BEYOND DIRECT MARKETING: NEEDS OF SMALL FARMERS INTERESTED IN WHOLESALE CHANNELS

A N U R A N G A R A J A N
CORNELL UNIVERSITY SMALL FARM PROGRAM
OUR MISSION is to foster the sustainability of diverse, thriving small farms that contribute to food security, healthy rural communities, and the environment.

We do this by encouraging small farms-focused research and extension programs and fostering collaboration in support of small farms.
<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>What do Small Farmers Need?</td>
<td>NY Small Farm Summit</td>
</tr>
<tr>
<td>• No established strategy</td>
<td>• Increase visibility of small farm needs</td>
</tr>
<tr>
<td>• Highly diverse group</td>
<td>• Encourage collaborations within and across regions</td>
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<tr>
<td>• Geographically far apart</td>
<td>• Prioritize investments to enhance small farm viability</td>
</tr>
<tr>
<td>• Need a ‘10,000’ foot view</td>
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</tbody>
</table>
2012 SF SURVEY RESULTS

1. Develop food distribution strategies to expand SF access to markets
2. Document economic impact of SFs on their communities
3. Develop new/expand livestock processing facilities
4. Identify alternative financing strategies
5. Advocate for greater investment in SF services (e.g. research, extension)
Develop food distribution strategies (e.g. collaborative marketing, product pooling and trucking, food hubs) to expand SF access to local and regional markets

Researchers, Extension and Economic developers need to:

- Identify bottlenecks in local and regional food purchasing and distribution
- Create and evaluate strategies that increase farmer/distributor/customer connections
- Provide support and education for new distributor businesses
- Provide support to farmer networks to increase the likelihood of long-term success.
BEYOND DIRECT MARKETING: EXPLORING NEW WAYS TO SELL

NY SMALL FARMS SUMMIT
MARCH 24, 2014
BEYOND DIRECT MARKETING: EXPLORING NEW WAYS TO SELL

1. Identify factors affecting decision to shift to a wholesale market channel
2. Outline strategies to match production to new wholesale markets
3. Understand culture of different wholesale markets
4. Identify and foster local wholesale marketing opportunities within NY regions
SMALL FARMERS: WHERE DO YOU SELL?

- **350 NY SFs**
- **530 total**
SMALL FARMERS: WHERE DO YOU SELL?

<table>
<thead>
<tr>
<th>Enterprises Listed in Top 3</th>
<th>% of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetables</td>
<td>19</td>
</tr>
<tr>
<td>Poultry</td>
<td>13</td>
</tr>
<tr>
<td>Field Crops/Hay</td>
<td>10</td>
</tr>
<tr>
<td>Beef</td>
<td>9</td>
</tr>
<tr>
<td>Fruit- Trees/Berries</td>
<td>8</td>
</tr>
<tr>
<td>Sheep &amp; Goats</td>
<td>7</td>
</tr>
</tbody>
</table>

Years Farming:
- 1-5 years: 37%
- 6 - 10 years: 21%
- 11 - 15 years: 11%
- 15+ years: 31%
80% of Current Markets are Direct
82% Interested in New Market Channels over Next 2 Years

- Direct Market
- Wholesale

Fairs, Institution, Auction, Livesales, Upick, BuyingClub, CommWeb, buyer, Freezer, FarmMkt, Distributor, PoolCSA, Coop, Grocery, Online, CSA, Farmstand, FoodHub, Restaurant
## MARKETS CHANNELS NOW AND IN NEXT TWO YEARS

<table>
<thead>
<tr>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmers Market</td>
<td>Restaurant</td>
</tr>
<tr>
<td>Farmstand</td>
<td>Food Hub</td>
</tr>
<tr>
<td>Restaurant</td>
<td>Farm Stand</td>
</tr>
<tr>
<td>Freezer Trade</td>
<td>CSA</td>
</tr>
<tr>
<td>Own Website</td>
<td>Online Sales</td>
</tr>
<tr>
<td>Grocery</td>
<td>Grocery</td>
</tr>
</tbody>
</table>
WHAT IS MOTIVATING YOU TO PURSUE RESTAURANTS AS A NEW MARKET CHANNEL?

- **Supporting local businesses, networking**: 18
- **Bulk sales**: 16
- **Marketing benefits, new customers**: 15
- **Premium prices, market for niche products**: 15
- **Consistent business, potentially year-round**: 10
- **Proximity and growing number of local restaurants**: 9
- **Restaurants expressed interest in local farms**: 9
- **Increased revenue or profit margin**: 8

Percentage of Responses (82 total)
WHAT INFORMATION OR RESOURCES DO YOU NEED ABOUT RESTAURANTS?

Personal Relationship Building

- Help in finding restaurants willing to buy: 37%
- What prices can farmers expect?: 16%
- Need a closer USDA slaughter facility: 14%
- Time/labor to package, make deliveries, and communicate: 10%
- How much volume required?: 8%
- How is delivery coordinated or scheduled? How does it work with seasonal products?: 6%
- Infrastructure such as storage facility, freezer: 4%
- Info about laws and regulations of selling to restaurants: 4%
WHAT IS MOTIVATING YOU TO PURSUE FOOD HUBS AS A NEW MARKET CHANNEL?

Convenience

- Increase sales or sales volume by reaching new customers: 49%
- A market for selling excess product unsold through other channels: 17%
- Not yet considering it/still researching food hubs in area: 14%
- A way to create partnerships and pool resources with other farmers: 14%
- Proximity - less driving time to market: 6%

Percentage of Responses (35 total)
WHAT INFORMATION OR RESOURCES DO YOU NEED ABOUT FOOD HUBS?

