



Galloway Food Hub

Growing Resilience

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Executive Summary	3
5 Recommendations	3
Current situation - Fortnightly delivery	3
Financially	4
Staff	6
Producers	7
Options for becoming more financially sustainable	7
Going weekly - explored	7
Business to Business Sales	9
More wholefoods/bulk buying offer	9
Extending the range further	10
Change of premises	10
Finding more diverse income streams through project work with partners or funders	10
Business to Business (B2B) sales - explored	11
Wholesale market in the UK trends	11
Wholesale in Scotland and Potential Competitors	11
Buyers of Wholesale Fruit and Vegetables	11
Location of B2B customers vs GFH current delivery rounds	13
Purchasing Drivers for Buyers of Wholesale Fruit and Vegetables	13
Learnings from Tamar Valley Food Hubs Wholesale and Good Food Loop	15
Insights from a sample of GFH producers	16
Wholesale / B2B expansion Options	18
Setting up Galloway GFH Wholesale in Open Food Network	18
Logistical Considerations for B2B and Wholesale	18
Financial benefit	19
Premises - explored	19
Owning a van - explored	20
Making the current operating model more effective	22
Financial systems	22
HR & Governance Issues	22
Capital Investments	22
5 Recommendations	23
Appendix 1 - Current rate of loss per order cycle	26
Appendix 2 - Predicted rate of loss per order cycle by moving to weekly	27
Appendix 3 - Sales analysis	28
Appendix 4 - Increasing your gross profit margin	29
Appendix 5 - Increasing your gross profit margin and reducing hours	30
Appendix 6 - Maintaining your gross profit margin and reducing hours	31



Executive Summary

Galloway Food Hub (GFH) has exhibited resilience and growth since its inception. The period following COVID19 proved to be very difficult for similar food hubs nationally, with several notable organisations closing their food hub businesses. To set up and make a success of a food hub business during such testing times is highly commendable. GFH has experienced steady and impressively consistent growth since it started in May 2022. There are a good number of loyal customers and average basket spend is healthy. The organisation is well supported by volunteers and by extension its local community.

Analysis of GFH financial information and consideration of current practices and processes have indicated some areas where performance may be further improved. In particular, two leading indicators have highlighted where efficiencies and changes may be implemented. These indicators are, gross profit margin and staff minutes / order (the amount of staff time across the whole operation divided by the total number of orders).

We have spent time analysing the financial and Open Food Network data shared with us, interviewed 5 suggested producers, met regularly with Lesley to share our experience from Tamar Grow Local and relate it to the challenges and opportunities we were finding, explored opportunities for incorporating a delivery vehicle, looked into additional chilled storage, and explored potential for a move to an alternative larger premises. From this analysis we would like to make the following five recommendations

5 Recommendations

1. Increase efficiency using existing staff resources and modest capital investment
2. Soft move to a weekly delivery cycle
3. Grow current model with the ambition of moving premises in the future
4. Commence wholesale / business to business operations
5. Improve and streamline financial systems and processes

Current situation - Fortnightly delivery

Financially

GFH has experienced steady and impressively consistent growth since it started in May 2022. There are a good number of loyal customers and average basket spend is healthy.

According to the Budget vs Actual spreadsheet, for the current financial year up to 31/01/25 GFH is running at a gross profit of £7,418. However, when taking into account all other expenses this is showing a loss of £15,123. This seems to be at odds with the current admin fees/discounts given by producers which average at 21%. At this rate the gross profit would be £10,975 and the resultant loss reduced to £11,566.



What this highlights is that GFH uses a number of spreadsheets requiring various levels of manual maintenance to try to track different areas of finance. This can lead to inconsistency, duplication of effort and confusion as to the 'source of financial truth.' Greater consistency could be more easily achieved through effective use of Xero and Open Food Network (OFN) reports. This is important because when GFH grows there will be more data to control and get to grips with. High level data analysis is crucial for effective decision making and can suggest areas where more detailed scrutiny can be helpful. However, attempting to dive into the detail of all areas of the operation all the time can be a distraction from the main activity which needs attention.

The average gross profit margin of GFH activities is 21%. This is relatively low. We will discuss a number of factors which contribute towards this low margin.

Over the period September 2024 - February 2025 each order cycle was running at a loss of £925 See Appendix 1. It is therefore important to look at ways to increase revenue or reduce costs in order to become financially sustainable in the medium to long term.

There doesn't currently seem to be a workable cash flow forecast to help project or model changes. There may be a tool within Xero to manage this or a spreadsheet may suffice if it aligns with the Chart of Accounts within Xero

Currently GFH's overheads are very affordable although the restrictions with the current space are a limiting factor to efficiency and expansion.

Models exploring various options for financial sustainability are at Appendix 2

Staff

The GFH team has a really good combination of skills and a lot of loyal volunteers. However, unsurprisingly volunteer management seems to take up a lot of time.

Staff are currently all freelancers paid at £18 per hour. Some comparators are set out in the table below.

	Current rate of pay	Annual Equivalent
GFH Freelancers	£18.00 per hour	£35,100
National Living Wage from 01/04/2025	£12.21 per hour	£23,810
Real Living Wage from 01/04/2025	£12.60 per hour	£24,570
Median pay in Scotland*	£15.30 per hour	£29,832

* [Labour Market Trends: February 2025](#) Scottish Government

It is understood that freelancers would expect to have an uplift in their rate to account for the fact that they are responsible for paying their own tax and NI, as well as not having any paid holiday, bank holidays or sick leave. However, at the current rate of Order Cycle losses this rate of pay does



not seem to be sustainable. GFH need to consider whether or not to transition to a situation where staff are employees rather than freelancers and the implications of this in terms of liabilities for tax, national insurance and pension contributions against the potential positive impact upon workplace culture.

The time spent by staff on various aspects of the GFH delivering between 71 -113 orders per week (an average of 92 between 20/09/24 - 14/02/2025) are:

<i>Jobs - excluding deliveries</i>	<i>Total</i>	<i>Jobs</i>	<i>Total</i>
<i>Packing week specific</i>		<i>Non-packing week</i>	
Packing day Friday	14	Team meeting	6
Prepacking day Thursday	6	Packing day follow up	0.5
OFN admin packing week	1	OFN Admin	1
Producer comms	2	Veg ordering	1.25
Volunteer organising	3.5	Greencity order	0.5
Customer comms	2	Stock control	1
Packing list prep	2	Social media & Newsletter	2
Invoice & Label printing	2	Volunteer organisation	1
<i>General</i>		Producer comms	3
Producer comms	2	Customer comms	2
Social media & Newsletter writing	2.5	Finance- buying, budget monitoring, stripe, invoices	9
Business development	10	Business development	10
		P4G	4
Total	47	Total	41.25
Weekly average hours	44.125		

On average this equates to 57 minutes of staff time per order.

In addition there are 11 unpaid volunteer hours for drivers and packers who are remunerated by being paid mileage and having a discount on their shopping.



In contrast at Tamar Valley Food Hubs which operate a **weekly** order cycle delivering between 95 -120 orders per week (an average of 104 between 29/11/24 - 28/02/2025) staff time is broken down as:

<i>Tamar Valley Food Hubs Jobs - excluding deliveries</i>	<i>Total</i>
Team meeting	1
OFN admin and order processing including packing list prep, veg ordering and route planning	7
Prepacking day Thursday	9
Packing day Friday	20
Staff organising	1
Producer comms	2
Customer comms	2
Packing day follow up	5
Social media & Newsletter writing	2
Business development	4
Finance- buying, budget monitoring, stripe, invoices & refunds	5
Stock control	1
Total	59

On average this equates to 34 minutes of staff time per order.

