

## 2006 Kentucky Restaurant Produce Buyer Survey

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### **Selling Produce to the Foodservice Sector**

The foodservice sector includes restaurants and other institutions providing prepared meals away from home. This market channel has been growing for food consumption in the U.S. in general and for fresh produce in particular. A recent study estimated that 50% of consumer produce sales are through foodservice establishments.<sup>1</sup> This phenomenon is happening in Kentucky, as well. Local restaurants provide a ripe market niche for Kentucky farmers selling fresh vegetables and fruit. Though sales to restaurants typically account for less than 15% of a grower's total sales, prices paid by restaurants are normally stronger than wholesale and auction prices. Selling to restaurants is especially a way for growers who have had some success with on-farm or farmers' market stands to increase their sales volume.

This paper summarizes the produce marketing activity associated with the restaurant market channel in Kentucky. It also summarizes the results of a survey of restaurant chefs and owners that purchase produce, specifically exploring their demand for certain items and service needs from local suppliers. Finally, the paper explores restaurant interest in local sourcing and promotion programs in Kentucky.

### **The Restaurant Rewards Program**

The Kentucky Department of Agriculture and the Partners for Family Farms initiated a program designed to encourage restaurants to expand their purchases and promotion of locally sourced food products. The program sought to expand on initiatives first begun by the Kentucky State Parks program. The Restaurant Rewards program provided funds to participating restaurants to promote products they were purchasing locally, reimbursing a share of the promotion costs proportional to the amount of product purchased. Part of the intended outcome was to see restaurants and local producers come together more to pursue mutually beneficial marketing opportunities and to ultimately build new long term business relationships.

One of the difficulties with developing such a program is coordinating the supply and demand. There were 27 restaurants that participated in the program in 2005. Many of the restaurants and state parks expressed frustration in not being able to secure the necessary supply. Farmers also were reluctant to pursue these markets because of the uncertainties of what products were being demanded, a lack of awareness of the interest in local produce, and an underdeveloped distribution network that could get the products profitably from the farm to the restaurant.

One of the objectives of surveying Kentucky restaurant buyers was to provide better information on products and services demanded from local farmers. The survey also explored awareness of the Restaurant Rewards program among restaurateurs. Restaurants that already work to some extent with local producers can take advantage of the program and perhaps expand their promotion and merchandising. Other restaurants

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<sup>1</sup> P. Kaufman, C. Handy, E. McLaughlin, K. Park, and G. Green, "Understanding the Dynamics of Produce Markets", USDA-ERS AI Bulletin No. 758, August, 2000.

that have patrons expressing high interest in local products will have more incentive through this program to seek out sources of local produce that they can promote.

Producers can use this information to help develop a production and marketing plan and consider implementing business practices that will effectively serve their restaurant clients.

### **Exploring Restaurant Demand in Kentucky for Local Produce**

A single-mailing survey was sent to 280 restaurants and state resort parks in Kentucky, including the northern Kentucky/Downtown Cincinnati area. Restaurants were selected from the Kentucky AAA restaurant directory. Usable responses were returned by 64 restaurants, a 23% response rate. The survey explored restaurant interest in specific vegetables, fruits, and herbs and sought to identify the barriers restaurants perceive purchasing Kentucky-grown produce. A copy of the survey follows this report.

### **Restaurant Demographics**

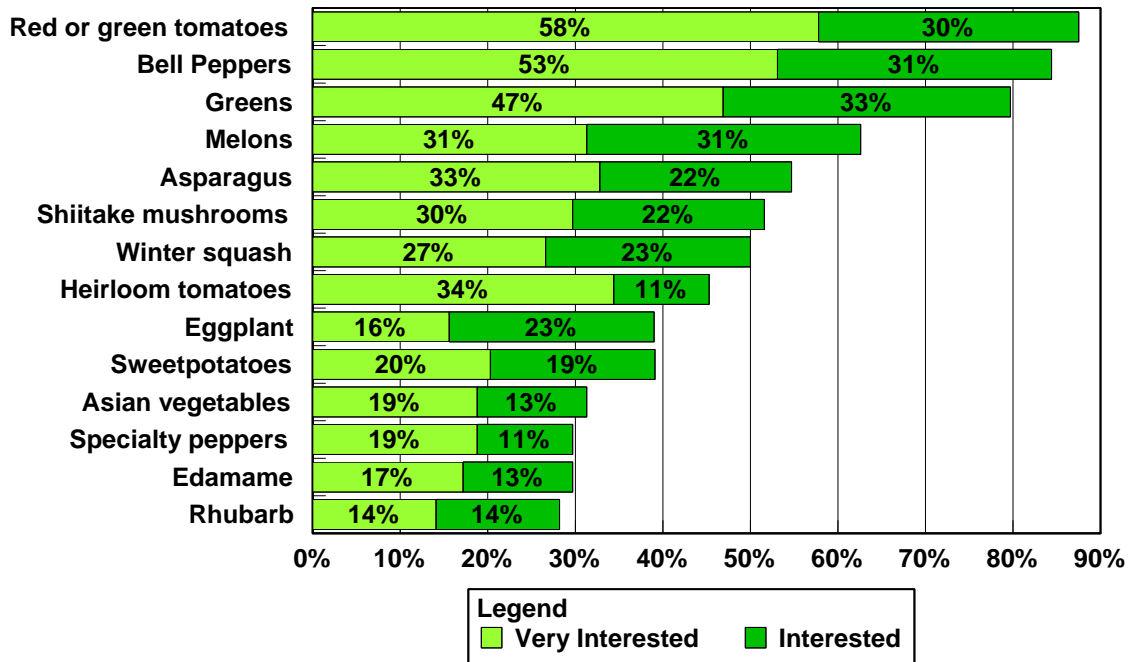
Restaurants were asked to classify themselves in one of four categories: American casual, American white tablecloth, Ethnic, and other.