Logistics

- Who/where are existing food hubs? 24
- What is a food hub exactly? How does it work? 22
- How to start a food hub in my area? Funds available? 22
- What is the cost/volume or time commitment? 11
- Need more time 7
- Do farmers fill specific orders through the food hub or can they sell a certain volume to the food hub marketplace? 4
- How to transport goods to the food hub central location? 4
- What have been other farmers' experiences? 4
- A permanent dedicated structure & place 2
WHAT IS MOTIVATING YOU TO PURSUE GROCERY AS A NEW MARKET CHANNEL?

Increase volume and efficiency of sales in some enterprises: 25%

Proximity to retailers: 14%

Improved earnings: 14%

Expand market: 11%

Less intermediaries: 7%

Percentage of Responses (44 total)
WHAT INFORMATION OR RESOURCES DO YOU NEED ABOUT GROCERY?

![Bar chart showing responses]

- Logistics and packaging: 23%
- Finding retailers interested in local: 20%
- Setting prices: 20%
- Food safety and other certifications: 17%
- Volumes that can be accommodated: 10%
WHAT IS MOTIVATING YOU TO PURSUE COOPERATIVES AS A NEW MARKET CHANNEL?

Pool resources/working collaboratively with other farmers: 31%
Bulk sales: 19%
Greater market reach: 13%
Connect to local consumers: 13%
Successful experiences with co-op model: 9%
Not considering it because I don't know enough: 9%
Gives farmer greater level of price control: 6%
WHAT INFORMATION OR RESOURCES DO YOU NEED ABOUT COOPERATIVES?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of Responses (20 total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connections to existing co-ops &amp; members</td>
<td>25</td>
</tr>
<tr>
<td>Marketing and sales information</td>
<td>15</td>
</tr>
<tr>
<td>What is a co-op?</td>
<td>15</td>
</tr>
<tr>
<td>Regulations/certifications?</td>
<td>15</td>
</tr>
<tr>
<td>How to start a co-op</td>
<td>10</td>
</tr>
<tr>
<td>Infrastructure such as processing facility</td>
<td>10</td>
</tr>
<tr>
<td>Niche co-ops?</td>
<td>10</td>
</tr>
</tbody>
</table>
ATTENDANCE

By Site Location

- Kingston, 25 participants
- Ithaca, 27 participants
- Riverhead, 11 participants
- Newark, 28 participants
- Ellicottville, 19 participants
- Canton, 18 participants
- Voorheesville, 49 participants
- Total: 177 participants

7 Regional Site Hosts
- Northern NY: Canton
- Eastern NY: Voorheesville
- Hudson Valley: Kingston
- Long Island: Riverhead
- Finger Lakes: Newark
- Central NY: Ithaca
- Western NY: Ellicottville
Attendance Breakdown

- Farmers, 65%
- Aspiring Farmers, 14%
- Ag Educator/Service Providers, 13%
- Other, 8%

Based on 97 evaluation responses of Summit attendees. Total attendance was 177.
SUMMIT SPEAKERS

Shannon Mason, Cowbella, Danforth Jersey Farm in Jefferson, NY

Darren Maum, Salvere Farm in Marietta, NY
SUMMIT SPEAKERS

Stephen Winkler, Lucki 7 Farms in Rodman, NY

- 1997 Farm Founded
- 2000 Started Farmers Markets & CSA's
- 2005 Certified Niman Ranch producer
- 2007 Started White Table Cloth Distributors
- 2008 Started Whole Foods
- 2010 Started Wegmans

On farm sales, farmers markets, CSA's, & food coops
- 54% Retailers: Whole Foods, Wegmans & local grocery stores
- 36% White Tablecloth distributors
- 10%
SUMMIT DISCUSSION

- Participants identified a total of **78 known distributors and food hubs** in NYS
- 97 evaluation respondents made a collective total of **221 new contacts**

**What do you perceive are the benefits of selling to distributors or food hubs for your operation?**

- Less time and labor than retail – More time to be a producer
- Wider customer base
- Less competition than at farmers market
- **Happiness/mental health**
- Larger volume of product sales and more predictable sales
WHAT DO YOU PERCEIVE ARE THE RISKS OF SELLING TO DISTRIBUTORS OR FOOD HUBS FOR YOUR OPERATION?

- Lower price or less control over price
- Putting all your eggs in one marketing basket
  - Risk of non-payment
  - Legal structure for agreements needed
- Loss of quality control
- Need for third party certification
- Getting locked into contract

Source: msu.edu
WHAT INFORMATION DO YOU NEED, OTHER THAN PRICE, TO HELP YOU DECIDE ABOUT SELLING HERE?

- Who takes the risk-, distributor or producer?
- GAPs Certification requirements
- Logistics: e.g. transportation, slaughter arrangements
- Promotion of brand ID
- Is demand guaranteed?
- Transparency: Who are their buyers? Who are other producers?
- Packaging – grading, size, etc.
- What time of year is produce needed?
- What is distributors’ quality control process?
- When does product transfer ownership?
- Who deals with HAACP recall?
THANK YOU

BEYOND DIRECT MARKETING: NEEDS OF SMALL FARMERS INTERESTED IN WHOLESALE CHANNELS

ANU RANGARAJAN
CORNELL UNIVERSITY SMALL FARM PROGRAM

www.smallfarms.cornell.edu/projects/summit