MarketReady for Grocery, Wholesale, and Foodservice Sales
Full Report

Dr. Tim Woods
Department of Agricultural Economics
University of Kentucky

MarketReady™

Copyright ©2010 by Timothy A. Woods. All rights reserved.
The MarketReady Program was researched and developed in the United States of America.
Except as permitted under the United States Copyright Act of 1976, no part of this program may
be duplicated or reprinted for distribution in any form or by any means stored or copied without
prior written permission of the author.
MarketReady for Grocery, Wholesale, and Foodservice Sales

Marketing from the farm directly to grocery chain stores, wholesale food brokers and food distribution companies has mainly been a sales venue for large farms with enough volume to ship in tractor trailer load units into regional or national markets. The rising expense of long distance transportation costs (fuel prices) and a renewed interest by consumers to purchase locally produced food has created more and easier access to the commercial food distribution channels for smaller farms located outside of the major commodity production areas. A farm with a reasonable amount of production and a quality product probably has greater access to wholesale marketing channels now than any time in the past twenty years! Opportunities to sell farm products such as produce, meats, eggs, cheese and other value-added items direct to wholesale buyers is available if farmers are willing to work out the details of steady supply, marketing, pricing, logistics and quality control.

This report is based on a series of interviews with grocery store owners and buyers, food wholesalers and food distribution companies. The report will highlight issues a farmer will need to address in order to successfully market products to these businesses. Each company has a unique system of handling purchase orders, quality assurance, vendor qualification, etc., however basic issues that need to be addressed by a potential vendor are the same. Each of the basic issues will be discussed in this report. A checklist is provided for farm businesses to evaluate their marketing strategies once each issue has been addressed. This report will discuss the issues a producer must address in order to sell into the commercial food distribution system. Topics to be addressed:

- Communication & Relationship Building
- Packaging
- Labeling
- Pricing
- Supply
- Delivery
- Invoicing
- Insurance
- Quality Assurance, Audits & Certifications
- Satisfaction Guarantee
- Marketing – An ongoing process
- Local Products for Local Markets

This report was developed by the University of Kentucky during the summer and fall of 2009. The author would like to thank those grocers and wholesale buyers around the country that graciously consented to provide information and interviews for this project.

Questions or correspondence may be directed to:
Dr. Timothy A. Woods, Extension Professor
University of Kentucky, Department of Agricultural Economics
402 Charles E. Barnhart Bldg., Lexington, KY 40546-0276
Phone: 859-257-7270, Fax: 859-323-1913
E-mail: tim.woods@uky.edu
Communication & Relationship Building

Buying products to supply grocers and food service firms is a stressful, demanding job. Wholesale buyers are busy people, yet it is important to be able to reach them in a timely manner should there be a problem. Many of the buyers interviewed said they preferred to communicate by e-mail when possible. When asked about their expectations regarding communications between farm vendors and themselves, buyers stressed the importance of keeping them informed about your product and its availability.

Some interview quotations about communication:
“Give us a phone call, (expletive)!”
“Keep me posted as to what’s happening. I need two weeks’ notice of any changes.”
“Communicate 2-3 times per week during produce season.”
“I need four days notice to re-supply elsewhere if farmers won’t have the product.”

Consumers have come to expect year-round availability of the food products they buy. Thus grocery stores, food service suppliers and restaurants want to provide these items all the time. Produce is a good example of the need for communication between the farm vendor and the buyer. When local production suffers a production glitch or is not in season, supplies must be brought in from other areas. It takes four days to get produce delivered from the West Coast to Kentucky and points further east. Because of this, it is essential to provide advance notice if orders cannot be filled per the sales agreement.

Keep in mind grocery buyers are used to regular, professional communications from trained sales people. Other suppliers are very aggressive and work from professional customer relations management programs.