Only one volunteer currently receives a 10% discount on their shopping.

Hourly rates of pay at Tamar Valley Food Hubs from 1st April 2025 will vary from £12.60 per hour for the three drivers to £13.35 per hour for picking and packing and general admin tasks to £15.38 per hour for business development, producer onboarding etc. All staff are employed and so benefit from 5.6 weeks paid holiday per year, paid sick leave, time off in lieu of overtime payments where it is deemed unavoidable which has to be approved by Directors.

Producers

There is a good range of produce available on the shopfront with some obvious gaps mainly due to the farming mix in the area. However, there are varying levels of discounts and markups for different producers from 10-20%. These anomalies and lack of consistency for producers could lead to resentment. Since not all markups are shown on the system there is a lack of transparency to customers as to what money goes to the producer and what is retained by GFH for their costs. One advantage of using the Open Food Network is that it is possible to display directly to customers the proportions of the retail price that go directly to food producers and intermediaries. All local produce at Tamar Valley Food Hubs has a mark up of 18% and this is the same for all producers, dry goods from Essential however, have a 30% markup, and this subsidises the markup we need to put on our local produce. Standardised markups make it easier to explain to producers how we work and the advantages for them to be part of the Food Hub.



An analysis of sales by product and producers is at Appendix 3

Sales numbers - customers numbers

Growth in sales, customer numbers and average basket has been very respectable since May 2022 and there is clearly much diligence in data gathering and recording this movement towards financial sustainability. Growing from 40 orders per week, totalling £1,503, in April 2023 to 113 totalling £5,138, in February 2025 is impressive given the limitations of space and equipment.

Options for becoming more financially sustainable

Going weekly - explored

Going weekly seems like the obvious and most likely route to success! The rationale being that some tasks will take double the time through going weekly but others will not thereby reducing the amount of time spent per order.

Benefits

- More regular order cycles means the shopfront is open for longer and is more visible
- May increase revenue by:
 - Increased spending by existing customers
 - Engaging customers that require a more regular order cycle
- Keeps customers regularly engaged with GFH
- Weekly shopping items such as milk and bread are purchased more regularly rather than as a treat every fortnight

Risks

- Customers don't shop every week
- Average basket goes down

Operational Considerations

- Volunteer fatigue
- GFH not able to staff all delivery rounds every week
- Not all drop off points may be able to move to weekly cycle
- Staff burn out
- Additional equipment to enhance efficiency
- Streamlined paperwork such as customer packing lists to speed up picking and packing processes

Financials

The most obvious benefit of a weekly order cycle is the potential increase in revenue for GFH thus improving financial stability. If order numbers and average basket were to stay the same as they currently are on a fortnightly cycle the level of loss per cycle could be reduced to £393. This is illustrated at Appendix 3



Producers

It is assumed that the majority of producers would be supportive of this idea but even if some still only want to trade every fortnight this is not a significant barrier as there is no harm in having 'guest' producers to mention in newsletters and in social media. There may be a need to work more with producers to organise shared deliveries or work more collaboratively to deliver every week. The geography of the area is a significant challenge to making this work.

Volunteers & staff

Staff and volunteers are often one of an organisation's biggest expenses as well as one of its biggest assets. Having lots of volunteers has many advantages especially in building a common purpose and a community around your Food Hub. However, the discounts currently offered to volunteers means those receiving 20% discount are in effect getting their shopping at cost and they are making no contribution to the effort put into collating that order apart from their labour. Those volunteers who get a 10% discount, although their volunteer input may be deemed valuable, are also a contributory factor to the low gross profit margin.

For example, the discount from the meat supplier is currently 10%, although in the process of moving to 20%, but it is our understanding that some volunteers receive a 20% discount on their meat purchases, therefore GFH has been subsidising the additional 10% from gross profit as a volunteer benefit. **This inevitably contributes to the low gross profit margin.**

A culture of an organisation that is mainly volunteer led is very different to one which is more commercially motivated. Moving to a weekly order cycle may rule out some current volunteers and unless replaced may necessitate employing a delivery driver at some point. A review of how volunteer discounts are consistent and transparent as well as the relationship between volunteers and paid staff could be beneficial. One consideration is whether or not these discounts constitute a **taxable benefit** and the implications of this for individuals. Careful handling of any transition would be required.

Rounds / hub & spoke

This model currently works really well for GFH but may be more of a challenge with further growth and a weekly delivery cycle. There are clear advantages for customers having all collections and deliveries within a short window late on a Friday afternoon. However, there will be inherent pinch points with this system which will only be exacerbated during a period of growth and expansion. If at some point employing a driver to drive a van for all or some of the delivery routes becomes financially viable, or indeed necessary, then a more linear approach spacing out dispatch and collection times might be more efficient. To transition to this point the rounds could be split in half and one done by volunteers one week and a driver the next and then reversing this the following week. It is acknowledged that this might be challenging in terms of producers getting their produce to GFH but it might be worth exploring its feasibility. The move to a weekly order cycle may be the nudge point to get more producers to deliver directly to GFH or to collaborate more with others to do so.



Financial model of benefits - sensitivity analysis

A number of break even calculations showing the effect of different parameters are at Appendices 4-6

By adjusting the different fields in the Break Even Calculators GFH will be able to work out how to best move towards financial sustainability. The examples in Appendices 4-6 show the effect of a weekly order cycle projected over the 6 months from June - November 2025. The figures are drawn from the Working Copy of Cashflow & P&L Projections - Galloway Food Hub RS_LA_25 previously shared with GFH. The next two examples show the effects of a 5 or 10 hour per week reduction in salary costs with different gross profit margins of 26% and 21.5% respectively and with the latter showing a small profit.

Using the Break Even Calculator to work out the turnover required for GFH to meet all of its costs without any other income shows that a turnover of c£8,500 per week would be required. The current gap in sustainability can be filled in a number of ways. A combination of grant funding, project working, developing a wholesale shopfront and diversification of work streams can all be modelled in this way as can increases in gross profit margin to try to analyse the best fit and way forward. There will be sliding scales at which the balance can be struck between positive and corrective measures which can be taken and the palatability or otherwise of those measures.

Business to Business Sales

This is explored in more depth later on in this report at page 11.

More wholefoods/bulk buying offer

As the mark up on these products is usually higher than on local produce, being able to offer a wider range gives customers more of a one stop shop for their weekly needs. Typically you would expect to mark up these products by 30%. Before keeping additional items in stock it might be useful to ask customers what they would buy on a regular basis. It might be worth exploring the demand for ethical cleaning products as well.

There are ways to achieve selling wholefoods without having to keep items in stock, e.g. having a pre-order Order Cycle with delivery on a certain day of the month which GFH could then order through Greencity. Currently there is a way to offer the entire Essential Trading range of over 3000 lines of wholefoods through an OFN Order Cycle. Although Essential Trading does not deliver to Scotland it might be fruitful to explore the possibility of replicating this model with OFN UK and Greencity.

Tamar Valley Food Hubs turnover from fortnightly bulk buying order cycles totalled £3,500 in 2024-25, with a mark up of just 18%, which gives good value to customers, this gives a gross profit of £630. There is very little admin associated with this offer and it also encourages customers to shop on the week that their bulk order will be delivered where they might not otherwise.



Extending the range further

Although limited by the farming mix in the area, GFH has some obvious gaps in their range, such as butter, yoghurt and fish. In order to fill those gaps consideration could be given to looking further afield for those items or working with aggregators or local shops to fill those gaps. For example, having a delivery from a local mobile fishmonger.

