Bridging the gap: What does it take to bring small- and medium-sized producers and retail and foodservice distributors together?

Connie Hardy
Iowa State University

Mary Holz-Clause
Iowa State University, mclause@iastate.edu

Follow this and additional works at: http://lib.dr.iastate.edu/leopold_grantreports

Part of the Agribusiness Commons, Business Administration, Management, and Operations Commons, Entrepreneurial and Small Business Operations Commons, and the Marketing Commons

Recommended Citation
http://lib.dr.iastate.edu/leopold_grantreports/292

This Article is brought to you for free and open access by the Leopold Center for Sustainable Agriculture at Iowa State University Digital Repository. It has been accepted for inclusion in Leopold Center Completed Grant Reports by an authorized administrator of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.
Bridging the gap: What does it take to bring small- and medium-sized producers and retail and foodservice distributors together?

Abstract
Bringing farmers and food distributors together to find common ground could accelerate the spread of locally grown food throughout the food chain.

Keywords
Value Added Agriculture Extension, Business management distribution and marketing, Farm to institution, Market research and feasibility studies

Disciplines
Agribusiness | Business Administration, Management, and Operations | Entrepreneurial and Small Business Operations | Marketing

This article is available at Iowa State University Digital Repository: http://lib.dr.iastate.edu/leopold_grantreports/292
Question & Answer

Q: What could Iowa farmers learn about working with food processors and distributors?

A: There are opportunities to sell locally-grown food products to food distributors, typical protocols for distribution to larger volume buyers, and food attributes that are important to institutional and retail customers of food distributors.

Background

The demand for locally grown food is increasing nationwide. In the Midwest, most of the demand and opportunities to purchase these food centers around farmers markets and community supported agriculture enterprises. These venues are increasing, but they are more likely to serve direct markets than foodservice or retail institutions. Meanwhile, larger institutional buyers mainly rely on food distributors for consistent product supplies. However, these distributors are prone to purchase their supplies from regions outside the Midwest. Producers continue to appreciate the current direct marketing routes, but some would like to sell to the larger institutional markets served by distributors.

To deal with the obvious disconnect between the growing demand for local foods in larger markets, and the high volume of food supplied to distributors from non-local sources, this project focused on the question, “What will it take to bring small and midsize producers together with retail and food distributors?”

Objectives of the project were to:
1) Create a base level of information on how to conduct business with the foodservice and food retail sectors that could be disseminated at workshops and via the Internet, and
2) Learn what new marketing opportunities emerged within institutional food service and larger retail markets and encourage producers to explore them.

Approach and methods

The first step was an assessment of expectations and needs of foodservice and retail distributors as they relate to purchase and resale of locally grown food products. Interviews were conducted in which distributors were asked to choose among product attributes and sales practices they felt were important when they purchased food from local producers. Twenty-one distributors were contacted; 12 were foodservice distributors, five retail/grocery stores and four convenience stores. Sixteen distributors completed the survey and answered some open-ended questions. Results were shared with producers at four workshops, and were used to create material explaining to producers “How to Work with Distributors.”

Results and discussion

Consistent messages that emerged from the interviews were:

Principal Investigator:
Connie Hardy

Co-investigator:
Mary Holz-Clause
Value Added Agriculture Program
ISU Extension

Budget:
$32,500 for year one
$18,000 for year two
• Distributors recognize a need to consider buying locally.
• Producers would benefit by meeting with distributors to learn what products the distributors’ clients want to buy.
• Consistent and constant supplies are important to food distributors, although they recognize that some high-demand products are seasonal.
• Producers need to follow basic guidelines regarding storage, packing, and shipping of products to maintain product quality and ease of handling.
• Formation of producer supply groups would facilitate contacts with and shipments to distributors.

Conclusions

Responses from foodservice distributors suggest that their customers would prefer products that are locally grown as long as the supply is consistent or predictable (for seasonal products). Customers of foodservice distributors include institutional foodservice (college campuses, hospitals, care centers, prisons, and hotels) and restaurants of different sizes and types. Each distributor must be sensitive to the needs of its customer base. Producers would benefit from making contact with individual distributors to learn who their customers are and how well the customers’ preferences would match their products. Foodservice distributors noted in the interviews that “products with a story” market well. This suggests that “the story” gives distributors a selling point to use with their customers, thus promoting special product features throughout the chain.

Inadequate supply and inconsistent quality emerged as the reasons why distributors would avoid regular purchases from individual producers; yet, some distributors noted that they would prefer to buy from a single supplier rather than a group because they preferred dealing with an individual. Further questioning revealed that supply and consistency problems could be solved with effective coordination between producers and distributors. Ultimately, producer supply groups may be able to provide large and consistent supplies, and the presence of a sales manager as an intermediary would help maintain communications with the distributors.

The key message from the interviews was that producers should contact distributors well in advance of trying to sell their products. Getting to know the distributor and learning whether the products suit the customer base would be valuable for both parties. The first step in creating a successful relationship between distributors and producers is a conversation in which they discuss the producer’s products and the distributor’s customer needs. That information will help generate workable contracts that are mutually understood and reasonable for both parties.

Distributors offered information about special needs in serving their clientele, ranging from high-quality, unique food products that appeal to chefs in gourmet restaurants to specific brands of cardboard cartons that protect food and are easily located in a commercial walk-in freezer.

Impact of results

Workshop participants learned about selling their products to larger markets beyond individual households. Most participants said that the variety of topics, quality of presentations, and relevance of information was helpful to them. In addition, workshop participants expressed a need for a new infrastructure to allow for collection, storage, and light processing of locally grown fruits and vegetables.

Several producers who could not attend the workshops contacted the researchers to obtain handouts and electronic copies of Power Point presentations. Five producers who attended the workshops called to obtain advice and contact information for distributors. One producer is proceeding with plans to adapt his farm operation to become a distribution and light-processing operation.

The student intern funded by the project gathered additional interview data from institutional food buyers, and encouraged more than 300 new producers to register in Iowa’s Market Maker database at http://ia.marketmaker.uiuc.edu/. These registrations strengthen the list of available locally grown foods and encourage food buyers at all levels to use Market Maker Iowa as a resource.

Education and outreach

Data from the interviews were presented in a series of workshops and posted on the web sites of the Value Added Agriculture Program, the Agricultural Marketing Resource Center, and the Leopold Center.
Workshops were held in March 2006 in Fairfield, Atlantic, Sergeant Bluff, and Waterloo. Two workshops held in Vinton and Cedar Rapids in March 2007 provided more specific information about opportunities to sell to food distributors and about producer experiences working in supply groups. Information on “How to Work with Distributors” was developed from the interview data and made available at the workshops and to producers who were unable to attend the sessions.

Leveraged funds

Sysco Corporation provided funds for a three-month student internship in Summer 2006 to extend interviews with institutional buyers (Iowa Regents Universities, community colleges, prisons) and to encourage local producers to register for the database, Iowa MarketMaker.

For more information, contact Connie Hardy, Value Added Agriculture, 1111 NSRIC, Iowa State University, Ames, Iowa 50011; (515) 294-8519, e-mail chardy@iastate.edu