Summary: Communication & Relationship Building

- The farm vendor needs to take the initiative to communicate with buyers in a timely fashion
- Successful farm vendors understand the best communication channels to reach individual buyers when needed
- It is important for your business relationship and future sales, to be honest and direct in describing the product and its availability
- A good farm vendor and buyer relationship can create synergies that result in profitable changes to a farm’s product line and production volume
Best Marketing Practices: Communication & Relationship Building

✓ I understand the importance of advanced notice to the buyer about my product’s availability and any changes in quantity or quality
✓ I have the buyers contact information such as their direct phone numbers, and email; I understand the best way to reach them
✓ I understand wholesale food buyers have many demands on their time, therefore I make appointments in advance in order to meet with the buyer about my products
✓ I am building good relationships with my customers so that, if deliveries are delayed or mixed up, we can have an honest conversation about their concerns
✓ I present a professional and clean personal appearance when making business calls to potential customers
Packaging

Proper packaging is essential in order to allow safe, easy movement and storage of your products. Good packaging will protect the integrity of your products, keep out contaminants and allow for the holding of proper temperatures. Wholesalers, grocers and food distributors interviewed stressed the point that industry standard packaging should be used. This will allow for co-mingling the products with other supply sources to meet orders if need be. Industry standard packaging is normally stackable on a pallet and can be stored on pallet racks in the warehouse. Everything will need to be palletized for truck transportation purposes.

There was some mention of non-standard packaging being acceptable for special order items or unique circumstances. The Kroger produce merchandiser we interviewed told us that he thought the use of returnable plastic containers (RPCs) would be increasing due to environmental concerns about waste with disposable packaging. At the present time, Kroger has thirty produce items they are purchasing packed in RPCs.

Several buyers said UPC codes (bar codes) are needed on any products that will be sold to retailers. This includes produce items. Also Country of Origin Labeling (COOL) regulations require “Product of USA” to be on the box if it is domestically produced.

Most produce items have conventional packaging for weight, count, grade, size etc. Standard boxes can be obtained from commercial packaging companies or local produce auctions or coops. Produce standards and grades can be found in the Packer Merchandising Guide: http://www.producemarketguide.com/theguide/commodities.asp

Another point about packaging was: for retail sales of shelf ready products, the packaging should be attractive and clearly convey that this is a quality product that is locally produced.

Local Meats:
“You need attractive packaging and proper cutting of the meat.”

Mark Critchfield – owner
Critchfield Meats, Lexington, Kentucky

Summary: Packaging

- Farm vendors should understand the standard sizes and quantities that their products are typically packed in
- Conversations with the buyer should include a discussion of the typical product size you are selling and determine if that is consistent with their needs
- Farm vendors should be willing to clean and pack produce to USDA quality grading standards
- Cardboard produce boxes are a good “default” packaging option
Best Marketing Practices: Packaging

✓ I understand the industry standard packaging for the product and am prepared to deliver that kind of package
✓ I have asked the buyer how they want my product packaged
✓ My product will be packaged appropriately to protect its integrity, temperature and freedom from contamination
✓ My product will be packaged in a manner that allows storage on pallets, in racks
✓ I have access to industry standard packaging materials
✓ I have relationships developed with processors that can produce the desired cuts or products from my meat or dairy production
✓ I can produce and provide a product that consistently meets USDA or industry grading, sizing and quality standards
Labeling

The minimum labeling requirements for food products mentioned by most of the wholesale buyers interviewed were COOL and UPC or PLU codes on the product. Any item to be sold through a retail checkout has to have a PLU (price look-up number) and or a UPC (bar code). Kroger told us they see more use of UPC coding in the future so that all items can be scanned at the checkout counter. For items sold to consumers, an attractive label was asked for as well as the state pride logo to identify the product as locally produced, (Kentucky Proud, Ohio Proud, etc.). Sysco Foods requires product traceability from the label information on the product.

Local Meats:
In order to sell meats to grocery, wholesale or foodservice customers, the meat has to have to been processed at a USDA approved facility with a USDA meats inspector present. The meat is stamped with an official USDA inspection seal when approved. Labels for meat products have to have up to eight features with specific information including:

- Product Name
- USDA Inspection Legend
- Net Weight
- Handling Statement
- Address (Signature) Line
- Ingredients Statement
- Nutrition Facts
- Safe Handling Instructions

The nutritional facts would include any label claims such as grass-fed or antibiotic free. All meat product labels have to be approved by the USDA before they can be used. A draft label can be submitted to the USDA along with an official form, USDA/FSIS Label Submission Form 7234-1 (found at: http://www.fsis.usda.gov/fsisforms/7234-1.pdf) requesting label approval. Proof of any claims made on the label will need to be submitted as well. There are private consultants that can be hired to help with this sometimes, complicated process.

