



Perspectives on Wholesale Markets
Collected from the Vermont Vegetable and Berry Grower listserv
Compiled by Vern Grubinger
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There has been considerable effort to increase supply and demand for local foods, and part of that effort has focused on wholesale production and marketing of fresh produce. For example, one goal of Vermont's Farm to Plate plan is that "production and sales of local food for all types of markets will increase." Farm to Institution New England seeks to "increase the quantity of local food available in Vermont institutions and other Vermont wholesale markets." The High Meadows Fund supported a NOFA-VT study called Scaling Up Vermont's Local Food Production, Distribution, and Marketing. The Vermont Agency of Agriculture, Food, and Markets 2019 Local Food Market Development Grant Program 2019 has as its purpose "to foster Vermont producers' access to wholesale markets."

To achieve these goals, more information is needed about the perspective of commercial growers and the challenges they face in selling to wholesale markets. To that end, growers on the Vermont vegetable and berry growers listserv were asked to share their experiences selling to wholesale markets, and their perceptions of barriers to success.

Questions posed to the list:

What kind of wholesale markets have you sold to (direct to stores, distributors, supermarkets, institutions) and for about how long?

How satisfied are you with prices, demand, loyalty, or anything else you think is important?

What trends or key challenges should folks trying to enhance local agriculture know about?

Responses, in the order received:

1. All of the above plus restaurants, for 7 years. Pretty good overall except for pricing with largest chains like Whole Foods, some downward price pressure in organics last 2 years. Institutions are interested in buying local but looking for lower prices and rarely request the volume in crop needed to make those lower prices efficient for the grower.

2. We sell to a few local food coops, distributors like Black River Produce, Myers Produce, Alberts Fresh Produce, Food Connects, supermarkets like Whole Foods and Price Chopper and a broker that sells our produce to several places in Florida, Georgia and Kentucky. We have been dealing with Black River, Coops and Whole Foods (Bread and Circus before they bought them) since the late eighties. The others have been about 10-15 years.

Prices on most things we sell have not changed much in years. A case of lettuce to Whole Foods is still about \$24 and has been for at least 10 years. Of course expenses keep going up so that makes things hard. Pretty much the only way to increase profitability is to produce more volume. I have noticed that loyalty on certain crops has been a problem. Black River doesn't buy nearly as much lettuce from us as they used to. I'm not really sure why. Maybe they just find it cheaper elsewhere. Food safety, traceability and insurance requirements for certain customers have been increasing which increases costs.

We participate in the H2A program because we can't find enough local labor to get everything done. The mandated wage keeps going up which also drives up the wages we have to pay U.S. workers. Weather has been more unpredictable in recent years. We buy NAP insurance each year through FSA to mitigate some of the risk but the payout never comes close to covering a loss. It would be great if someone would design a crop insurance program that makes sense for smaller vegetable farmers. Thanks, Evan Harlow, Harlow Farm

3. We sell [berries] to local but big bakeries and to an ice cream company, and they pay us our asking price which varies on how much they buy from us, and we ask for a commitment of pounds before the season. We have had only one wholesale account that changed the price per pound on us at the end of the season, and we won't do business with them again. The bakery has been for 7 years, and the ice cream place 2 years. I find them both loyal to us. I find that places like Black River cut into the amount per pound we need. We haven't been able to agree on a price for our product. Black River can get our product cheaper from other farmers.

4. The one major thing that I have learned is the importance of having a good relationship with the produce buyer at the store. We have one store we have sold to with the same produce buyer for over 30 years! At some other stores, the person in charge of produce changes frequently and that can lead to changes in sales from year to year and also less predictability during the season.

The other thought is that if local stores/schools/restaurants want to be able to advertise that they offer local produce on a significant scale and a regular basis, then they need to be willing to pay local farmers a reasonable price for their goods. Otherwise, they will just be buying in a little bit here and there at a discount price from a farmer who is in an excess production situation. If this is to be a sustainable model that works over time for both sides, then the prices that the farmers receive have to be enough for the farmer to pay their expenses and labor and take home a living wage.