Most of the restaurants (39, 62%) fell in the American casual category. There were 12 responses (18%) from white tablecloth American restaurants and five responses (8%) from ethnic restaurants. Eight (13%) of the restaurants responded to the “other” category. These restaurants identified themselves as bed and breakfasts, bistros, or cafés specializing in organic cuisine. Restaurants responded geographically in a similar proportion surveyed.

### **Demand for Locally Grown Vegetables and Melons**

The percentage of restaurants indicating interest in each crop are listed in Figure 1. The survey instrument asked respondents to rank crops as being “interested” or “very interested” in purchasing. Interest in fresh vegetables is particularly high. Regular tomatoes, bell peppers, and greens of all kinds were at the top of the list and are widely used among most restaurants. Other items that may be less widely demanded may still have significant promotion opportunities among the restaurants that demand them – either as a season item or as part of a mix of items that can be promoted together.

**Figure 1. Restaurant Interest in Local Vegetables and Melons**

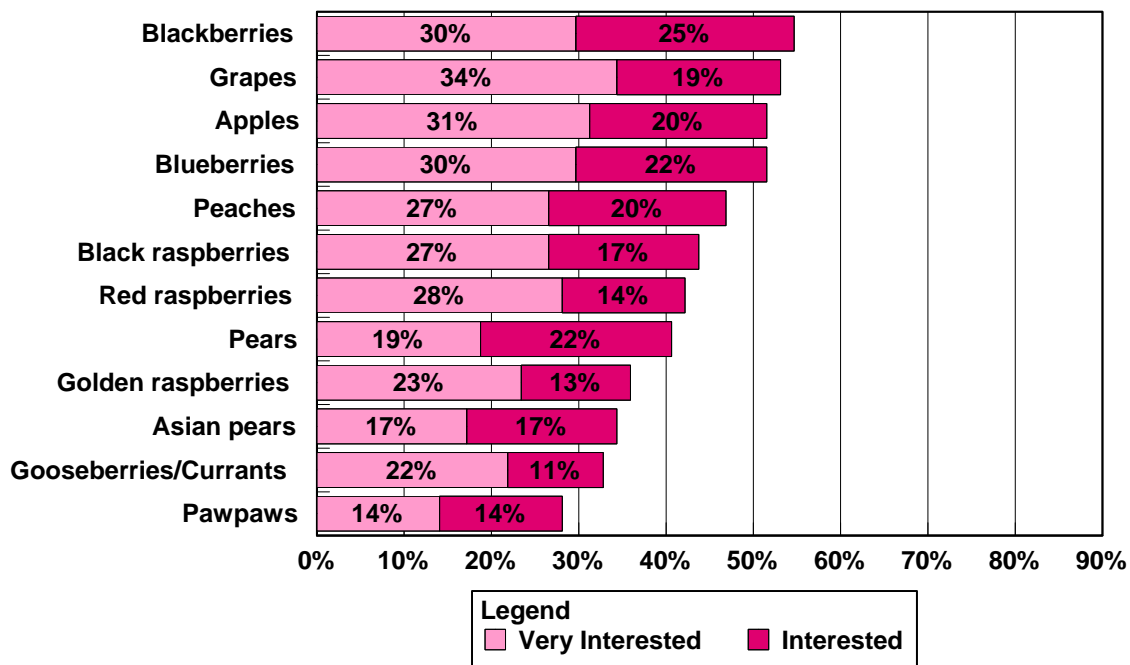


*Note: Based on 64 usable surveys.*

### **Demand for Locally Grown Fruit**

Blackberries, grapes, apples and blueberries are the most popular fruit crops for over half of the restaurant surveyed. While interest was slightly less for fruits than for vegetables, there was still significant demand. The fruit crops tend to be higher value items, more perishable, and more difficult for many local restaurants to find locally. As with the vegetables, most of the fruit products are going to be used as an ingredient. Qualities of ripeness and flavor are going to be at least as important as the physical appearance of the product. A summary of demand by fruit item is presented in Figure 2.