Sample label for USDA inspected lamb

![Sample label for USDA inspected lamb](image-url)
Summary: Labeling

- Labels add a professional presentation and help customers associate your farm with your products
- Labels can also include information for product use, storage, and add traceability from the item back to the producer
- Labeling for meat or processed products must meet legal guidelines for product labeling and sale

Best Marketing Practices: Labeling

✔ I understand that labeling can help build my farm’s identity and improve product presentation, therefore I have made an effort to provide an attractive label
✔ I understand the legal regulations for labeling my products including Country of Origin labeling, USDA inspection seals, label claims, weights and my business contact information, etc.
✔ I can PLU sticker or UPC label my products as required by the customer
✔ My packaging and labeling allows for product traceability or I can work with the buyer on product traceability procedures if requested
✔ I can verify all the label claims on my product labels
✔ I have taken the opportunity to explain to buyers what terms like “grass-fed”, “pasture raised”, “natural”, “anti-biotic free”, and other phrases mean if I use those terms on my labels, literature or product packaging
Pricing

“The local sweet corn deal has worked well for us. We set a fair price, promoted it as local, and kept the price the same all season.”

James Neuman – Co-Owner, ValuMarkets, Louisville, Kentucky

Pricing is a complex issue. In the long run the price paid to the producer has to be enough to sustain the production and distribution costs, yet be low enough to allow a profitable retail (or wholesale) sales margin. Factors involved in the pricing decision include the production and marketing costs, plus the processing, packaging and delivery costs. Most of the buyers interviewed said they would check the price from their current supplier as a starting place for price negotiations. Other factors considered in the negotiation are the amount and consistency of supply, the quality compared to what they currently have, the logistics and cost of delivery and the amount of marketing support that is available as well.

In order to have a productive discussion with a wholesale buyer you will need to have a clear idea of your costs to produce each item you are selling: how much volume will you have, and for what length of time can you provide product?

Wholesalers are going to have reference prices for fresh produce based on marketing activity at regional terminal markets, or USDA Ag Marketing Service reports. These prices are published in periodicals like The Packer or the AMS website, http://www.marketnews.usda.gov/portal/fv.

Larger wholesalers are going to have internal trading prices they can access from regional or national activity. These can vary substantially year-to-year.

Foodservice operations and grocery retailers receive weekly or even daily price lists from their major suppliers. Foodservice operations emphasize scale and low-cost while trying to accommodate local products. Remember, foodservice firms are primarily providing ingredients for restaurants and are very margin conscious.

Margin-based retail pricing (used by almost all food retailers – standard retail price) –

1. Food cost % = 1 - % margin
2. Target retail price = wholesale unit cost/food cost %

Example: A retailer wants to get a 40% margin on asparagus. A case standard is 28 pounds and costs $48.50 from the supplier. This comes to $1.73/pound cost to the retailer.

The food cost % in this case is 1 - .40 = .60

The target retail price to reach the margin with this method is $1.73/.60 = $2.89/lb.

How is the target margin determined by the retailer?

- Spoilage—higher likelihood of loss means higher margin required to cover losses
- Theft or unaccounted loss of inventory
- Unsold inventory
- Seasonality, demand, availability in other stores
- Special promotions

Typical grocery produce margins run 33-50% and are variable across items.

Pricing of Local Meats:
Processing and delivery costs for local meats often are high because of the smaller volume.
“Processing costs for local meats are too high to be competitive on a commodity basis. Local meat has to sell for more.”
Mark Critchfield – Owner, Critchfield Meats, Lexington, Kentucky

Locally produced meats have positive selling points beyond price. They are often fresher due to less transportation time, have additional marketing claims such as pasture raised, free range, grass-fed, animal welfare approved, etc., and have the additional appeal of supporting the local economy. Direct marketers of local meats often report they can sell the high end cuts of meat such as steaks and chops but have a harder time moving the lesser quality cuts such as roasts and ground meat. With this in mind, a potential local meat seller needs a pricing strategy that will allow them to move both the high end and the low end cuts, probably to different markets.