5. I think that many restaurants are bilking the customers. Some truly are devoted to local and/or local organic. But many buy a small slice so that they can appear to be supporting local. Many farms that are not organic are marketing with made up terms to appear close to organic and to get better pricing from consumers (I saw a local conventional farm with a branded bag of spinach at the local store "ecologically grown*" in big print. In small print "*we never spray our spinach." But the reality is that it is a conventional farm and the product was on display in the supermarket in their organic section (I plan to talk to the store owner about it).

I know that there are many stores and producers who are trying to keep the integrity in labeling and I also really appreciate that. It just gets harder for those that do to do so, when consumers are duped into buying something else thinking it is the equivalent, when it is not.

6. We sell to: Restaurants, Coops/Retailers, Caterers, Distributors, National Chains. For about 18 years. Restaurants good pricing, very unreliable, less customers as farm has grown. Coops/Retailers very reliable, base of business, range of pricing mostly good, some very good. Caterers hit or miss, fill-ins. Distributors reliable, fair pricing compared to national, consistent. National Chains great to sell large quantities, shitty pricing and unreliable. Local markets are somewhat competitive, choose crops that you can be consistent with and stick to them, work on the relationships first.

7. I have had years of experience selling direct to supermarket warehouses. It has always been a love/hate relationship. Dependable high volume. Lower margins. Dependable weekly payment. Need consistent availability and volume. Must provide consistent high quality. During lower sales periods (usually related to heatwave), they will occasionally cancel orders on short notice and leaving you stuck with product. Most of local purchasing by big chain stores is simply a marketing tool to give consumers the erroneous idea that they buy a lot from local farms.

8. At Long Wind Farm, we are 99.9% wholesale and have been for many years. Our goal is to build long-term relationships with reliable partners. We sell certified organic tomatoes to stores. The market has changed dramatically in the last 6 years with the tidal wave of Mexican hydroponic production.

The hydro invasion has done great damage to the availability of regional soil-grown organic tomatoes in the wholesale market. Although many people would prefer soil grown, they are unable to tell the difference or even to suspect that they are buying hydroponic produce. This hydro production now includes tomatoes, peppers, cucumbers, greens, and most especially berries. Wholesum Harvest, a single company from Mexico and Arizona, has truly turned the market around, putting great downward price pressure on all soil growers. Driscoll's has done the same with berries.

A second huge change is the acquisition of Whole Foods by Amazon. Many smaller regional growers have been pushed out, and all traditional relationships are uncertain. It is not clear, even to the people who work in Whole Foods, what is going to happen next. Whole Foods has been the traditional champion of local produce in the New England market.

The third change is the consolidation of supermarket chains and the similar consolidation of produce suppliers. Ahold now owns Giant in the PA area, Stop & Shop and Hannaford in New England. What used to be competing companies are now one, with buying following the guidelines set out by a very few (and inaccessible) people at corporate headquarters in Pennsylvania. At the same time, independent suppliers like Black River are being bought up by bigger companies, and the new culture is much less friendly to smaller regional farmers.

If you go into virtually any supermarket in New England at the height of strawberry season, you are likely to find only Driscoll's berries (from SOMEWHERE in the world). Despite the obviously inferior quality of those imported berries to the superb local berries, it is very hard for the local berries to get any shelf space at all. Companies like Driscoll's provide year-round service, but demand year-round loyalty from suppliers and stores. The outcome is that the high-quality local food that people really want to buy is less and less available to consumers at any price.

At this point, our farm is doing fine, as we have very long histories with consumers and stores. But our future is uncertain, like everyone else's. The food system is not changing in a positive way. Of course, all of this is why the Real Organic Project exists. We are trying to make the connection between the farmers and the eaters. Eaters want to buy local food. They want to buy organic food. They want to buy food grown in the soil. They want to buy dairy and eggs from animals raised on pasture. It is a difficult task. The local CSA, farmers' market, farmstand economy is growing beautifully as a result of the failures of the stores, but I think we are losing a lot in the exchange. ALL of us buy a lot of our food from a store, and we are losing our choices there.