Change of premises

The current premises are limited in size and useability which impedes growth and efficiency. However, with the current improvements, installation of renewables, insulation and WIFI the rent is very affordable. There are ways to improve efficiency at the current premises explored below but this is currently an unavoidable limiting factor. Moving premises would need to be undertaken at a point where financial stability is reached and GFH can justify any additional revenue costs. A robust Business Plan would be required to plot out any further diverse income streams that could be generated by moving to a more flexible space.

Finding more diverse income streams through project work with partners or funders

Although the current funding landscape is becoming increasingly difficult there is scope to work up projects with social purpose with organisations such as local Housing Associations and Local Authorities. Tamar Grow Local (TGL) has developed two inter related projects New Home, New You and [Grow, Share Cook](#) which are funded in this way and contribute to the financial sustainability of TGL by covering a proportion of overheads. These projects also make use of redundant van capacity during the week when they are not being used for Food Hubs deliveries and provide a regular route to market for producers for the contents of the veg bags that go to the participants.

Finding additional income streams may enable continuation of current working patterns in order to make the organisation financially sustainable. At present, whilst there are some limitations that the current way of working places upon the GFH such as reliance upon volunteers, bespoke producer relationships, rates of pay, it remains the case that GFH does currently function as a food hub service for the area. This is arguably an important social function and whilst GFH in its current form may need continual financial subsidy to operate in this way it does generate social value as well as economic value for its producers. Project related income streams linked to similar social outcomes could make GFH financially viable but would refocus the organisation around food related social outcomes rather than economic development of the local food sector.

The remainder of this report, however, takes an economic point of view, acknowledges that GFH is operating at a loss each order cycle currently, and suggests that changes to GFH operations and procedure should be the focus of attention for making suggestions for future financial sustainability.

Business to Business (B2B) sales - explored

Wholesale market in the UK trends

The July 2024 IBISworld Industry report 'Fruit and Vegetable Wholesaling in the UK' shows the market is worth £12.4bn generating the 2,613 businesses involved £605m in profit or a profit margin of 4.9%. 75% of this is fresh, rather than processed fruit and vegetables. The market has declined over the last five years but is expected to grow about 2% in the next five years, 2025-2030. The density of buyers for wholesale fruit and vegetables are, as you would expect in urban areas, in particular London. Wholesalers are, like many other sectors, having their margins squeezed by increased costs e.g. from Brexit import changes or increased labour costs, whilst prices are kept low as supermarkets continue to keep pressure on their suppliers, which sets the pricing for fruit and veg more broadly. On the positive side there is some rise in health consciousness amongst consumers which is leading to a slight increase in purchasing of fruit and vegetables. The recent Soil Association Organic Market [Report 2025](#), showed strong growth in Organic across the UK of 7.3% and in food services of 6.5% with the latter making up nearly 6% of Organic sales.

Wholesale in Scotland and Potential Competitors

There is little available specific market data for Wholesale in Scotland or Dumfries and Galloway, however the area is served by national wholesalers who supply across the UK as well as more local companies. In Glasgow there are at least 5 fruit and veg wholesalers centred around the main market area, who most likely will deliver to businesses in the GFH's catchment area. Competing against non-organic wholesalers of meat and vegetables is unlikely to be successful due to the much lower price they can offer. The GFH will need to create its own niche to businesses that want something different that bigger wholesalers can not offer, or that really care about buying local and are prepared to pay a premium for that.

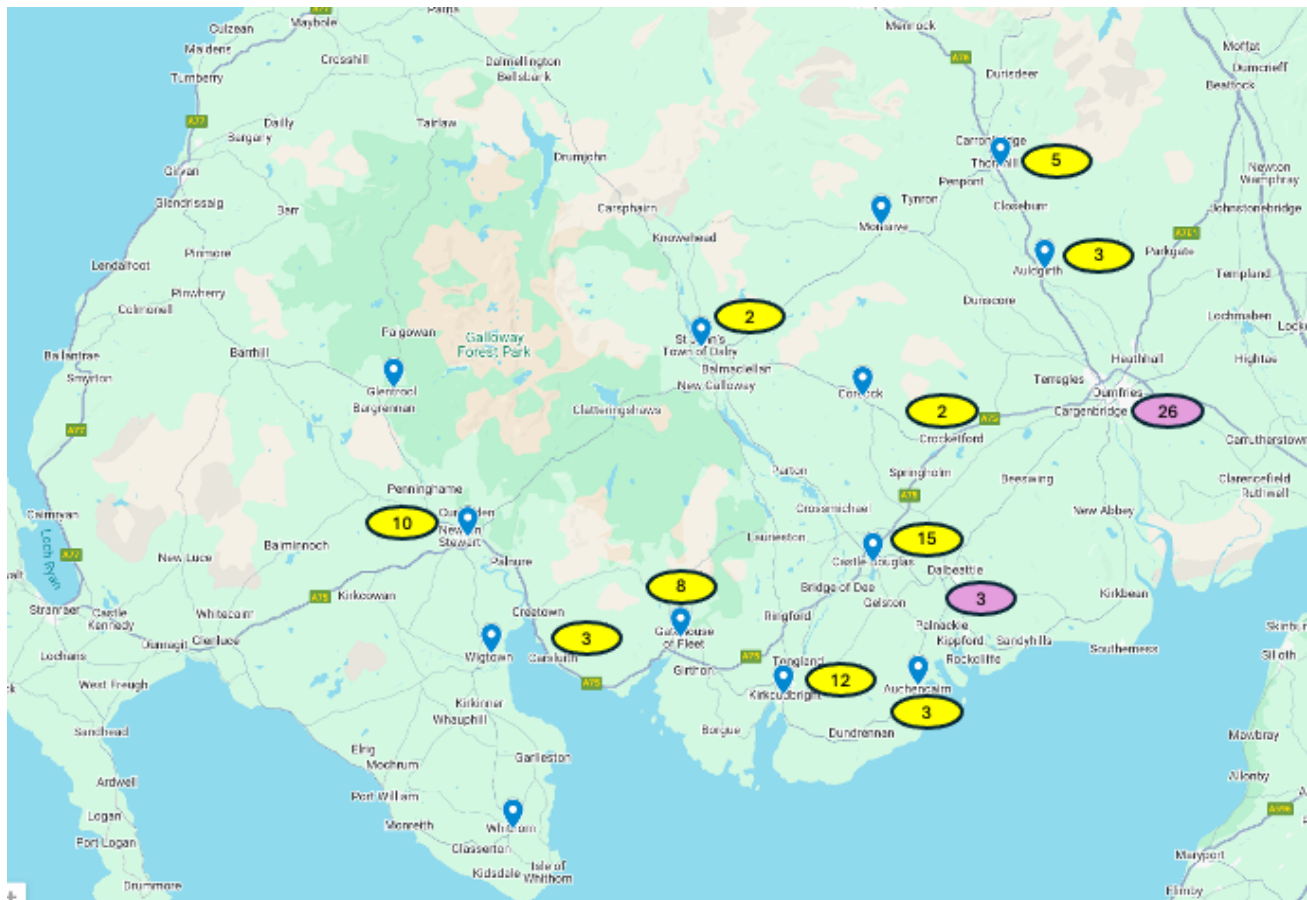
Buyers of Wholesale Fruit and Vegetables