“You need both a wholesaler and a retailer to work with. Set prices high for high end products and low for off products.”
Bert Robinson – Owner Superior Meats, Louisville, Kentucky

Summary: Pricing
- Farm vendors need to realize that selling to wholesalers, grocers and foodservice companies will result in receiving less of a price, but saving time spent on marketing and distribution
- Knowing your approximate costs of production is critical to having a productive conversation about pricing with a new buyer
- Understand the margin pricing approach (standard retail price) used by retailers and how it will affect the price they will likely have to charge; will it be competitive?
- The negotiation about pricing involves other factors besides strictly the dollar amount per unit. Other factors involved include the quality of the product, the product support available, the consistency of supply, and delivery logistics
- Grocers and wholesalers with different customer focuses (natural foods, gourmet foods, and ethnic markets) may be willing to pay higher price levels for specialty products
- Product quality is crucial in the price negotiation, especially for higher-priced products

Best Marketing Practices: Pricing
- I have researched current market prices for my product and am aware of the transportation costs I will incur to deliver my products
- I have worked out the processing, packaging costs and any other post-harvest costs associated with producing my products long term
- I can discuss and provide a written description of my product attributes, benefits and label claims
- I can give an estimate of how much volume of product I can provide and for how long I can provide it
- I can quote the buyer a delivered price for the product
- If appropriate I am prepared to discuss each size, grade or cut of my product the buyer may be interested in
- I have priced the product at a level where I can make a profit and be a stable supplier
Supply

Inconsistent volume and availability of local product is often cited as a problem by food distributors and wholesalers who sell food to the food service industry.

“You can’t get away with telling the customer, we don’t have it, not in wholesale food sales. There is no, “no” in my business”
Bert Robinson – Owner,
Superior Meats, Louisville, Kentucky

Our food supply system has become global and as such has the capability to supply almost any food item at any time of the year. The customer has come to expect product availability all the time. Locally (or regionally) produced fresh food often has seasonality to its production. Seasonality seemed to pose more problems to the food service industry and their suppliers than the retail grocer section of the industry. Some of the problem in terms of food service may be that restaurants set menu items in print at specific prices. Inconsistent supply of the raw ingredients poses a major inconvenience to say the least. Seasonality was less of a problem with retail grocers, especially with regard to local produce. Retailers commonly negotiate an agreement with a farm (or group of farms) to supply them produce items for the season. One large food service company said they would like a potential supplier to be able to meet their usage numbers for the products they are selling and also to supply multiple items.

The amount of product wholesalers and retailers would consider buying from a new farm vendor seemed to be more flexible than the issue of consistent supply. Most of the buyers interviewed expected a new vendor to have enough volume to meet their needs for at least a store or a region. Slones Market, in Lexington, Kentucky, a locally owned grocery chain lets the individual stores buy direct from farm vendors. Kroger Mid-South division, located in Louisville, Kentucky, buys for 160 stores and turns their produce inventory every three days. Forty to fifty trailer loads of produce are unloaded every day at their distribution center. With that kind of volume of product being delivered, the logistics of buying local will not work for deliveries and purchases from single farm vendors. Kroger Mid-South is buying local produce through independently owned wholesalers who can handle to consolidation of local products from multiple farms and provide the level of quality assurance expected by the larger buying entities. A few examples of independent wholesalers that are buying local produce for resale to regional grocers include Horton Fruit Company and Grow Farms in Louisville, Kentucky and Crosset Company in Cincinnati, Ohio.

Supply – Consolidation

Three grocery chains and a food distributor said they reduced their warehouse delivery schedule logistics by purchasing local products through independent wholesalers who are better able to consolidate products from multiple local farm vendors. The independent wholesalers can provide produce quality and food safety assurance services to their grocery and food service customers as well by performing due diligence when purchasing and guaranteeing the products supplied from local producers. Some independent wholesalers offer help with aggregating products from several farms and then labeling and packaging for local produce. Larger buying entities will likely have minimum volumes of product they will deal with – both for individual delivery and overall.
Working with an aggregator can help overcome this difficulty, but may lead to loss of individual identity and control of aggregated product quality.

Some foodservice companies have a special “local inventory” line of products they offer to their restaurant clients. Aggregation can lower total shipping costs and reduce the number of buying transactions for retailers.