9. Chittenden County. It varies. The locally-owned grocery store in town has been terrific. I set the prices, they are pretty loyal. Coop and natural food stores seem flooded. Prices seem low. Restaurants: Some are very loyal and prices are pretty good. Many are not loyal. From my perspective wholesale prices have declined in the 14 years I've been selling, but expenses have increased.

10. A few things I'd point out to aspiring farmers and policy makers about growing horticultural crops:

#1 Have a profitable and stable market for your product (see #2), that can take it the day it's ready to harvest. Don't produce more than your market can consume, you'll find yourself in a race to the bottom trying to sell something for whatever you can get, just to move it.

#2 Know (or do a darn good job estimating) your cost of production by the unit of sale (pound, bushel, etc.). I found when wholesaling that the margins were terribly thin (100-120 miles away from the major wholesale consumer warehouses) and one could easily find themselves working very hard to produce a crop at a loss. We are nearly overrun by service providers who can help a farmer determine their cost of production on an enterprise or crop basis and there's no excuse not to know it.

#3 My own evolution in growing horticultural crops started while I was mass producing row crops/commodities and I thought just because I could easily plant and tend a lot of acres, I could grow them at a lower cost or be profitable, which didn't turn out to be the case. See #1.

I have sold to stores, institutions and distributors. I could not compete when selling to small wholesale consumers who wanted to buy small volumes at the big consumer price. If I was going back to wholesaling I'd find a way to exploit any advantage I had to supply crops when others couldn't provide them, and the demand was profitable (investing in season extension or cultural methods or providing service that gave me an edge).

I would not re-enter the wholesale market by attempting to shove more of something everyone else can mass produce at a lower cost onto the market. I would make sure if I was wholesaling, I would be very focused and do everything by the book and know everything I possibly could about that crop so I made as few mistakes as possible, again because the margins are too thin for many mistakes.

11. Direct to Brattleboro Hannaford. Prices very good and they are very loyal to me. I do think there should be more people to sell to however.

12. I sell mostly to the distributor market, in that I sell one fresh fruit product. As we all know Black River Produce is the big player in this market and has been up to 40 % of my gross revenue. With the sale of Black River Produce to Reinhart Foodservice sales have decreased and now with the further sale pending of Reinhart to Performance Group, I see a further reduction in national distributors servicing local growers. At least for me a storm cloud on the horizon. I may need to go back to self-distribution.

13. We are a teeny diversified farm in Franklin county. We sell directly wholesale to two local natural foods stores, and only when we have too much of something to sell at a farmers' market or distribute through our (6-person) CSA. Basically if I have too much of something, I text/email one of two store owners and ask if they'd like it. I name the price, they let me know how much they'd like. I've never had any squabble about price, and if anything, I can't provide enough of certain products for them at times. One of the store owners also frequently reaches out to me about crops she'd like, in small quantities. I either have it for her or I don't. I have discussed a similar arrangement with a local restaurant, a chef who loves using local ingredients. But so far this season I don't have "too much" of anything.

14. We have sold direct to small stores, coops and restaurants. That is probably 30% of our business and while not hugely lucrative (we probably average about 60 - 70% of our retail price for produce), it allows us to grow an excess and know that we can move it. I have yet to even reach a wholesale distributor, after leaving emails and phone messages. So quit trying.

Institutions like to have a lot of meetings and not much pans out from it. They are clogged with bureaucracy and various needs that make it hard to sell to them. It has cost us in time even making the attempt. Lots of schools are not set up to actually cut, cook and otherwise prepare food.

15. Since we bought the farm 12 years ago we have sold to supermarkets and direct to local restaurants, but not a whole lot and decreasingly so. Last Year it came to 3.4% of the farm's income. In some years it has been less than 1%. We only offer it when we have excess fruit. It is not too hard to sell.

Entirely dissatisfied with price which is why we only do it when we are in over-abundance. There is constant downward pressure on price and too little focus on quality. Stores turn you down over \$3 a flat when people will happily pay 50 cents more for a pint of fabulous blueberries and the store runs out quickly anyway. Margin at wholesale price is so thin after paying pickers and having to deliver that it is hardly worth it. We would do better turning excess fruit into value added product and doing some extra markets. Price generally trumps loyalty. One co-op health food store demanded we deliver with unbroken reliability between 11-2 on a Friday, and then I had to chase them for payment--totally out of touch with the realities of small local producers. We have never bothered them again. Another store got a new produce manager and he instantly cut us off over price even though they would move as much as 8 flats a day at the earlier price.