Characteristics of potential buyers

B2B customer type	Buying characteristics & considerations for GFH	Potential for GFH
Local Shops Auchencairn village shop is a drop off point already	Would usually have more than one delivery per week, but may be willing to trial different local produce.	Medium - but limited in numbers on existing routes
Hospitality - Cafes, Restaurants, Hotels and B&Bs	Often use wholesalers who are one stop shops. Regular delivery and consistent products are more important to some than others. Risky for them to move away from their current wholesalers / suppliers so non-fresh produce can be a place to start or marketing hyper seasonal produce to those who say that they would be interested. This could	Medium - limited in numbers on existing routes

	provide a point of difference on their menu however only delivering fortnightly would be a barrier to this tactic.	
Caterers (5 on Google maps in D&G)	More event based buying, potential to plan ahead. Venues that offer weddings may have caterers from out of the area delivering events for them.	Low - numbers in area seem low
Food processors e.g. bakeries (e.g. 16 bakeries on Google Maps in D&G - majority in Dumfries)	A number of existing GFH producers are also processors of food into other products so there is potential for them to buy some of their ingredients from the GFH. For some businesses the timing of delivery will be important and Fridays may not be ideal as they operate Monday-Friday.	High - for existing GFH customers who are producers Low - for others due to delivery day need to expand to Dumfries
Nurseries (12 in Dumfries + 1 in Dunscore on Google Maps)	Some nurseries cater for the children in their care and there can be more consideration as to the types of foods offered. Price will be a strong driver as well as delivery to match their operation in the working week i.e. Monday - Friday.	Low - Friday delivery unlikely to work with their Monday-Friday operation
Public Procurement e.g. Schools, nurseries, D&G Royal Infirmary, Dumfries Prison (remand prison) (c15 schools in GFH delivery area + Dumfries)	Usually have formal contracts around very consistent food provision, often locked into long term contracts so it is generally tough to enter this market. Individual schools with enlightened governors may be the only exception, but they may have limited ability to order what they want. There are lessons to be learned from pilots in Wales where working with local Food Partnerships have trialled this courgette trial	Low - very unlikely to be able to provide quantity & delivery consistency required

Location of B2B customers vs GFH current delivery rounds



Combined GFH drop points (in blue) with number of Food & Drink outlets from the Dumfries & Galloway food & drink website map (in yellow) **63 in total** (*some may have closed). Possible 29 additional outlets in pink if willing to extend into Dumfries itself and out past Dalbeattie.

<https://www.dgfoodanddrink.com/outlet-category/eat-and-drink/>

Purchasing Drivers for Buyers of Wholesale Fruit and Vegetables

Purchasing Driver	
Price	<p>Generally retail prices are 30-50% higher than wholesale prices, however with their huge purchasing power it can be that prices in the main supermarkets are lower than those from a wholesaler. The Government publishes fortnightly figures on Wholesale fruit & vegetable prices for home grown produce here (these are not specifically Organic)</p> <p>For meat Farm Scotland has a weekly report on meat prices and the Soil Association Organic publishes livestock prices.</p> <p>As in the GFH model producers set their prices, it will be down to</p>

	them to work out what volume / price equation they can offer for wholesale, however the producers will need the GFH to promote to businesses that are likely to be willing to pay the premium for local / organic, food with a story.
Volume / in Bulk	Certain buyers will be looking to buy in greater volume than individuals and expect price to be related to volume i.e. decreases as volume increases. However not all B2B products particularly for restaurants may be large volumes, this is particularly the case for hyper seasonal products. Products such as edible flowers come in tiny quantities and can command a high price.
Consistent Availability	Buyers will often be looking for consistent year round supply of certain items to meet their menu or customer needs and are not that interested in where that supply is coming from, so consistent availability is important to them as is ease of ordering and convenience.
Frequency of Ordering and Delivery	<p>To manage cash flow, ensure freshness and balance on site storage capacity, most buyers will have deliveries more than once a week for fresh produce, many daily. Ordering cycles by wholesalers are often weekly with a cut off to ensure produce is sourced to meet the orders, and customers can then select multiple delivery days for the following week.</p> <p>With the GFH currently delivering fortnightly, finding B2B customers who can work on that frequency may be challenging, although non-fresh, longer shelf life items could work fortnightly.</p>
Quality, Freshness / Shelf Life	Avoiding wastage is a key driver for buyer's profitability so they will be looking to ensure their supplier is providing this consistently.
Range	Whilst many wholesalers only offer fruit and vegetables the larger companies can often offer a 'one stop shop' for everything that a cafe or restaurant or shop would need. This makes it very convenient for the buyer and it is less likely that they will risk using another wholesaler or supplier.
Seasonality / story from the farm or grower	Some buyers are looking to buy more seasonally and want to have the connection to the farmers or growers who produced the food. This can mean they are willing to pay a premium for this.
Overall Service and Reliability	Buyers are very dependent on receiving the goods they have ordered to deliver their planned menus, sales etc... So overall reliability of service and for some exact time of delivery, is more important than for retail customers who could more easily substitute or switch if a particular item does not arrive.
Organic meeting ESG goals	An interesting finding in the Soil Association Market Report 2025 is that food service businesses are increasingly looking to using Organic produce to help them meet their ESG (Environmental,

	Social, Governance) goals and whilst not all the GFH suppliers are registered organic those that are could help B2B customers meet these.
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Learnings from Tamar Valley Food Hubs Wholesale and the Good Food Loop

We've learnt that developing a diverse business customer base is an essential part of sustaining demand year round. Demand from the hospitality sector is likely to reduce during autumn and winter; availability of fresh produce will reduce during the hungry gap, etc. A varied customer base helps to even out the seasonal fluctuations. *Tamar Valley Food Hubs Wholesale* has grown organically and represents 6% of current turnover. We average 6 orders per week. To make sure that prices are attractive to customers Tamar Valley Wholesale only adds a 10% mark up to products and doesn't charge for delivery. Our customers are very loyal and their values are very much aligned with our own. In 2024 the value of the *Good Food Loop wholesale sales* was just over £49,000 with an average of 10 customers per week.

Regarding securing sufficient customers, a few things we've learnt are:

- By nature, a weekly distribution system can't offer the same degree of flexibility that conventional wholesalers can, and the field of potential customers is narrowed by the constraints of what you can offer, e.g.:
 - Your chosen delivery day doesn't work for their business
 - Your delivery time to them would be outside of their opening hours
 - Most deliveries can't be 'first thing' so many won't want to buy certain produce such as bread etc. that ideally needs to be sold the same day
- The importance of having sufficient supply of the produce customers want. e.g. we have high demand for organic eggs, cream, butter and bacon, but limited supply. Producers can recognise the demand and the opportunity, but it can take time to build up supply, as they need to add more hens or plan larger areas of a particular crop, and customers will go elsewhere in the meantime.
- Business customers often rely on multiple deliveries a week and may find it difficult to integrate a weekly delivery with their existing processes.
- The importance of highlighting what you offer that others don't. Operating a non-standard system can make it more challenging to onboard customers, so clearly communicating the benefits of working with and supporting your wholesale Food Hub is worth focusing on so customers are invested in the bigger picture.
- Finding producers who also become customers has proved to be important, as we gain maximum value from the stop and the driver's time by collecting and delivering at the same

time.

- In terms of securing customers, talk to producers: which existing deliveries can you take on for them, are there new customers they've had to turn down before that they couldn't reach but you can; are there new areas they'd like to reach that you can help with.
- Veg tends to be bulky but low value, taking up a large amount of space, whereas produce such as meat, fish, preserves, etc. are smaller and higher value.
- Larger producers are happy to offer a wholesale price whereas small producers who can already sell most of their produce may not. However, it may be seen as an incentive for smaller producers to scale up
- Margins on wholesale produce are much slimmer so to make it work you need to sell as much high value produce as possible which makes best use of van space.
- Food insecurity work, such as 'Grow Share Cook' or 'New Home New You', where we work with Plymouth City Council and individuals experiencing food poverty to deliver fruit and veg bags alongside cookery skills courses, provides a form of wholesale purchasing from our producers. This kind of model could be explored by GFH.