Produce auctions also serve as aggregators. Some smaller independent groceries prefer to utilize the auctions as a one-stop-shop for their local inventory.

Summary: Supply

- Local growers should not consider the inability to supply large volumes a barrier to approaching grocers or wholesalers; also realize that there are volume levels and consistency that will be critical to establishing and maintaining a mutually profitable business relationship with these firms
- The farm vendor must take responsibility for the volume they commit to supplying
- Providing exceptional service in the case of crop failures or other challenges helps strengthen the farmer-wholesale buyer relationship
- Regular updates about availability, quality and expected volumes are important to keep your buyers and their clientele informed and able to plan for any transitions needed to maintain a consistent product offering
- E-mail is often the preferred method to reach out to busy wholesale buyers.

Best Marketing Practices: Supply

- I am prepared to discuss the potential products and forms of products that the buyer may be interested in purchasing from me
- I can supply a consistent volume of product in the quantities acceptable to the buyer for a specified period of time
- I understand the importance of advanced notice to the buyer about my products availability and any changes in quantity or quality
- I have a plan to accomplish steady production of my product
- I have the buyers contact information such as direct phone numbers, email and understand the best way to reach them
- I am aware that some buyers may want to purchase my products from an independent wholesaler in order to improve their logistics and quality assurance procedures
Delivery

Delivery of the product to the buyers loading dock or to specified store locations is normally expected. In the case of meats and processed products, some wholesalers and food distributors will arrange to pick-up the product in their refrigerated truck at the processing facility. Fresh produce is normally expected to be delivered three to four times per week in order to keep supplies fresh. Some foodservice firms such as restaurants have limited storage space which also necessitates frequent deliveries. The Kroger Company requires deliveries to their distribution center rather than to individual stores. Farm vendors are given a phone number to call and set an appointment for when to arrive and unload. Other grocers require direct store deliveries which can sometimes be cost prohibitive for small orders. Three grocery chains and a food distributor said they reduced their delivery schedule logistics by purchasing local products through independent wholesalers who are better able to consolidate products from local farms as well as provide produce quality and food safety assurance from local farm suppliers. Regional wholesalers can often help with produce labeling and packaging if needed.

Summary: Delivery

- Find out whether you will need to deliver direct to store locations or to a distribution center
- Understand the costs associated with delivering your products
- Find out what times and days deliveries are accepted
- Always let buyer know as soon as possible if you will be unable to deliver a product on time, no matter what the reason

Best Marketing Practices: Delivery

✓ I understand the cost in time and fuel, etc. that is involved with product delivery
✓ I can arrange affordable transportation of my product to the buyers requested delivery locations at an acceptable frequency
✓ I have asked the buyer about delivery procedures and can accommodate
✓ I have an invoicing system that allows me to leave an invoice with each delivery or provide a bill of lading and send an invoice via mail or e-mail
✓ I am willing to investigate delivery services in new areas to gain new clients
✓ I will build good relationships so that, if deliveries are delayed or mixed up, we can have an honest conversation about their concerns
Invoicing

Invoicing is how you get paid. Invoice accuracy and completeness is important! A neat and accurate invoice communicates to the customer that your business is well run and professional. Invoice requirements varied from company to company interviewed. Some of the grocers and wholesale buyers had very simple invoice requirements such as a hand written, numbered invoice with the sellers name and address on it. Others required use of a company specific electronic form of invoicing and payment. Most of the grocers and wholesalers required paper invoices to be either mailed or delivered with the product. The basic information that should be on the invoice is a unique number (in series), the farm’s name, address, phone number, other contact information, the items sold and the amounts, price per unit, total price, and any additional charges, payment terms and how it was shipped to the buyer. A sample invoice is included in the Sample Documents section of the binder.

