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## **Abstract**

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## **Disciplines**

Food Processing | Food Studies | Industrial Organization

## **Comments**

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## Iowa Producers' Perceived Benefits and Obstacles in Marketing to Local Restaurants and Institutional Foodservice Operations

### Abstract

Local Iowa producers were surveyed to determine perceived benefits and obstacles in marketing to local restaurants and institutional foodservice operations; 195 (35%) responded. Results indicated that only 25% of producers currently were selling to foodservice operations. Benefits cited were: support for local farmers; fresher food; food traveling shorter distances; better quality food; and knowledge of food source. Year-round availability, lack of dependable market, and inability to change pricing were greatest obstacles. Extension educators can help facilitate linking local growers with foodservice operations to increase direct sales of local products to these operations.

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## Introduction

Alternative marketing of produce by local growers through direct sales to schools and restaurants can increase producers' profits (U.S. Department of Agriculture, 2001). The Leopold Center for Sustainable Agriculture in Iowa has provided financial support for several projects to find ways to better link local growers with restaurant and institutional foodservice operations (see <http://www.leopold.iastate.edu>). These efforts have resulted in limited sustained local buying once grant funding ended.

Research has been published from the perspectives of foodservice buyers and-operators regarding the purchase of locally grown products (Institute of Agriculture and Natural Resources, 2003; Gregoire & Strohbehn, 2002). Chefs of local restaurants and foodservice operations have recognized the benefits of local purchasing, including

higher/better quality and fresher product (Institute of Agriculture and Natural Resources, 2003). Gregoire and Strohbahn (2002) found that Midwest school foodservice directors perceived the benefits to purchasing locally as good public relations; aiding the local economy; and ability to purchase smaller quantities and fresher food. In another study (Institute of Agriculture and Natural resources, 2003), chefs indicated that they purchase locally because it supports local producers and they perceive food is of better quality and fresher.

Barriers to purchasing locally also have been cited by buyers in different foodservice sectors. Lack of year-round availability, adequate quantity, and quality products have been noted as obstacles and concerns by foodservice managers who purchase locally grown produce (Gregoire & Strohbahn, 2002; Cottingham, Hovland, Lenon, Roper, & Techtmann, 2000; Gregoire et al., 2000).

Despite these known works identifying benefits and barriers by foodservice buyers, no published work has empirically assessed producers' perceptions of marketing to local restaurants and other foodservice operations. Therefore, the objective of the study reported here was to determine, in one state, local food growers'/producers' perceptions of the benefits and obstacles of marketing and selling to local foodservice operations, including restaurants, schools, hospitals, and nursing homes. The researchers believe these data, combined with the foodservice operator perception data, could help identify strategies for more successful sustained local purchasing by foodservice buyers.

## Methods

Previous work by Strohbahn and Gregoire (2001, 2002, 2003) was used for the development of a questionnaire to assess the benefits and obstacles of selling to local foodservice operations. Questionnaire items had been found to be valid and reliable (Strohbahn & Gregoire, 2002). The questionnaire included a combination of multiple choice and open-ended questions. The questionnaire collected perceptions of benefits and obstacles of direct marketing to restaurants and foodservice operations, as well as general information about the growers/producers and their operations.

Benefits and obstacles were rated on a 5-point Likert-type scale, ranging from "No Benefit"/"No Obstacle"(coded as 1) to "Strong Benefit"/"Strong Obstacle"(coded as 5). Nineteen items were included in the "benefit" section, and 18 in the "obstacle" section. Space was allowed for unlisted benefits and obstacles.

General information collected included questions regarding amount and type of produce sold, production practices, sales venues, sources of information producers used, and reasons why the producer had never sold or stopped selling to foodservice operations. For those who had sold to foodservice operators, questions about what items are sold, how long they had sold, and average delivery distance were asked. The questionnaire was pilot tested and validated using a group of four members of a local Iowa producer group and three university faculty members.

The questionnaire was mailed to a total of 560 Iowa producers. Names were gathered from the 2002 Fruit and Vegetable Growers Directory (Iowa Department of Agriculture), the 2002 Iowa Family Farm Meats Directory (Iowa Department of Agriculture), and a list of local growers/producers provided by Practical Farmers of Iowa. Duplicate names were eliminated prior to mailing. No follow-up was done after the initial mailing due to limited funding.