That the cost of producing high quality food locally, and not on an industrial scale, is not cheap and the prices people expect are unrealistic. Promote quality above price. Educate that local farms producing good healthy food delivers quality of life that we should be willing to pay for. ALL food that is "affordable" is subsidized, either by off farm work, family money, fortunes made elsewhere, or grants of some kind. People at the berry farm are often shocked when I tell them we have never taken a pay check. Some say, well at least you have a nice lifestyle. So educate the wider public that we should treat local farms growing healthy food like a valuable societal asset (not just economic) and support them even at a little greater cost, just like we are willing to absorb the property taxes of local old-age home say, or contribute to the arts center.

16. We find it is difficult to set up wholesale relationships for hemp, small fruits and meat. We have limited success with hemp but the wholesaler is a very poor communicator which makes it more difficult. At least we did get paid but they did not live up to some parts of their commitments, especially in terms of the quantity they would take.

We have had snippets of success with fruits, but only on a one off basis. As with beef, it is very difficult to get long range relationships. As you know it takes time, on average about two years, to generate supply for a wholesale account. We need to know well in advance of when the product is desired to start production. Getting wholesalers to commit is essential or we are stuck with product for which we have no market. This year it is looking like we will not have a market for some of our hemp product too. We are scrambling.

17. We sell wholesale to restaurants, for about 6 months so far. Our wholesale prices create a great baseline with what should be charged retail. The restaurants we work with have been really patient, while sometimes providing positive criticism. As a first year farm, this advice is appreciatively received.

[I would like to know] How many people own second homes in my area? How are my restaurants affected when it's not summer or ski season? Are these folks willing or able to shop at farmers' markets?

18. I sell to local coops and a few restaurants, Black River and Upper Valley Produce, for 25 years. I'm ok with the price, but the buyer is all important, when I have the right person its great then they switch chiefs or buyers and those people have different priorities and I left holding the bag. Unreliable compared to direct marketing.

19. Our farm has sold to directly to co-ops and restaurants for 10ish years. Three years ago, we stopped going to farmers' markets entirely and now we only wholesale.

We are pretty satisfied with the prices we get; it could be more if we retailed ourselves, but as we become more efficient, the benefit of moving a lot of food for a known sale is very gratifying. It is a little hard, though, when we walk into the store and see the retail price on our produce because we would like to keep our food affordable when there is always a significant mark up.

Demand is usually good from the wholesale accounts but we have to drive 1.5 hours to find solid markets (in Burlington). We can't sell the volume we have close to home. Loyalty is pretty good but we find that our buyers want to spread out the sales among many different growers which can significantly dilute sales. We appreciate their commitment to buying locally and trying to support a lot of growers, but it can be very challenging when our orders drop suddenly just because another farm came on line with ripe product. It would be very comforting to have a bit more of a commitment from our buyer (like a guaranteed minimum purchase each week) rather than biting our nails and hoping for a good order.

There are a lot of new produce farms to be excited about with a lot of wonderful young energy out there. But I think in some cases, this has put pressure on local markets, especially in places with lower populations. Many of the newer growers are not scaled up for wholesale and compete for the same small farmers' markets and co-op sales. However, I also see a lack of local food in our convenience stores and grocery stores where the bulk of our community gets their food from. Our local Shaw's supermarket rarely has local produce of any kind--but the produce for sale there isn't generally cheaper than local produce prices. I would love to see more of our farms have wholesale accounts with our local grocery stores. A lot of consumers around here don't really put a lot of effort into knowing where their food comes from, but they sure would benefit from shopping at a store that carries high quality fresh produces. Perhaps the Hannaford and Wegmans models could be used to push produce into other groceries, especially the Shaw's stores near us (in lower income communities).

20. We have been participating in the "Farm to School" program for the past 5 years, selling to the town school. Our wholesale price is \$3.50 lb. for organic blueberries. We are very happy with the loyalty and have kept our prices the same since inception. There is so much competition where we are for blueberries that we can't raise our wholesale prices.