Fresh produce sales are covered under the Perishable Agricultural Commodities Act (PACA) law. PACA was enacted to protect farmers when selling a perishable commodity with payment due after delivery of the product. This is because produce is perishable it must be sold and moved to the end user in short order. Produce crops are mostly seasonal in nature. The combined forces of perishability and seasonal growth create the necessity of rapid transactions between sellers and buyers and often long distance shipping of the products. PACA mandates that sellers of perishable commodities be paid within a specified period of time (10 days). If the buyer goes out of business or reneges on paying a farmer, a PACA claim can be made. If the buyer cannot be made to pay and the claim is legitimate, the farmer could be compensated from the PACA Trust Fund (funded with dealer’s licenses and user fees), http://www.pacatrust.com/index.php. In order to preserve the rights to PACA trust protection a statement saying you wish to do this must be on the invoice.

The statement is:
“The perishable agricultural commodities listed on this invoice are sold subject to the statutory trust authorized by Section 5c of the Perishable Agricultural Commodities Act, 1930 [7 U.S.C. 499e(c)]. The seller of these commodities retains a trust claim over these commodities, all inventories of food or other products derived from these commodities, and any receivables or proceeds from the sale of these commodities until full payment is received”.

You may also want to put on your invoice a statement about past due accounts being charged interest after 30 days.

Bill of Lading

If a third party such as a trucking company is used to deliver the product, then a Bill of Lading (BOL) is needed. The purpose of the BOL is to track what products were shipped, to whom and how were they transported. The BOL can serve as valuable proof that you sent the buyer your products, where they were delivered and how they were transported. The BOL can also be a valuable tool to insure the trucking company delivers the products on time and within the desired temperature range.

An example of a produce shipment BOL is included in the Sample Documents section of
the binder. In this case a trucking company is used to deliver produce ordered from a corporate buyer and shipped to a store at a different location. The BOL is used to pull all the information together concerning who, what, where and when. The first part of the BOL shows who purchased the produce, the purchase order number, where it is to be shipped, and when it is expected to arrive. The middle part of the BOL lists what items are to be shipped, and how many. The price per unit does not have to be on the copy the trucker is given. The farm may want to fill those in later for their records and also fax a filled out copy to the buyer so they know it has been shipped and what is to be delivered. The last part of the BOL deals with the transportation specifics. The name of the trucking company, the trailer license tag number, the temperature of the produce upon loading and the temperature requirements during transport. The truck driver signs for the produce and the farm representative notes what time the truck drives out. Upon delivery the trucker will have the grocery customer (receiver) sign for the load and note the time and date. The signed BOL will then be mailed back to the farm by the trucking company along with their bill for the transportation service. An original and three copies may be needed. The original is signed and returned to the farm. One copy is retained by the trucking firm. One copy is retained by the receiver and one copy is kept by the farm vendor for a record of shipments made.

Summary: Invoicing

- Create an invoice form with the farm’s name, address, phone number, and other contact information. Invoices need to be numbered and dated. This allows both the seller and the buyer to refer to a particular invoice should there be a question. QuickBooks (www.QuickBooks.com) computer software is an easy system to use to generate invoices. You can create invoices for different customers and track the totals, amounts paid and amount outstanding
- Include a box for the purchase order number on the invoice
- Include a statement to preserve PACA Trust Claim rights if selling produce

Best Marketing Practices: Invoicing

✓ I can provide a numbered invoice form with farm name, address, phone number, and other contact information printed on it
✓ The invoice form will have the date, P.O. number, product description, weight or quantity, price per unit and total price
✓ I understand the invoicing procedures and have discussed them with the buyer
✓ I have made sure that my invoice statement or system meets their requirements, including electronic delivery if required
✓ I am prepared to accept payment as agreed upon with the buyer (usually 14 days)
✓ For produce sales, I understand the applicable PACA rules
✓ I understand and can supply a Bill of Lading if using a third party to deliver the product to the retailer
Insurance
Companies varied in their exact requirements for insurance coverage. Potential farm vendors will need to obtain a copy of the prospective customer’s company policy in terms of insurance coverage. All of the buyers interviewed said they currently (or will in the near future), require local farm vendors to carry product liability insurance on their products. The amount of liability insurance coverage expected ranged from one million to three million dollars in umbrella coverage. Other insurance requirements mentioned were workers compensation coverage (for vendor personnel unloading at the buyers facilities). While not insurance, product traceability back to the producer is considered by some buyers to be essential for food safety assurance.