The SPSS version 11.0 (Norusis, 2001) statistical software was used for all data analyses. Frequencies were calculated for all variables. Means and standard deviations were calculated for ratings of perceived benefits and obstacles. Analysis of variance was utilized to compare perceived benefits and obstacles between producers who had sold to local foodservice operations and producers who had not.

## Results and Discussion

A total of 195 (35%) producers responded to the questionnaire. Fourteen questionnaires were not used in data analysis due to excessive missing data.

### Characteristics of Growers

Production practices used by surveyed Iowa producers were as follows: 31% conventional methods, 31% conservative pesticide and antibiotic use, 27% sustainable practices, 17% other practices, and 9% organic practices. Producers indicated that tomatoes, onions, and peppers were the most frequent types of produce sold (Table 1). Meat items, such as chicken, ground beef, ground pork, and ham, were items least sold. This may be

due to uncertainty by foodservice buyers regarding regulations of purchasing these products (Strohbehn & Gregoire, 2003).

**Table 1.**  
Types of Product Sold by Producers Selling Products to Consumers and Foodservice Establishments (n = 181)

<b>Item</b>	<b>Number of Producers</b>	<b>Percent of Producers</b>
Tomatoes	121	67
Onion	99	55
Peppers	98	54
Corn	86	48
Potatoes	80	44
Lettuce	65	36
Carrots	58	32
Apples	42	23
Melon	42	23
Squash	39	22
Beans	28	15
Eggs	25	14
Strawberries	21	12
Pumpkin	20	11
Chicken	19	11
Raspberries	18	10

Ground Beef	15	8
Ground Pork	13	7
Ham	12	7

Several producers had sold (27%) or were currently selling (25%) their products to local foodservice operations. Producers reported using: workshops (34%), producer organizations (25%), Extension publications (24%), arranged meetings with buyers (24%), and networks of food buyers (13%) to help learn more about selling to foodservice institutions.

The producers' main marketing channels were direct sales to consumers (82%) and the farmer's market (74%). Additional marketing channels included restaurants and institutional foodservices, Community Supported Agriculture (CSA), wholesale, and cooperative (Table 2).

**Table 2.**  
Marketing Channels Used to Sell Products (n = 181)

<b>Marketing Channel</b>	<b>Number of Producers</b>	<b>Percent of Producers</b>
Direct to consumer	149	82%
Farmer's Market	133	74%
Restaurant/Institutional Foodservice	54	30%
CSA	25	14%
Wholesale	11	6%
Cooperative	7	4%
Other	44	22%

Almost half of the Iowa producers (44%) who responded had never sold to local foodservice operations. Those producers who had never sold to a local operation indicated that some buyers were not receptive and/or they could not produce the quantity, year-round availability, color, and size of produce needed by the buyer (Table 3). Additionally, their own lack of knowledge about regulations and the same lack of knowledge by purchasers were given as reasons for not selling to restaurants or other foodservice operations.

**Table 3.**  
Responses for Never Selling to Local Foodservice Operations (n= 64)

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<b>Reasons for Never Selling</b>	<b>Number of Producers</b>	<b>Percent of Producers</b>
I don't produce enough quantity	11	17
The buyers are not receptive	11	17
I can't get the price I want	9	14
I haven't pursued it	9	14
I sell everything through my current avenues	9	14
I can't meet the buyer's product expectations	7	11
I don't know the regulations	5	8
I am not sure where to start	5	8

### **Benefits to Direct Marketing and Selling**

Most statements received a mean rating of three or greater, suggesting that producers perceived them as beneficial to selling to a local restaurant or institutional foodservice operation (Table 4). Items rated as strongest benefits were: supporting local farmers, providing fresher food for the customer, and a shorter distance for the food to travel. No statistically significant differences were noted in perceived benefits of producers who currently sell or had sold, and those who had never sold to a local foodservice operation. Producers currently selling and producers who had sold were grouped for comparison purposes as both groups had experience selling to foodservice operations.

