable market for their produce across the growing season. The majority (55 per cent) of Fair Food's produce is grown at the CERES organic farms in Brunswick East and Coburg and by farmers within 280 kilometres of Melbourne's CBD. To meet any

Figure 1. Illustration of the Fair Food business model.



shortages in supply, Fair Food procures from wholesale agents, but still sources local Victorian produce where possible, in line with its commitment to reduce food miles.

While Melbourne already has an established organic food delivery market, CERES Fair Food is the only one to have an emphasis on local food.

It also differs from competitors in its use of the food host model, which reduces delivery costs and builds community. Food hosts are individuals, businesses or organisations that provide a secure place for food boxes to be held for a few hours until customers pick them up.

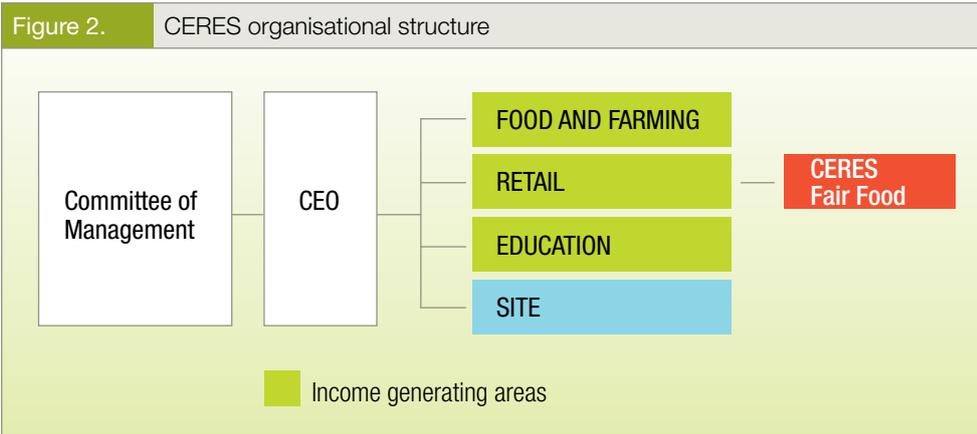
## MARKET

Fair Food is not a traditional bricks and mortar grocery retailer. Customers browse, buy and pay for all their purchases online at [www.ceresfairfood.org.au](http://www.ceresfairfood.org.au). This is Fair Food's only point of contact with its customers, other than through food hosts.

In an average week 650 households receive fruit and vegetable boxes from Fair Food. While not all buy weekly it is estimated that around 1350 customers purchase at least once a month. Since its start-up in July 2010 Fair Food has served more than 4000 customers across Melbourne.

## ORGANISATION STRUCTURE AND GOVERNANCE

Fair Food is a business arm of CERES, which is a not-for-profit incorporated association. This legal structure allows CERES to receive grant funding which has underpinned the start-up of Fair Food.



CERES is governed by a committee of management, consisting of 12 unpaid members who meet monthly. In its new organisation structure, the CEO answers to the committee of management.

Reporting to the CEO are four group managers responsible for Retail, Food and Farming, Education and Site. All the areas except for Site generate income.

Fair Food is one of the enterprises within the Retail group. The general manager of Fair Food is supported by three other managers who are responsible for marketing, logistics and administration.

## FINANCIALS

Fair Food is a fast-growing business in its 18th month of operations. In the 2011 calendar year Fair Food recorded an annual turnover of \$1.2 million. It achieved breakeven in October 2011 – its 16th month of operations. The feasibility study had anticipated breakeven in June 2011, which was also when the Jobs Fund grant ended. The four-month funding shortfall of \$40,000 was covered by CERES – one of the benefits of having a supportive parent organisation.

As well as financial support, CERES provided all the human and intellectual resources (such as organic food industry experience and administrative support) that went into starting up Fair Food.

Around \$150,000 or 25 per cent of the Jobs Fund grant, was used to set up Fair Food, giving it the capacity to quickly scale up operations. The remainder was used to cover operations until Fair Food achieved breakeven. None of this would have been possible without seed funding from Jobs Fund and the human and intellectual resources provided by CERES.