Insurance: Summary

- Product liability insurance is an essential part of selling to grocers and wholesalers
- Farmers should make sure they are covered at a level appropriate for their liability exposure

Best Marketing Practices: Insurance

✓ I have verified with the buyer their company’s farm vendor requirements for product liability, worker’s compensation and other insurance policies and can show proof of proper coverage
✓ I will show proof of proper coverage
✓ I also have liability insurance coverage for my farm business activities
Quality Assurance, Audits & Certifications

“Food safety is the biggest issue on the horizon for local products”.
Rob Turnier – President
Creation Gardens, Louisville, Kentucky

It was universally stated by all the buyers interviewed, that they expect the farm vendor to stand good for the product. What is meant by “stand good for the product” is a 100% quality assurance guarantee upon delivery. In general, quality assurance means the product meets the company specifications, complies with the appropriate USDA grading and standards, is of good quality and condition. In addition to the product qualities, most of the buyers currently require or will in the future, that the vendor address food safety issues, http://chfs.ky.gov/dph/info/phps/food.htm, with good agricultural practices (GAP) certifications, and proper post-harvest handling procedures. Sometimes this involved third party certifications or company in-house inspections of the farm vendor’s farm facilities and procedures...

All of the firms interviewed expect the products to be maintained at the proper temperatures to achieve maximum shelf-life. Some firms require a record showing the maintenance of the cold chain from the point of origin to delivery at their facility.

Local Produce:
Some of the larger grocers and food service companies require their farm suppliers to have GAP certification at a minimum. Larger volume producers were expected to meet even stricter standards for food safety assurance purposes. Sysco Foods for example requires USDA GAP certification from all of its produce suppliers. Sysco also requires product tracking back to the field and inspection by one of their 43 full-time quality assurance personnel. Proper post-harvest handling of produce includes washing, grading, packing and cooling the product to meet USDA grading and quality standards. Quality assurance ultimately is verified at the buyers receiving dock. Larger grocery firms often have trained produce inspectors that verify the produce size, condition, temperature and USDA grading standard before the delivery is accepted. Smaller locally owned grocery firms may have less formal receiving practices. However it was universally stated by all the buyers of both large and small firms that the farm vendor must “stand good for the product.”

Local Meats:
USDA inspected processing is required for beef, pork, lamb and goat. Food and Drug Administration (FDA) inspection is required for seafood and poultry. The processor is required to lower the hot carcass temperature down to 40 degrees F within 24 hours of processing. Temperatures must be maintained during transit at all times. A good way to record this is to note on the bill of lading the temperature of the products upon loading the delivery truck. The receiver can record the product temperatures upon arrival. Whole Foods Market rejects any meats delivered at 40 degrees F or higher.
Summary: Quality Assurance, Audits & Certifications

- Quality assurance from a wholesale buyer’s perspective means the farm vendor guarantees 100% of the product meets their specifications.
- Producers need to understand temperature requirements and safe handling practices expected for the products they are delivering.
- Some firms require certain temperature protocols, and the producer must be able to meet those guidelines to deliver product.
- GAP certification maybe a requirement for produce farms.
- Farm inspections by the buying organization or a specified third party is a common requirement for farm vendors.

Best Marketing Practices: Quality Assurance, Audits & Certifications

✓ I can maintain the products integrity throughout the production and distribution process in order to deliver a quality safe product with acceptable shelf life to the customer.
✓ I have procedures in place to verify the cold chain has not been broken and that proper temperatures have been maintained.
✓ I have educated myself about safe food handling, good agricultural practices (GAP), proper temperatures, and storage of my products.
✓ I am able to explain to my customers how our handling practices help to minimize food safety threats and maximize the shelf life and quality of the products we produce.
✓ I am prepared to stand good for our products 100%.
Satisfaction Guarantee

Essentially, all of the wholesale buyers we interviewed expected the farm vendor to stand by their products with a 100% satisfaction guarantee. All of the firms maintain the right to refuse product if it does not meet their quality standards. As mentions previously, most of the larger grocery and food distributors have quality assurance personnel who inspect the products upon delivery. Good business is built upon trust. In the long run, the customer and the supplier need to prosper from their transactions.

“Business is all about partnership and trust. Tell me upfront if there is a problem. Don’t send something off quality to fill an order. You can tell who is out strictly for the dollar versus those that care about your business.”

