Introduction

Farmers markets, CSAs, farm stands, and other direct to consumer methods are excellent ways of developing a loyal customer base for many small to mid-sized farms. However, consumers spend most of their food dollars at grocery stores and retail outlets creating huge potential for local food producers. For producers that want to expand their operations into new markets, selling to grocery stores may be a good option. Grocery stores typically buy large volumes of fresh and processed foods and are appealing because they sell everything customers need in one convenient place. As demand for local products have increased by customers, more grocery stores are selling products grown by local farmers.

Advantages

- You may be able to sell larger volumes of your product at one time.
- The store may buy a range of products once you have introduced your first product.
- There is potential to establish long-term relationships with the store, which can help build a brand identity for your farm.

Considerations

- Most retail and grocery stores will require liability insurance that covers claims up to at least $1 million.
- The first sale may be difficult because grocery stores have a limited amount of shelf space, already have regular suppliers, and may prefer to buy from fewer suppliers.
- Payment generally occurs on a 15-30 day cycle.
- Standard packing and post-harvest practices are required; produce should be delivered clean and cold.
- Grocery stores may require a PLU (Price Look-Up Number) or a UPC code (Universal Product Code represented by a barcode); these are easy to obtain online.
- Some grocery stores may require a food safety plan.

Wholesale Pricing

When considering expanding your farm market or marketing channels to grocery stores, keep in mind that prices received for products will be wholesale, not retail. This means you are likely to receive a lower return than with direct marketing options. Consider developing a wholesale price list that can be used in meetings with grocery store managers.

You should also have a good understanding of how much it costs to grow and process your products. Be sure to factor in costs of packaging, delivery, and extra handling time that may be incurred when delivering produce. Ideally, you want to develop a pricing strategy that allows easy expansion of your wholesale business, so you do not have to raise your prices if you begin working with a wholesale distributor.
Quality Assurance

Local farmers need to match (or exceed) the quality of existing wholesale options, especially if producers are trying to obtain any premiums in wholesale price. Many crops require cooling and/or cool transport to maintain product quality and safety. Produce is not only graded and packed in standardized containers, but it is also sold according to standard quality grades.

Pack and Deliver

Local product delivered to grocery stores needs to be clean, fresh, and ready to be placed on the shelf. Farmers need to package their product in a manner that will allow the grocer to handle the product as safely and easily as possible. This includes ensuring delivery boxes are sturdy, clean, and have clear labeling of what the box contains. Include a date on the shipping boxes to help grocers rotate their product in their storage areas.

Consider undergoing a Good Agricultural Practices (GAP’s) or a Good Handling Practices (GHP’s) voluntary audit, which verify that fruits and vegetables are produced, packed, handled, and stored as safely as possible to minimize risks of microbial food safety hazards. For more information about GAP’s and GHP’s visit [www.ams.usda.gov/services/auditing/gap-ghp](http://www.ams.usda.gov/services/auditing/gap-ghp) as well as the additional resource section at the end of this guide.

When considering product specific packaging, make sure labeling is easy to read, interesting, and informative. Simple packaging opportunities such as providing twist ties with your farm business branding can help your product stand out. If a product is certified organic, make sure to include this on the label. Showing that products are certified organic can help them stand out amongst the other items on the shelf.

Make the Decision

Many farmers transition to wholesale markets to simplify their marketing strategy and spend more time on the farm. As a farm manager and business owner, you must consider your profit model and product mix to decide if selling to grocery stores is the right fit for you. A few key questions to ask yourself before you make the decision are:

- Does transitioning to a wholesale market channel help me achieve my income and lifestyle goals?
- What products do local grocery stores or businesses want that I could supply?
- Does a particular chain have an interest in buying locally?
- What is my plan to ensure a consistent supply of a few key products over a period of several weeks?
- Do I have a GAP’s or GHP’s plan? Does the buyer require it?
Develop the Relationship

Once you have made the decision to expand into selling wholesale to grocers, you will need to visit or call the store and ask for an appointment with the department manager before the growing season begins. Bring your crop plan or product list for the full season, and a price list. Show visuals for the upcoming crops, i.e. photos of produce on the plant, trees in boom, what the fruit looks like, and testimonials from loyal shoppers. If you have something to sample, bring it to show your product’s quality and packaging.