## ENVIRONMENTAL AND SOCIAL OUTCOMES

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At CERES enterprises not only deliver positive environmental and social outcomes but also generate income to cover the cost of maintaining the 4.5 hectare community park and to fund major projects. In return, enterprises have access to services such as management and payroll support. The percentage of revenue given back to CERES varies between enterprises and depends on the type of business and profit margins. During its current establishment phase, Fair Food pays between 5-10 per cent of annual revenues to CERES. This is expected to increase to 10-15 per cent when Fair Food achieves sales of 1000 boxes per week and becomes 'established'.

Fair Food's social and environmental impact can be understood in terms of its effects on its stakeholders:

### Victorian Farmers

The aim of Fair Food's buying policy is to build a strong local food economy by creating and growing demand for local, organic produce and nurturing local farmers. Fair Food buys most of its fresh produce from Victorian growers and is one of the largest organic buyers in Victoria. Fair Food purchases more than 500 tonnes of fresh produce per year from 30 farmers in Victoria, contributing close to \$1 million in revenues. For small farmers, Fair Food not only buys the majority of their crop, but also makes a commitment to support them through the growing season. For larger farmers, Fair Food provides the same stability in demand, helping farmers to plan crops for future seasons.

**As the direct conduit between growers and consumers, Fair Food ensures that farmers receive a fair price.**

According to the National Farmers Federation, "producers receive as little as 5 per cent of the price paid by consumers." At Fair Food, 60 per cent of the consumer dollar goes back to the farmer. In addition Fair Food pays farmers on delivery (as opposed to 15 to 30 days later) to ensure they have the cash flow to concentrate on growing food.

"[By dealing] with CERES, we are bypassing the wholesaler and we're getting our product direct to the consumer. The margins are better," said Kane Busch from Busch Family Farm in East Gippsland, who supplies Fair Food with a range of seasonal vegetables including broccoli, carrots, parsnip, beetroot, kale and heritage tomatoes.

More comments from Victorian farmers who supply Fair Food can be viewed at <http://vimeo.com/24750857>.

### Fair Food Customers

One satisfied Fair Food customer commented that, “We’re now getting local organic produce through CERES at a cheaper price and better quality than we’d have paid for non-organic product of uncertain origin at the market.” Another customer reported that her family now consumed vegetables that they would have rejected in the past. “Fair Food has changed my family’s life,” she said. Others like the food host model because it helps connect them with their neighbours.

### Fair Food Employees

Fair Food works with Adult Multicultural Education Services (AMES) to provide permanent employment for new and recent migrants. Staff at Fair Food come from diverse ethnic and cultural backgrounds, including Kurdish-Turkish, Sudanese, Japanese and Sri Lankan.

### The Environment

Fair Food produce involves fewer food miles because it is sourced locally. Minimal packaging is used, so that waste is reduced. Seasonal food also reduces the need for storage and transport, thus using less energy.

## SUCCESS FACTORS

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### Securing start-up funding

Achieving breakeven within two years of start-up is an accomplishment for any business. This would not have been possible for Fair Food without the up-front investment that enabled it to secure the assets and operational capacity to scale up quickly.



### **Building an online business**

Building a customer-friendly website as part of an efficient enterprise system has been a key factor in Fair Food's success. The website is Fair Food's 'shop front', where all customer transactions take place. At the back end it captures customer data, collates orders and generates invoices.

### **Key partnerships**

The Victorian Organic Industry Committee (VOICe) – made up of representatives from the Victorian organic industry – is one of Fair Food's key partners. As well as helping to connect Fair Food with more Victorian farmers, VOICe also helped fund a supply chain project that allowed a group of farmers to share transport and other assets.

### **Building on what you are good at**

CERES has been involved in food production since the 1980s and has been a food retailer and wholesaler for more than 10 years. With the skills and knowledge gained over this time and with a loyal co-operative customer base already in place, the organisation was well positioned to run a business in the fresh produce industry.