Insights from a sample of GFH producers

We were able to talk to all 5 of the producers you introduced us to; Galloway Cheese, Barnbarroch-Organic, Beans Greens, Low Auldgirth and Suie Fields

Overall all were interested in supporting the GFH if there was a potential for expanding to B2B customers, but they all saw some challenges and limitations to this route. They did see the benefit to them if the GFH could take the hassle out of finding, marketing and delivering to potential B2B customers who would appreciate their produce.

Producer	Wholesale now?	Potential to support B2B in future
Beans Greens	Yes - 1 Wholesaler & some shops	Yes - Could increase capacity to support
Galloway Cheese	Yes - 8-10 wholesalers and shops + one person who does a market with it - some dip in and out - most in Scotland, 1 in England.	Yes - would want to be selling their 1kg rounds of cheese not wedges (as latter is labour intensive for them)
Barnbarroch-Organic	Only to a couple of restaurants	Maybe - if could get the right price and also fitted with her nose to tail selling
Low Auldgirth	No	Yes - but would require planning ahead. They are small and already sell out on their meat to

		end customers. They could explore sausages and bacon to B2B customers if there continue to be other pork producers on hub as would potentially enable everyone to increase availability to sell.
Suie Fields	Yes - bakeries and restaurants + Auchencairn Village shop (all within 12-15 miles) mainly eggs	Yes - could expand on beef and eggs but would take time on eggs as they have to add hens to the flock (usually only 1 per year) - orders over £100 to make it worthwhile.

Other considerations producers raised were:

- **Packaging and volume** - wholesale packaging does not need to be the same as for customers e.g. can be lower cost and less branded and also sell in larger sizes e.g whole cheeses, or volume e.g. Suie Fields eggs, which can save the producer time.
- **Meat carcass nose to tail selling** - GFH producers tend to be smaller and therefore are not able to supply mince or certain cuts endlessly, so need B2B customers who will buy what is available from the carcass. Interestingly the producers I spoke to were not doing meat boxes, which is a way that many producers use to encourage customers to take a variety of cuts.
- **Price** - There was a recognition that they would not be able to compete on price with other wholesalers so the GFH would need to engage with potential B2B customers who are interested in local food stories, organic, regen and would be prepared to pay for that.
- **Moving to weekly to enable B2B sales** - would affect each producer differently so the GFH team would need to work with each to agree a plan but generally they thought it would be possible.
- **Cold chain** - can become even more important due to volumes, producers would want to know it was a reliable system. They suggested a chilled van.
- **Customers who buy across the Hub's producers** - there was a recognition that the story of multiple producers together is stronger than one producer on their own, so if you can find restaurants who are interested in that, probably in Dumfries or Castle Douglas, you could encourage them to buy from a range of hub producers.

Insights from B2B customers

At the same time as this report was being compiled South of Scotland Food & Drink were carrying out a survey of food and drink producers and buyers. Whilst full survey data was not available some interim data was shared with us that showed that 72% of B2B customers who had responded thus far were finding it difficult to source local produce. The challenges they cited are below along with reflections for GFH. The trend towards Organic produce was one of the key findings which GFH and its producers, even if not registered Organic but producing in an Organic way, need to emphasise as a key selling point.

Challenges (from to date survey results)	Reflections for GFH
Delivery Availability	Meeting the delivery day and time requirements of B2B customers is not going to be easily solved through the GFH model, however by being clear on what is available and when and ensuring this can be delivered on, some customers may be persuaded to shop with GFH.
Availability of ingredients year round Reliability of Suppliers Seasonality I can't get everything I want!	GFH is not going to be the one stop shop for customers, what it can offer is some hyper seasonal produce and products with great stories, so should emphasise these, rather than feeling it has to be everything.
Not easy to find out what is available	OFN wholesale shop can be set up that will show the range for each order cycle. B2B customers will need to be engaged in where to look and how to shop.
Price higher than wholesalers / national suppliers Costs	GFH and its producers will be unlikely to compete on price, uniqueness of the product, using the story and value add will be important.
Local produce travelling many miles away to get delivered back to us Distance to value Logistics	The Dumfries and Galloway geography and spread of the population is challenging for all Wholesalers, however with most of the GFH producers being within the area, they are well placed to deliver using fewer miles than other wholesalers.

Wholesale / B2B expansion Options

1. Grow organically and opportunistically on existing routes only
2. Target particular organisations who will value the food stories and methods of production on existing routes
3. Big push with marketing / resource behind it within and beyond existing routes (in Dumfries)

Setting up Galloway GFH Wholesale in Open Food Network

Practically wholesale sales need to be set up as a new 'shopfront' in OFN by the GFH which is only accessible to 'approved' producers through permissions, and customers who are tagged as wholesale. This then allows the agreed producers to list their products as variants with wholesale volumes and prices and B2B customers to access the listed products. so that there is no confusion with the end customer GFH shop. This also means that the GFH could curate a very small or specific wholesale offer for all or some of the potential buyer types. Producers would need to be engaged appropriately so they understand what they are listing where and can work with the GFH team on volume, price and packaging considerations that would make their offer more or less appealing to B2B customers. They also need to understand that they will receive a separate



wholesale order from the system. B2B customers would have to be engaged in how to shop on OFN and the concept of order cycles. For producers it does mean listing in more than one OFN shop order cycle which may be challenging for some. The only additional OFN costs for the GFH would be the % user fee which would be the same as on the existing shop as on the new Wholesale one. As Tamar Grow Local does, GFH could decide to put a different mark up % on these sales and whether to charge for delivery or not.

Logistical Considerations for B2B and Wholesale

- Cold chain if handling larger volumes of frozen or chilled goods
- Bigger packs - handling / storing / transportation
- Consistent stock availability or being very clear when certain items will be on or off sale as most B2B businesses will want to keep stock available to customers on sale or on the menu
- Value vs bulk for transporting and shelf life in the range on offer, high value smaller volume ambient goods like jams or juices vs lower value bulky goods like vegetables.

Financial benefit

Based on the learnings from Tamar Valley Wholesale and the Good Food Loop, both having grown organically into this market. Tamar Valley Wholesale has achieved a turnover of £12,000 or an average of £240 per week with an average order value of £53. The Good Food Loop has achieved a turnover of £49,000 or an average of £980 per week. with an average order value of £98.

If GFH were able to emulate this sort of growth there could be potential to increase turnover by c£60,000 per year yielding a potential gross profit of £6,000.

Based on the very rudimentary picture of the number of B2B businesses on the existing GFH routes shown above, it seems plausible that six B2B orders per week could be achieved out of those businesses. However, given the lack of density of potential B2B customers and the likely resource constraints to put into marketing a B2B offer, realistically it is unlikely that wholesale sales will be a major contributor to growth of the GFH at least in the short term. That does not mean that it should be ignored as diversifying revenue streams within the existing delivery round capacity, as long as it does not distract or add significant costs, it would be a positive thing to do as it would increase resilience as well as improve the profile and visibility of GFH.

Premises - explored

The current building improvements to improve insulation, add solar and WiFi, necessitating the need for GFH to temporarily move to the larger room, whilst very much welcomed, have also highlighted how much a larger space is needed in the future.

Options in the area are clearly limited but there may be an opportunity in the future to do one of the following:

- A temporary building or container set up on say a friendly farm
- A small industrial unit
- A shared space with another community enterprise

- To help transform another community building with a commercial kitchen or cafe
- A large space with an office to help build team cohesion and develop further project or community development work

Considerations when looking for premises:

- **EHO requirements** - Is the infrastructure going to comply? Are there washable walls and an intact floor? How high is the ceiling? Are there any structural issues to address. Consider the need for pest control
- **Utilities** - is there sufficient heating, water, drainage. Might you need 3 phase electricity in the future e.g. for a walk-in chiller?
- **Comfort** - Are there any kitchen facilities and is there a toilet?
- **Access** - is there sufficient parking, level access for deliveries and dispatch?
- **Multi use** - Could another business or community group use or share the space on the days that it's not being used by GFH? What proportion of the overheads could that help to cover? Would there be any opportunities to run educational classes such as cook sessions, rent out meeting rooms, shared working spaces etc
- **Comms** - is there a 'phone line and broadband to the premises?