**Table 4.**  
Benefits of Direct Marketing to Restaurants and Foodservice Operations (n = 160-177)

<b>Benefits</b>	<b>Mean<sup>1</sup> ♦ SD<sup>2</sup></b>
Supports local farmers	4.71 ♦ 0.75
Fresher food for customer	4.62 ♦ 0.74
Food travels shorter distance	4.47 ♦ 0.93

Higher quality food	4.46 ♦ 0.81
Manager knows source of food	4.32 ♦ 0.95
Good public relations	4.29 ♦ 0.96
Higher nutritional quality of food	4.25 ♦ 1.00
Safer food	4.12 ♦ 1.07
Aid to local economy	4.09 ♦ 1.08
Knowledge of production/growing practices	3.96 ♦ 1.04
Less harm to environment	3.87 ♦ 1.22
Greater variety of food	3.69 ♦ 1.19
More stable market	3.54 ♦ 1.24
Ability to concentrate on fewer crops	3.28 ♦ 1.26
Reduction in marketing time	3.26 ♦ 1.33
Fewer buyers to work with	3.25 ♦ 1.34
Less expensive food for restaurant/foodservice	2.93 ♦ 1.31
Reduction in amount and type of equipment needed	2.81 ♦ 1.29
<sup>1</sup> Scale: 1 to 5, with 1 = No Benefit and 5 = Strong Benefit. <sup>2</sup> SD = standard deviation.	

### Obstacles to Direct Marketing and Selling

Producers in this study indicated year-round availability, lack of a dependable market, ability to change price for a product, communication with the food buyer, and ability to produce needed quantity as major obstacles to selling to local foodservice operations (Table 5). While producers perceived year-round availability to be a major

obstacle (m>4.0), all other obstacles were rated less than 4.0 on the 5-point scale. Almost half of the obstacle statements were rated less than 3.0 indicating a little to slight obstacle.

**Table 5.**  
Perceived Obstacles in Marketing to Local Foodservice Operations Comparison Between Producer Groups

Perceived Obstacle	All Producers (n=166-172)		Producers Who Have Sold <sup>1</sup> (n=91-95)		Producers Who Have Never Sold (n = 75-77)	
	Mean <sup>2</sup>	SD <sup>3</sup>	Mean <sup>2</sup>	SD <sup>3</sup>	Mean <sup>2</sup>	SD <sup>3</sup>
Year-round availability of products	4.28	1.21	4.18	1.295	4.39	1.114
Lack of dependable market	3.67	1.15	3.58	1.269	3.74	.992
Ability to charge desired price	3.50	1.21	3.46	1.262	3.58	1.123
Ordering procedures of the foodservice	3.42	1.07	3.44	1.113	3.43	.979
Ability to produce needed quantity	3.36	1.39	3.29	1.381	3.49	1.373
Liability issues	3.16	1.27	3.09	1.224	3.22	1.333
Local and state regulations *	3.30	1.26	3.08	1.211	3.50	1.281
Availability of labor	3.14	1.28	3.04	1.254	3.23	1.327
Equipment and storage costs	3.17	1.18	3.03	1.248	3.31	1.079
Knowledge of restaurant's/foodservice's purchasing practices*	3.17	1.12	2.95	1.077	3.46	1.137
Availability of proper packaging	2.88	1.31	2.94	1.327	2.82	1.305
Delivery to restaurant/foodservice at set	2.89	1.34	2.93	1.338	2.88	1.357

times						
Infrastructure for ordering	2.98	1.06	2.86	1.141	3.12	.944
Transportation for delivery	2.57	1.18	2.71	1.284	2.40	1.029
Communication with the food buyer	2.75	1.12	2.69	1.068	2.88	1.158
Payment procedures of the foodservice	2.70	1.19	2.58	1.245	2.79	1.092
Food safety issues	2.49	1.25	2.41	1.187	2.63	1.323
Ensuring safe food supply *	2.34	1.25	2.15	1.105	2.57	1.390

<sup>1</sup>Producers who are currently selling or have sold to foodservice operations in the past.

<sup>2</sup>Scale: 1 to 5, with 1 = No Obstacle and 5 = Strong Obstacle.

<sup>3</sup>SD = standard deviation.

\*p < .05, analysis of variance comparison of mean ratings of producers who have sold to those who have never sold to foodservice operations.

Ratings of perceived obstacles by producers who currently sell or have sold to foodservice operators in the past differed significantly from ratings of those who had never sold for three obstacle statements: local and state regulations, knowledge of restaurant's/foodservice's purchasing practices, and ensuring a safe food supply. For all three statements, producers who had never sold to local foodservice operations perceived these to be more of an obstacle than other producers did.