**Figure 2. Restaurant Interest in Locally Grown Fruit**



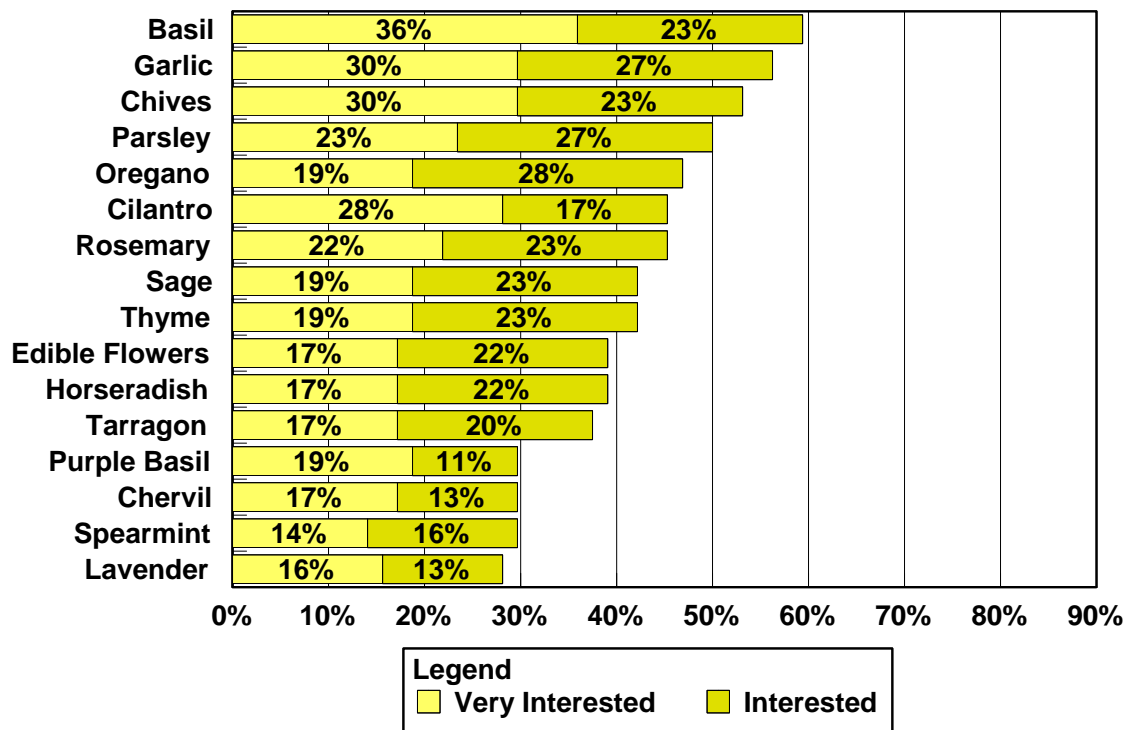
*Note: Based on 64 usable surveys.*

### **Herbs**

Due to the volume of requests for information about selling herbs to restaurants, a particular effort was made to include an extensive listing of herbs in this survey. Herbs are relatively easy to grow, and many restaurants are interested in purchasing fresh herbs from growers. Herbs like basil, garlic, and cilantro that are used in comparatively greater quantities are most demanded by restaurants. The market for more minor herbs may be less, especially since many chefs will grow their own herbs in a small “kitchen garden.”

A challenge for including these products is the relatively small amount of each product that is used by any one restaurant. It may be best to package certain herbs with other vegetables and fruits being delivered, either from one diversified farming operation or between several operations that specialize in production but can share in deliveries. A summary of restaurant interest in local herbs is summarized in Figure 3.

**Figure 3. Restaurant Interest in Locally Grown Herbs**



*Note: Based on 64 usable surveys.*

### **Barriers to Purchasing Locally Grown Produce**

Many restaurants are interested in purchasing locally when possible and are aware that their own patrons respond favorably to promotions of local produce. Still, there are important barriers these buyers face when trying to source locally. A section of the survey specifically dealt with identifying these barriers.

Produce buyers for restaurants were asked an open-ended question about barriers that they perceived or experienced when sourcing local produce. Availability, quality consistency, and reliability of supply were cited as the most common barriers. Responses are summarized in Table 1.