## **REPLICATION**

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The Fair Food business model is difficult to replicate because the high cost of start-up poses a major barrier to entry. Given adequate funding, this model is feasible in capital cities where access to a large market is available. A scaled-down version may also be feasible in smaller communities – as evidenced from the earlier food co-operative model.

Seeing itself as a community asset rather than a closed private business, Fair Food invites like-minded individuals and organisations to learn from its business model. Comparable businesses in other capital cities include Food Connect Sydney and Food Connect Brisbane. (Food Connect Adelaide no longer operates.)

## **CHALLENGES**

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Like all start-ups, Fair Food is still in a vulnerable position to grow its customer base and establish itself as a mature and sustainable business.

Even though Fair Food has passed the two-year mark and has achieved some breakeven months, this is not sufficient. This is because Fair Food has high overhead costs, and it is susceptible to fluctuating economic conditions. Retailers around the country are facing challenges amidst a soft retail market and decreased consumer spending; Fair Food is no exception.

Fair Food needs to significantly increase the number of food boxes sold and at a consistent level so that it can generate substantial profits in order to pull its weight at CERES.

Even during breakeven months, Fair Food is just operating at approximately 50 percent capacity and has plenty of room to grow. Achieving growth is therefore a challenge for Fair Food, and this is partially due to limitations of its current business model.

## WHERE TO FROM HERE

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A recent customer exit survey confirms that the major factors preventing people from becoming regular Fair Food customers are:

- lack of choice;
- inconvenient pick-up locations or times, with many people suggesting a home delivery service.

Some customers like to know exactly what will appear in their boxes. Others want the flexibility to choose more of one thing or less of another. While Fair Food is constantly increasing its range of products, ultimately the food box model does not allow for complete customisation. CERES is always seeking the balance between being a box food scheme and an online grocery business, while keeping its customers happy.

The issue of delivery is more complex. As things stand, one of the challenges to growth is the problem of recruiting enough food hosts to be able to offer convenient pick-up times and locations. One solution might be to offer a home delivery service—this would not only increase costs to customers, but also further complicate logistics and operations. Fair Food needs to investigate whether it should provide a home delivery service as well as the food host system, or whether it should restrict itself to one mode of delivery. These are some decisions facing Fair Food as it strives to grow into a mature business.

## FOR MORE INFORMATION

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### CERES Fair Food

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## ABOUT THIS SERIES

This is one of five case studies that comprises the Green Social Enterprise Case Study Series developed by Social Traders and Sustainability Victoria. The Series provides a detailed exploration of five organisations that have developed trading businesses to deliver on their environmental and social missions.

Green social enterprises:

- are led by an environmental mission or deliver environmental outcomes in the process of pursuing community benefits;
- engage in trading activities to generate a significant proportion of their income;
- retain the majority of profits for achievement of their mission.

The organisations selected for this Case Study Series represent a cross-section of green social enterprises whose activities range from energy efficiency and production to waste reduction and reuse to local organic food production.

The case studies build upon the *Support and Strengthen Green Social Enterprise* report, undertaken jointly by Social Traders and the Victorian Government through Sustainability Victoria, and published in August 2011. This report investigated green social enterprises in Victoria with a view to understanding the scope and needs of such enterprises, as well as the needs of others in the wider green movement who are interested in social enterprise. A key recommendation coming out of the report was the development of resources for those green groups and green motivated individuals interested in developing social enterprise models to support their green passion.

The Case Studies Series provides insight into the business models and specific workings of selected social enterprises. They are an educational resource designed to provide equal doses of inspiration and trepidation for the would-be social entrepreneur. Establishing a social enterprise is not easy, but those that succeed clearly demonstrate that commercial and environmental aims can comfortably co-exist within the same organisation in the long term.