## Comparison with Other Studies

In contrast to results from this study, Colorado producers appear to utilize wholesale marketing channels more frequently. Starr et al (2002) reported that 38% of Colorado farmers surveyed sold all of their produce to middlemen such as elevators, distributors, brokers, or packing sheds. Farmers who direct marketed their products perceived selling local and using environmentally friendly practices as significantly more important than farmers who do not direct market. Tubene and Hanson (2002) found that Pennsylvania wholesale could be successful for small farmers as an alternative marketing strategy. Still, common concerns identified by farmers included: produce unavailability, limited volume, and price fluctuation.

Foodservice buyers responded similarly to producers in this study when asked why their establishment decided to purchase locally. Supporting local producers, better quality, and fresher products were indicated as the top three reasons for purchasing locally (Institute of Agriculture and Natural Resources, 2003). Similarly, institutional and restaurant buyers reported fresher food, good public relations, retained value to local economies, and higher quality food as important benefits (Gregoire & Strohbahn, 2002; Strohbahn & Gregoire, 2001).

Starr et al. (2002) noted that there were differences in the perceptions held by buyers for local restaurants and buyers for institutions. Important factors for local restaurant buyers already buying locally included, in order of most important to less important, freshness of produce, dependable supply, and supporting local businesses. Restaurants not buying locally indicated the same top two important factors as freshness and dependable supply; however, the third most important factor was price. Institutions indicated freshness of produce, dependable supply, and price as most important.

## Conclusions and Recommendations

Limitations are recognized when reviewing these study results. The sample included few producers selling meat products and many selling produce; this may not be representative of other regions in the country. The sample provided valuable information about producer perceptions in Iowa; however, producers in other states may not perceive benefits and obstacles similarly. Although a respectable questionnaire return rate was achieved (35%), generalizability of the data is limited.

Iowa producers of fruits, vegetables, and meats who participated in this study perceive few obstacles and many benefits to selling to local foodservice operations; however, only about one-fourth of the producers surveyed currently sell to local restaurants and foodservices. Responding producers were more likely to sell directly to individual consumers or through farmer's markets. Govindasamy, Italia, Zurbruggen, and Hossain (2003) reported profit satisfaction of New Jersey producers through direct marketing at farmer's markets. Although profit margins were not studied in these Iowa producers, profitability is understandably a consideration when selecting markets for products. Iowa producers indicated that ability to change desired product price was an obstacle when selling to restaurants and foodservice operations.

Foodservice buyers in Iowa identified ordering from multiple vendors and payment procedures as obstacles when purchasing food from local sources (Strohbehm & Gregoire, 2002). Findings from a national survey indicated that 71% of chefs reported that their establishment had purchased locally grown food from farmers' markets but their preference would be to purchase foods direct from the farmer, not at farmers' market (Institute of Agriculture and Natural Resources, 2003). The elimination of the "middle man" in direct marketing prevents local food products from entering multiple market channels but appears to be perceived as an obstacle to buying locally by some foodservice operators (Strohbehm & Gregoire, 2003).

The role of Extension in educating producers to sell to various types of foodservice operations and in helping producers organize into producer organizations may be key. About one-fourth of the participants in this study used Extension publications to learn about selling to foodservices. More widespread coverage of information that focuses on buyer receptiveness, how to price products, regulations, and buyer-seller relationships may be beneficial to local growers and producers.

Additionally, formation of producer groups when selling to foodservices could eliminate some of the perceived barriers by buyers including ordering and payment difficulties. A process to organize producer groups is offered by Lichtkoppler and Paschwitz (1992). Extension publications to assist with building linkages between local producers and foodservice operators can be found at <<http://www.extension.iastate.edu/hrim/localfoods>>.

Additional research is needed with a broader sample of producers to distinguish between characteristics of producers who sell to local foodservice operations and those who do not. Increased marketing to local foodservice operations requires a better understanding of the buyer-seller relationship. Future research should additionally focus on developing characteristics of effective buyer-seller relationships in specific sectors of the foodservice industry. Last, the perception of foodservice regulations as a barrier is of interest and worth further exploration.

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