Owning a van - explored

Buying a van.

- GFH would need at least £9k to purchase something with low mileage, doors both sides, that is not an ex-builder's van so it would be suitable for transporting food i.e. clean inside. GFH could possibly get finance, £2k deposit and then around £170 pm for 4 years.
- Revenue costs - any driver over 30 the insurance is about £800 pa, tax £350 pa + maintenance - hoping whatever you buy hasn't a fault allow £500 pa

Using somebody else's van one day a week on a van share arrangement.

- This would be half the cost but you do need a very helpful and reliable person/organisation to share with and a fair arrangement in writing over contribution to costs

Renting a van one day a week.

- Might be able to negotiate a discount for a regular hire.
- Hiring local community transport vehicles by undertaking the Midas training at £80 a time plus a driver/volunteer could be very affordable option in the short to medium term

Illustrative costs of these three options

	Van purchase	Hire @ £96 pw for 51 weeks pa	Lease @ £280 pm for a 2 year contract
Purchase cost	£9000		
Deposit (exc. VAT)	£2000		
Finance over 4 years	£2040		£3360
Insurance - any driver over 30	£800		£800
Tax	£350		
Maintenance	£500		£180
Total annual cost	£3690	£4896	£4340
Benefits	Own an asset Can make use of it for other projects Could source a cheaper option from a known source	Low risk No ongoing costs or maintenance No capital required	New vehicle Low maintenance Some leases include maintenance and breakdown Reliable
Drawbacks	Unknown quantity Time to maintain and look after the vehicle	Never own the asset Need to allow time for collection and delivery Limited supply in the area	Never owned, mileage and condition restrictions May be expensive to exit the lease early

- All the van options would be plus the cost of fuel and a driver @ at least £12.60 per hour for half of the route at 6 hours to include driving and delivery time would be £75.60 per week or £3,855 pa for 51 weeks
- Delivery costs for 2023-24 were £1,200 pa plus volunteer discounts of £1,052, a total of £2,452
- Taking a more recent period to project forwards shows that between 01/08/24 - 31/01/25 volunteer discounts of £835 and mileage for deliveries of £653 totalled £1,488. Extrapolating this to an annual cost would be £2,976 for fortnightly deliveries and £5,952 for weekly deliveries. These figures include the cost of fuel.
- Some costs could be offset by offering to undertake deliveries for producers who currently use a courier service to make best use of the vehicle.

Conclusion

In conclusion the current delivery model would cost £5,952 for 51 weeks. A van with a paid driver for half the deliveries and using volunteers for the other half would cost anywhere between £9,997 - £11,171. If it becomes financially possible to have a van and driver then it would be worth reviewing the current delivery charges to help pay for it.

Making the current operating model more effective

Financial systems

- Getting financials and systems in order so they are more streamlined and less labour intensive. Setting up Xero's chart of accounts and reports to get the most out of the available functionality. One aspect of this would be aligning the Xero Chart of Accounts with the Cash Flow Forecast lines for consistency
- Getting fees set up and aligned on the Open Food Network for all producers. This gives more pricing transparency to customers and means that the OFN reports are more accurate and meaningful so you are comparing like with like
- Establishing a useful cashflow forecasting tool (Xero has this functionality) to help plot out the future and model different options enabling better decision making and risk management

HR & Governance Issues

- All staff are currently freelance. Whilst this has some benefits for both parties there are also some drawbacks which could be overcome by direct employment. This would also mitigate the risk to GFH of HMRC potentially deciding they are not freelancers but employees anyway.
- By sorting out employment contracts GFH would have increased stability and more predictable cash flow. Hours would be set for each employee and salary levels more easily predicted and budgeted for.
- Current hours worked appear to be quite high for the level of orders.
- Having a robust set of HR processes as well as other policies such as Health and Safety and Financial Control will help protect both the organisation and employees
- Workplace culture. Formalising working practices through employment contracts and policies can have a positive impact upon workplace culture - further strengthening an existing ethic of working together towards shared goals, and fostering a greater sense of mutual support and interdependency amongst all staff.

Capital Investments

Based on our experience and discussions we would suggest that GFH should be looking to invest in the following capital items as soon as possible to improve their efficiency and reduce risks e.g. health and safety and cold chain maintenance:

- More stackable crates to maximise space efficiency in the packing area and in vehicles. If marked as belonging to GFH they may be more likely to be returned. As GFH customers appear to have a good record of box returns the efficiency and space savings may well justify the investment. These are regularly available to buy secondhand
- More shelving to reduce orders being lined up on tables
- A high sided trolley for wheeling orders round from the back of the building to vehicles

- A walk in chiller on site although this might need some delicate delivery to the back of the building. Secondhand options may be available
- Large cool boxes to transport chilled items
- Stainless steel tables for packing chilled items to improve food hygiene compliance. Secondhand options may be available

Item	Number	Source	Cost exc. VAT
Bail Arm Stackable crates	100	New	£536
		Secondhand	£195
Shelving	5	New	£1,460
High sided trolley	1	New	£401
Walk in chiller	1	New	£6,950
Large cool boxes	3	New	£575
Stainless steel tables	2	New	£440

5 Recommendations

1. Increase efficiency using existing staff resources and modest capital investment

Review transition from freelance arrangements to direct employment with tiered rates of pay for different activities. As discussed above a blend of pay rates at £15 and £18 per hour combined with increased working efficiencies to lower the minutes/order ratio will enable GFH to reduce operating costs at existing order numbers.

Invite your Finance person to the team meetings regularly. Be sure to include a short headline financial update at team meetings for tracking and monitoring purposes and to communicate current status/progress to the whole team.

Make team meetings a weekly event and much shorter; use an agenda and a hard end time for the meeting. Clear and efficient meetings can have a positive and significant impact on workplace culture and create benefits throughout the organisation.

Modest capital investment to make efficiency and compliance improvements to operation at the existing premises. (stackable crates, trollies, stainless steel tables and improved chilled storage)

2. Soft move to a weekly delivery cycle

Initially halving the delivery area so that each half is delivered on alternate weeks. i.e. weekly GFH operation but fortnightly to retail customers and potentially weekly to new

wholesale customers. Some producers would need to deliver to GFH weekly assuming they are listing to both retail 'halves' of the order cycle and wholesale. This may need some negotiation which may or may not be worthwhile.

Advantages of this are:

- Enables weekly delivery to new wholesale customers and trial this area of business
- Enables potential to grow customer numbers in existing delivery areas whilst using existing resources and delivery routes
- Does not require larger premises or additional capital expenditure
- Introduces a softer start to weekly operation (at least initially)

This could be a transitional stage towards moving to weekly delivery for all customers if growth and finances allow, or indeed to alternative larger premises if growth and finances allow.

There is a potential difficulty here in that delivery drivers and the existing volunteers may not wish to scale to larger rounds and/or may not have capacity in their existing vehicles.

Mitigation:

- Increase volunteer recruitment,
- Move to employment model,
- Source a van either rental, purchase or share.

The transitional model should be regularly reviewed. If all are happy with volumes, weekly operation, and fortnightly delivery to retail customers, and there is no unmet demand from retail customers then there is no need to explore other premises or to scale further - **it is ok to stay at the same scale** (as long as it is financially sustainable).