**Table 1. Barriers to Sourcing Locally**

<b>Barrier</b>	<b>Percent Citing</b>
Consistent availability of product	52%
Consistent quality of product	33%
Timing and reliability of deliveries	24%
Competitive pricing	14%
Locating local producers to source product from	10%
Lack of: Proper Invoicing Organic Products Properly prepared product (cleanliness)	5% each
Not wanting multiple vendors	3%

These barriers are also reflected in the responses to a Likert scale where restaurant produce buyers ranked on a scale of 1-5 which business functions local growers needed to focus on the most. Uniform quality and consistent availability *in-season* emerge as the key things for growers to deliver to potential restaurant customers. Services like packaging and contracts were of much lesser importance to these chefs. Although relatively few indicated organic produce to be a prerequisite business function, many chefs do place a premium on such products and have very high standards of quality in general.

**Table 2. Product and Service Needs from Local Suppliers<sup>2</sup>**

<b>Business Function</b>	<b>Average Score 1=Not Important, 5=Very Important</b>
Uniform Quality Product	4.6
Competitive Prices	4.6
Quality Assurance	4.6
Timing of Delivery	4.5
Quality Specifications at Delivery	4.4
Peak Season Availability	4.3
Documented Safety Assurances	4.2
Year Around Availability	3.9
Variety of Products	3.8
Professional Business Communication	3.8
Single Source of Supply	3.4
Labeling for Traceability	3.2
Organic Product Choices	3.1
Packaging	3.0
Production Contracts	2.7

<sup>2</sup> Buyers were asked to evaluate each business function according to the following question: “*What business functions do local growers need to focus on the most to encourage you to source more produce locally?*”

(Note: a few restaurants did not respond to all these questions)

In sum, quality and service are critical business functions these buyers are looking for from local suppliers. Price is also an important factor. Many restaurants depend on large foodservice companies for their produce. These firms are able to provide assurances of consistent supply and can keep their prices low through volume and sourcing nationally. Local growers can be competitive on freshness and other qualities, but they must also be competitive on price.

### **Kentucky Restaurants and Demand for Locally Grown Produce**

The last part of the survey explored the demand for locally grown produce generally among Kentucky restaurants. These questions provided some perspective on the buyers' perceptions of their patrons' interests in local produce as well as the restaurant's related marketing programs.

A significant majority of restaurants replying (89%) indicated that it was at least "somewhat" important for their patrons to connect the restaurant's menu to the local agricultural community.<sup>3</sup> Specific responses are summarized in Table 3 below.

**Table 3. How important do you believe it is for your restaurant clients to be able to connect your restaurant's menu to the local agricultural community?**

<b>Importance</b>	<b>Number (Percent)</b>
<b>Not very important</b>	<b>7 (11%)</b>
<b>Somewhat important</b>	<b>23 (37%)</b>
<b>Very important</b>	<b>33 (52%)</b>

A surprisingly high number of restaurants (a majority) do some kind of promotion of locally grown produce on their menu (Table 4). While respondents did not have the opportunity to provide details of the extent of their programs, many programs already exist. The majority of the restaurants responding were not aware of the program (Table 5).

**Table 4. Do you advertise your menu as including locally grown produce?**

<b>Response</b>	<b>Number (Percent)</b>
<b>No</b>	<b>27 (44%)</b>
<b>Yes</b>	<b>35 (56%)</b>

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<sup>3</sup> There is always a danger of response bias in surveys like this. It is conceivable that restaurants more interested in local produce were more likely to respond to the survey, given its subject. The percentages could therefore overstate somewhat the responses to client interest in local produce, for example, that would be observed from a full reporting of all the restaurants surveyed. Program awareness among non-respondents, however, is also apt to be higher.

**Table 5. Are you aware of the advertising cost-share program “Restaurant Rewards” sponsored by the KY Dept. of Agriculture?**

<b>Response</b>	<b>Number (Percent)</b>
No	35 (56%)
Yes	28 (44%)

Some interesting comparisons between the data in tables 3-5 reveal the following:

- ▶ Number of restaurants advertising menus with local food that were unaware of Restaurant Rewards: 11 of 34.
- ▶ Number of restaurants who said local food is very important that were unaware of Restaurant Rewards: 12 of 32

The conclusion here is that there are quite likely many restaurants in Kentucky that have patrons that are at least somewhat interested and perhaps very interested in seeing more locally sourced produce. The Restaurant Rewards program has great potential to impact many more restaurants and growers. A promotion of the program that would include informing growers and restaurant buyers would be helpful. Sample merchandising tools that have been successful promoting local produce would be helpful to program participants, as well.