21. We sell directly to one very loyal and well-paying retail store and several restaurants who seem to value buying local to a degree slightly beyond their own self-promotion. All for about ten years.

The most concerning trend for us is the increasing prevalence of pre-chopped, pre-washed, small portioned, heavily packaged, dump it out and eat it produce. We don't want to contribute to that waste stream. We don't want to assume the liability for a cut up vegetable that has been sitting in a plastic wrap for who knows how long.

22. The decision to scale up to wholesale produce is usually a turning point for any farm and needs to part of the overall vision and plan for the business. Assuming all the ingredients are in place, enough land, equipment, staff, transportation, refrigeration, packing facilities, certifications etc.; most importantly would be pricing.

We always have done direct to stores, except for Whole Foods distribution, which we delivered to their own facility in Cheshire CT but the prices were the same that we were charging to stores plus a boxing fee, so we were in a good place financially and it was done with a yearly contract which guaranteed the volume. Consistency and reliability on our part and the same from the buyer are crucial for long term success. Know the price you need and work with the buyer; some buyers can be fickle and are only looking for the lowest possible price, if that works for a grower, fine. But for most growers, a steady buyer at a fair price is the path to success.

I understand stores are always looking for specials or deals and that can be fine if in return it builds a relationship and volume, but cutting prices should be strategic and short term or crop viability can really suffer. In short, wholesale can be a path to increased profits and growth for a farm, with careful planning and in return stores and buyers of Vermont produce can insure steady supplies that helps them but fair play and loyalty must be built into the system! Howard Prussack.

23. Deep Root Organic Co-op focuses primarily on Grocery Store Chains (sales to the Distribution Centers, not individual stores), followed by distributors. Those two categories make up about 95% of our sales. We have been following this model, more or less, for 30+ years.

Prices seem fairly stagnant over the past few years, if not slightly dropping. There has been a large growth in organic production over the past decade (and even past 5 years) and many of our competitors are closer than we are to the markets that we serve, thereby exposing them to reduced trucking charges. Competition from "mono-culture" organics has put a fair amount of pricing pressure on us as well.

Demand is hard to gauge without knowing for sure what the overall supply is. Any macro-metrics show that the demand for organics is increasing year after year, however I can't say that translates into corresponding demand for us.

Weather actually seems to be one of the biggest driver of sales - for example they had a very tough growing season in the mid-Atlantic, Pennsylvania, New York and Southern New England last year, so correspondingly demand was way up and we had a better than average sales season. Some years it is quite the opposite and if everyone is having a good growing season and the market is flooded with a particular crop or set of crops then you will likely have to drop your prices in order to move the product.

I think that most buyers who are in long term relationships with many growers intentionally persuade them to over-produce as a way of ensuring consistent supply from season to season. If a certain growing region is having a bad year then the buyer is covered from the other growing regions. We have very good relationships with our primary customers and these long term relationships are essential to our continued success. Making sure that we are communicating throughout the off-season regarding crop plans for the upcoming season is beneficial to both the producer and the customer.

Trucking prices have gone up quite a bit over the past few years, both locally and nationally. Making sure that you factor in the cost of shipping when considering price-points is very important. Make sure that you understand commonly accepted varieties for wholesale markets. The Lettuce section of the seed catalog might feature 50 types of lettuce, but for main stream wholesaling maybe only 10-12 of those varieties fall into spec.

Learn to calculate your cost of sale - wholesale pricing can cause sticker-shock as it is typically much lower than selling directly to restaurant or consumer, however the volume efficiencies that can be realized in a wholesale market might actually leave you better off than selling to many individual customers. For example - you might be able to sell a case of produce to a restaurant for \$40, while in a wholesale market you might only get, say \$28. However, in a wholesale market you might be able to sell 50 cases of that product in a single shot, all on one pallet, all on one truck. If you factor in the amount of time and energy that it would take to sell those 50 cases to direct customers - offering the product, taking the order, packing the order, delivering the product, invoicing the customer, doing the bookwork - you might see that wholesale will put you ahead in the end.