There is always the option to bite the bullet and move to weekly deliveries and deal with any teething problems as they arise or to take the approach above to try to iron those out before a harder launch. This may come down to finances or preference or a combination of the two!

3. **Grow the current model with the ambition of moving premises in the future**

Operate weekly order cycles. Move into a transitional state with the regularly reviewed and affirmed goal of moving to larger premises if/when finances allow and a suitable location found. As the Galloway team have indicated that there are no obvious locations or existing industrial units available then temporary buildings should be considered on land owned by supportive or ideally philanthropic landowners/managers. Key limitations of the current site seem to be physical accessibility, competing school traffic and parking at key operational times, additional space for both larger cold storage and holding dry goods in stock.

4. **Commence Wholesale / Business to Business Operations**

Ideally the GFH needs to be on a weekly delivery cycle for fresh produce for most B2B customers to be interested however non-fresh longer shelf life could be started immediately.

Grow the wholesale offer organically focusing on shops and food businesses that are on the GFH's existing rounds first, using up capacity in the system, before adding to routes or significant infrastructure which would increase costs

Set up a GFH 'wholesale' OFN Shop to use for B2B sale, where producers put any wholesale items with appropriate volumes, pricing and packaging. This process can be started at any time the team has capacity. The longer the lead time, producers have a greater chance to buy into the idea.

Potential to encourage producers with products that are different, niche, organic, hyper seasonal (for restaurants) i.e. that are not available through other wholesalers to list on GFH Wholesale

There will need to be some resource allocation to do even small amount of engagement with B2B buyers to make them aware of the offer and producers to get this going

5. Improve and streamline Financial Systems and Processes

Maintain high level financial data from fewer sources than currently to use for decision making. Only dive into the detail to monitor specific areas such as funded project spend. Consider using an OFN dashboard to monitor headline figures. Use these figures at team meetings to provide evidence for decision making.

Move to monthly paying of invoices. This will increase efficiency, result in fewer bank transactions, less data input of invoices and is still on better terms for producers than they will receive from other buyers.

Standardise markups for fresh produce across all products. Regardless of discounts that are able to be sourced, GFH should apply a standard markup to all primary produce and food from local suppliers. This will simplify financial procedures and reporting. It will also enable clear communication to both suppliers and customers regarding the share of retail price that GFH is able to pass on to producers. For example TVFH have an 18% markup on primary and local produce (and 30% on dry goods sourced from Essential). This may mean that some produce (such as meat) is retailed above the retail price used by the supplier, however, in our experience customers are willing to pay a little more for the convenience provided by food hub aggregation, and standardisation creates benefits elsewhere in terms of clarity and efficiency, marketing and promotion. Collectively these offset any minor potential reduction in sales. This would also help to offset the 10% or 20% discount afforded to volunteers.

Appendix 1 - Current rate of loss per Order Cycle

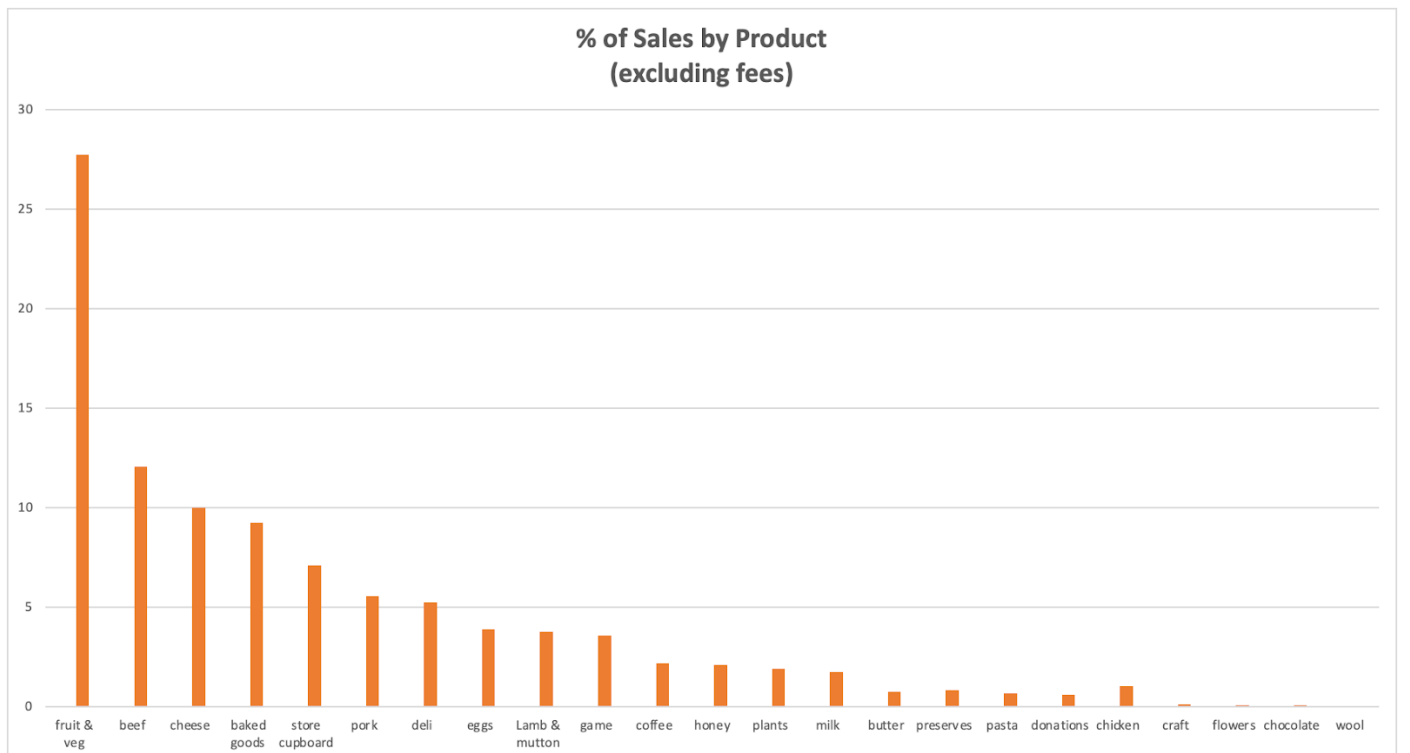
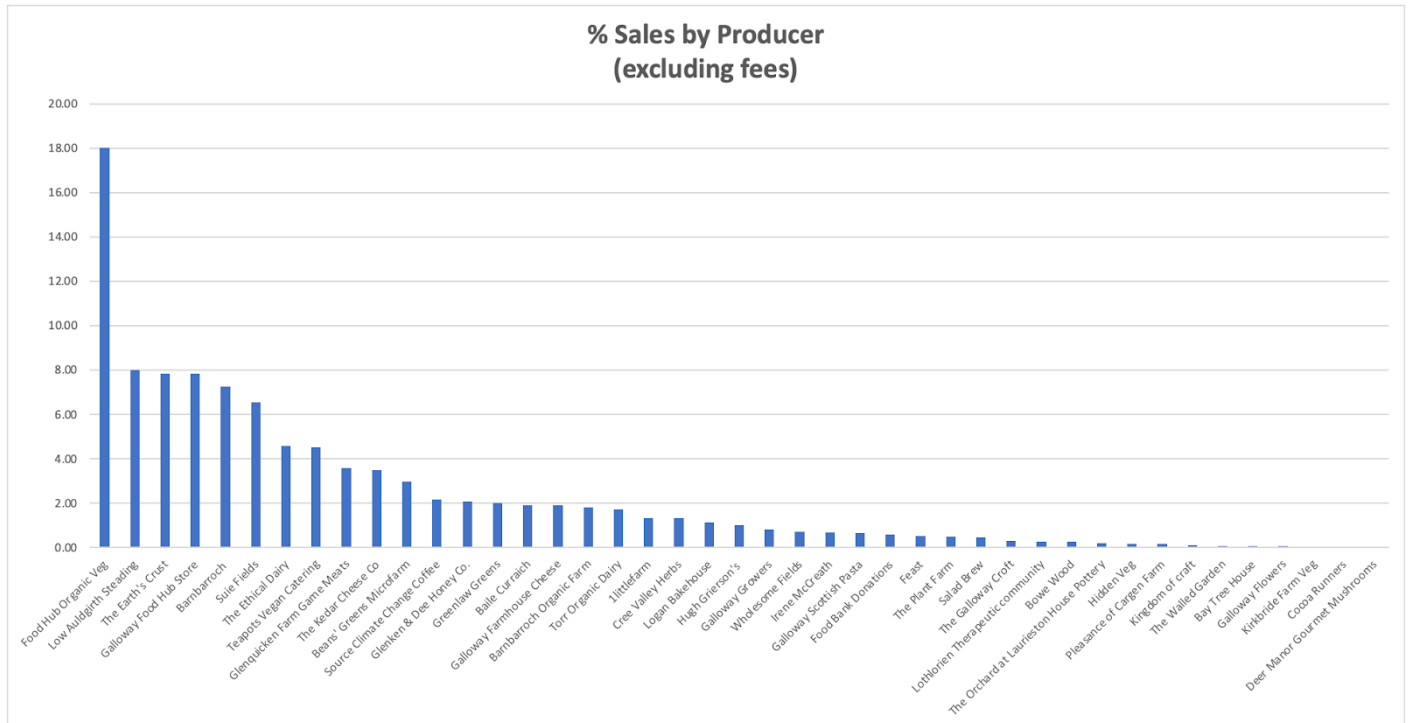
	Monthly - Sept 2024 - Feb 2025					
INCOME						
Trading						
Sales Value	£ 58,239.00					
Profit	£ 12,230.19					
Customer transactions	1,321					
Average basket spend	44					
Sub Total: Trading	£ 58,239.00					
Sub Total: Other Income	£ 4,792.00					
TOTAL INCOME	£ 63,031.00					
EXPENDITURE						
Producer Costs	£ 49,275.33					
Sub Total: Overheads	£ 29,976.48					
TOTAL EXPENDITURE	£ 79,251.81					
Break even Calculator						
Overall Profit - when this reaches 0 = Break even - positive number = profit			Adjust these 3 Cells			
	Monthly					
Gross Profit & other income	£ 17,022.19		Transaction per week	Number of Cycles	Total	
Overheads	£ 29,976.48		94	14	1,321	
Overall profit	£ (12,954.29)	0 = Break even	Average spend	44		
Turnover needed	£ (64,771.46)					
			Average profit	21%		
Loss per OC	-925					