The five green social enterprises selected for this series of case studies are:

[CERES Fair Food](#) – local organic food production and distribution

[Eaglehawk Recycle Shops](#) – waste reduction

[Green Collect](#) – waste reduction and renewal

[GV Community Energy](#) – renewable energy and energy efficiency

[Kildonan Uniting Care's Energy Efficiency Home Visits](#) – energy efficiency

These enterprises have been selected to illustrate a range of environmental missions, outcomes, industries, business models, sizes (in terms of annual

	GVCE	CERES FAIR FOOD	GREEN COLLECT	KILDONAN UNITING CARE	EAGLEHAWK RECYCLE SHOPS
<b>Stage</b>	Explorer	Implementer	Implementer	Implementer	Mature
<b>Years of operations</b>	18 months	19 months	7 years	8 years	18 years
<b>Period of Incubation</b>	2 years	7 years	3 years	1 year	1 year
<b>Years to breakeven</b>	Not yet achieved	16 months	3 years	Within 1 year	Within 1 year
<b>Parent Organisation</b>	No	Yes	No	Yes	Yes
<b>Environmental Mission or Outcome</b>	Carbon abatement	To reduce food miles and build sustainable food systems	Waste reduction	Energy efficiency	Waste reduction
<b>Industry/Business</b>	Solar bulk-buying and other energy services	Fresh fruit and vegetable delivery	Reusing, Upcycling, Retail	Home energy assessments	Recycling
<b>Metro/Regional</b>	Regional	Metro	Metro	Metro & Regional	Regional
<b>Annual Turnover</b>	\$650,000	\$1.2 million	\$500,000	\$1.5 million	\$1.2 million
<b>No. of Employees</b>	5	13	35	10	40

turnover and number of employees), and levels of maturity (in experience and development). A table is provided for comparison above.

The *Support and Strengthen Green Social Enterprise* report estimates that at least 570 green social enterprises operate in Victoria, including 460 opportunity shops. While a larger number of green organisations were identified, not all were included on the list because some did not fit the green social enterprises definition—some were green businesses and not social enterprises, while others were green groups and lacked significant trading activity.

The research found that green social enterprises fall into three key groups: waste reduction, food production and other consumables, environmental services and land care. Other smaller groupings include renewable energy and information provision.

The research also discovered that 60% of green social enterprises identified are concentrated in the metropolitan Melbourne area, while the remaining 40% are spread throughout regional and rural Victoria.

The complete *Support and Strengthen Green Social Enterprise* report can be downloaded from Social Traders' website or obtained from Social Traders directly.

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www.socialtraders.com.au

# ABOUT SOCIAL TRADERS

Social Traders is an independent not-for-profit company established in 2008 to encourage and support the development of commercially viable social enterprises throughout Australia.

Social Traders works with government, business, community, philanthropic and research partners to:

- Raise awareness about social enterprise and demonstrate its benefits
- Build trading capability of start-up and early stage enterprise
- Open up market opportunities for social enterprise
- Increase finance available to start and operate social enterprises

The company offers a number of unique social enterprise development and investment initiatives, including 'The Crunch' and Building Social Enterprise Trading Turnover (BSETT) Project. Social Traders has completed a national Social Enterprise Sustainability Project, which involved tailored business coaching support to 40 social enterprises around Australia.

Social Traders has also developed a range of specialist tools and resources, runs regular social enterprise workshops and hosts regular conferences and forum covering all aspects of establishing, operating and building the sustainability of social enterprises.

The Social Enterprise FINDER is Australia's first comprehensive online social enterprise directory. The five enterprises profiled in this publication can be found in The FINDER ([www.TheSeFINDER.com.au](http://www.TheSeFINDER.com.au)) along with over 5,000 other social enterprises operating around Australia.

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## ABOUT SUSTAINABILITY VICTORIA

Sustainability Victoria's statutory objective is to facilitate and promote environmental sustainability in the use of resources. Established under the *Sustainability Victoria Act 2005*, SV is a statutory authority with a board appointed by the Minister for Environment and Climate Change. SV has obligations under the *Environment Protection Act 1970* for state-wide waste management strategy and planning, as well as managing the Sustainability Fund. SV supports and complements the work of its portfolio partners the Department of Sustainability and Environment and EPA Victoria as well as the Metropolitan and Regional Waste Management Groups.

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