Marvin Lyons – Produce Buyer
Biggs Supermarkets, Milford, Ohio

Wholesalers and retailers typically have a trust agreement for credit for “off-grade” or “spoiled” produce that is discarded (or sometimes returned). Retailers will submit for a credit on future billing for the product lost.

Summary: Satisfaction Guarantee

- Farm vendors should be willing to stand good for their products
- Food wholesalers regularly compensate their customers for product failings, farm vendors should be willing to do the same
- Most agreements between a buyer and a farm vendor in the meat and fresh produce sector will be strictly verbal, i.e. no guaranteed sales. This makes it clear that the customer and the supplier have to be satisfied in order to continue to do business
- Do you have a plan for the retailer to get credit for “off-grade” product?

Best Marketing Practices: Satisfaction Guarantee

- I am prepared to stand by my products 100% including providing additional product in the event that I need to compensate a customer for a poor quality incident
- I have explained to the buyer how my product will be delivered and packaged, and have heard any concerns that they have with my product
- I am working on a relationship with the buyer that allows for honest dialogue about my product quality
- I am willing to consider production adjustments to improve final product quality if necessary
Marketing

“Marketing support varies depending on the volume. With more volume we expect more support from the vendor.” Jamie Postell, Produce Buyer, Meijers Grocery Stores, Union City, Ohio

Most of the wholesale buyers and grocers interviewed expected only modest marketing support from local farm vendors. At minimum they asked the farm to supply information about their products, how they were produced and possibly a short description of the farm history with a picture to use for displays. A second level of marketing support would be to participate in food tradeshows and in-store product demonstrations. Larger grocery companies tend to have their own in-house marketing and signage capabilities to create point of purchase displays. For in-state promotions of local products, a state specific logo was desirable. Examples include “Kentucky Proud”, “Ohio Proud”, “Pick Tennessee”, “Jersey Fresh”, etc. Larger volume farm vendors are expected to provide higher levels of sales support in terms of consumer education about their products and possibly contribute promotional funds as well.

Summary: Marketing

- The farm vendor should understand who the grocer or wholesaler’s customers are in order to offer suggestions for marketing materials
- Communication with customers through point of purchase promotional literature, websites and newsletters are the most direct way a farm’s products (name brand) can be promoted in grocery stores
- Simple marketing materials (brochures, websites) that tell a farm’s story may be all that is needed by grocers and foodservice establishments in promoting a farm’s food
- Hosting the buyer and sales staff on a farm visit helps create a connection and makes it easier for the staff to enthusiastically pitch locally grown products

Best Marketing Practices: Marketing

 ✓ I can provide a brief farm history and production description as well as photos if requested for promotional purposes
 ✓ I am willing to host on farm visits to show my farming practices to current and prospective customers and their agents as requested for promotional and quality assurance purposes
 ✓ I am available to promote my products at food tradeshows and in-store product demonstrations
 ✓ I can help with or provide literature that accurately describes farm production practices, product attributes and the potential benefits to consumers
 ✓ I am aware of what kinds of promotional materials are available through sources like my state department of agriculture, grower association, or other third-parties
Local Products for Local Markets

To sell locally what is produced locally makes sense and seems so simple. Yet, convenience and the low cost of transporting products across the country oftentimes “local” is deemed “too expensive.” Through the new interest in “local,” Kentucky producers and farm vendors now have the ability to sell within their local markets. A few of the recurring themes from this project were: communication, cooperation and responsibility.

Communicate! Just call or email, let your buyer know what you have or will soon have, quantity and price. Join forces with other farm vendors, come together as a cooperative group. Share in delivering costs, purchase packaging materials in bulk, and stand together. Sell integrity each time you sell product. Take 100% responsibility for it and be open to hearing questions and concerns from your buyers—this will strengthen your relationship too.

Best Marketing Practices: Local Products for Local Markets

✓ I am prepared to communicate with my buyer on a regular basis and know the best way to contact them
✓ I have contacted the Kentucky Department of Agriculture regarding Kentucky Proud merchandising opportunities and materials
✓ I am prepared to cooperate with other local growers in order to aggregate inventory, and to coordinate storage or delivery
✓ I will take 100% responsibility for the integrity, quality and safety of my products