Appendix 2 - Predicted rate of loss per Order Cycle by moving to weekly

INCOME	Weekly OC - 6 monthly average June - Nov 2025				
Trading					
Sales Value	£ 77,200.00				
Profit	£ 16,598.00				
Customer transactions	2150				
Average basket spend	36				
Sub Total: Trading	£ 77,200.00				
Sub Total: Other Income	£ 2,075.00				
TOTAL INCOME	£ 79,275.00				
EXPENDITURE					
Producer Costs	£ 60,803.00				
Sub Total: Overheads	£ 28,902.49				
TOTAL EXPENDITURE	£ 89,705.49				
Break even Calculator					
Overall Profit - when this reaches 0 = Break even - positive number = profit			Adjust these 3 Cells		
	Monthly				
Gross Profit & other income	£ 18,673.00		Transaction per week	Number of Cycles	Total
Overheads	£ 28,902.49		83	26	2150
Overall profit	£ (10,229.49)	0 = Break even	Average spend	36	
Turnover needed	£ (51,147.45)		Average profit	21.50%	
Loss per OC	-393				

Appendix 3 - Sales analysis

Analysis of Sales 01/01/2024 - 31/12/2024 - Total Sales for the year were £91,039



Appendix 4 - Increasing your gross profit margin

Getting the gross profit margin up to 26% and having a blend of £15 & £18 per hour salaries

INCOME	Weekly OC					
Trading						
Sales Value	£ 5,200.00					
Profit	£ 1,352.00					
Customer transactions	113					
Average basket spend	46					
Sub Total: Trading	£ 5,200.00					
Sub Total: Other Income	£ -					
TOTAL INCOME	£ 5,200.00					
EXPENDITURE						
Producer Costs	4,082					
Sub Total: Overheads	£ 1,752.00	Assumes mixed £15 & £18 freelance salaries and average overheads				
		Current hours retained				
TOTAL EXPENDITURE	£ 5,834.00					
Break even Calculator						
Overall Profit - when this reaches 0 = Break even - positive number = profit			Adjust these 3 Cells			
Gross Profit & other income	£ 1,352.00		Transaction per week	Number of Cycles	Total	
Overheads	£ 1,752.00		113	1	113	
Overall profit	£ (400.00)	0 = Break even	Average spend	46		
Turnover needed	£ (2,000.00)		Average profit	26.00%		
Loss per OC	-400					

Appendix 5 - Increasing your gross profit margin and reducing hours

Getting the gross profit margin up to 26% and having a blend of £15 & £18 per hour salaries with an overall reduction of 5 hours per week paid time

INCOME	Weekly OC					
Trading						
Sales Value	£ 5,200.00					
Profit	£ 1,352.00					
Customer transactions	113					
Average basket spend	46					
Sub Total: Trading	£ 5,200.00					
Sub Total: Other Income	£ -					
TOTAL INCOME	£ 5,200.00					
EXPENDITURE						
Producer Costs	4,082					
Sub Total: Overheads	£ 1,390.00	Assumes mixed £15 & £18 freelance salaries and average overheads				
		Reduction of 5 hours per week				
TOTAL EXPENDITURE	£ 5,472.00					
Break even Calculator						
Overall Profit - when this reaches 0 = Break even - positive number = profit		Adjust these 3 Cells				
Gross Profit & other income	£ 1,352.00		Transaction per week	Number of Cycles	Total	
Overheads	£ 1,390.00		113	1	113	
Overall profit	£ (38.00)	0 = Break even	Average spend	46		
Turnover needed	£ (190.00)		Average profit	26.00%		
Loss per OC	-38					

Appendix 6 - Maintaining your gross profit margin and reducing hours

The gross profit margin up to 21.5% and having a blend of £15 & £18 per hour salaries with an overall reduction of 10 hours per week paid time

INCOME	Weekly OC					
Trading						
Sales Value	£ 5,200.00					
Profit	£ 1,118.00					
Customer transactions	113					
Average basket spend	46					
Sub Total: Trading	£ 5,200.00					
Sub Total: Other Income	£ -					
TOTAL INCOME	£ 5,200.00					
EXPENDITURE						
Producer Costs	4,082					
Sub Total: Overheads	£ 1,029.00	Assumes mixed £15 & £18 freelance salaries and average overheads				
		Reduction of 10 hours per week				
TOTAL EXPENDITURE	£ 5,111.00					
Break even Calculator						
Overall Profit - when this reaches 0 = Break even - positive number = profit			Adjust these 3 Cells			
Gross Profit & other income	£ 1,118.00		Transaction per week	Number of Cycles	Total	
Overheads	£ 1,029.00		113	1	113	
Overall profit	£ 89.00	0 = Break even	Average spend	46		
Turnover needed	£ 445.00		Average profit	21.50%		
Loss/Profit per OC	89					