Before committing to buying your product, the department manager may consider product variety, seasonality, delivery schedules, pricing, packaging, reliability, harvest schedules, insurance coverage, food safety processes, and availability of your product. Each store will have different requirements, so expect variation. Make sure to follow the store’s expectations for pack, size, grade, or post-harvest practices. Consider planning your planting for continuous harvest and adequate volume to supply expected demand from the stores.

Selling wholesale to grocery stores is about developing a successful relationship with the store and department managers. Consider building relationships with everyone who handles your products, including receiving staff and cashiers.

Inform, Educate and Excite

Let the department managers know that you are willing to supply pictures of your farm for display, offer to host farm tours, and take part in-store demos of your products. Supply recipe cards that can be distributed to customers, especially if you are producing a specialty item that might not be well known to the public.

If possible, offer samples for department staff to take home which can help get the staff excited about your products. It also helps the staff accurately talk to customers about your product and provide specifics about taste, preparation, recipe ideas.

Aggregators and Food Hubs

Aggregators combine products from several sources to fulfill larger orders from wholesale markets. Where the aggregation takes place is sometimes referred to as a “Food Hub.” Food Hubs are businesses or organizations that actively manages the collection, processing, marketing, and distribution of food products from local and regional producers.

Selling to a food hub may be an effective way to open wholesale opportunities for medium-sized farms who may not produce the volume necessary to work with a large-scale chain or distribution warehouse. Food Hubs often operate as a cooperative, which require membership fees and time to attend meetings. This is an important consideration, especially if you are trying to simplify your marketing strategy! A list of Food Hubs in Montana is included at the end of this guide.

Good Communication is Key

Once the first meeting has taken place, remember to be professional, reliable, and on time when communicating and delivering products to the store. Communicate with buyers often to keep them updated on product quality and quantity. Always bring two copies of an invoice, one for your customer and one for you. Both copies should be signed at the time of delivery, providing proof that quality and quantity are accurate. Grocery managers are busy and may not always have time to contact you about their needs, so do not hesitate to call to let them know what you have available.
Montana Harvest of the Month

The Montana Harvest of the Month (HOM) program showcases Montana grown foods in Montana communities. Each month, participating sites focus on promoting one locally grown item (e.g., summer squash) by displaying HOM materials. Participating sites will receive a free packet of materials (including posters and shelf tags) as well as additional resources and training opportunities on increasing local food offerings.

HOM is a wonderful way to feature local products and get consumers excited about Montana produced food. Ask a grocery store manager if they participate in HOM and if not, suggest taking part in HOM to highlight your products!

To register and to learn more about the Montana Harvest of the Month Program visit https://www.montana.edu/mtharvestofthemonth/index.html

Reference List

Marisa, Alcorta, Rex Dufour, and Tammy Hinman. 2012. Tips for Selling to Grocery Stores. NCAT.

Connecticut Farm Bureau Association 2018. Farm to Grocery Store: Is it the right market for your farm? www.CFBA.org

### Food Hubs & Aggregators

- Western Montana Growers Co-op
- Yellowstone Valley Food Hub
- Mission Mountain Food Enterprise Center
- Root Cellar Foods
- Loyal to Local Community Ag Cooperative

### Montana Food & Ag Development Centers

- Great Falls Development Center
- Great Northern Development Corporation
- Headwaters RC&D
- Mission Mountain Food Enterprise Center
- Prospera Business Network
- Ravalli County Economic Development Authority

### Additional Resources

ATTRA Publications are free and available at www.attra.ncat.org including:

- Sustainable Season Extensions: Considerations for Design (2011)
- Postharvest Handling of Fruits and Vegetables (2000)
- Season Extension Techniques for Market Gardeners (2005)
- Illustrated Guide to Growing Safe Produce on Your Farm: GAPs (2011)
- Scaling Up Your Vegetable Farm for Regional Markets (2014)

ATTRA Tutorials are available at https://attra.ncat.org/tutorials/ including:

- Intermediated Markets
- Scaling Up
- Food Safety

A complete list of Price Look-up Numbers (PLU's) is available at www.plucodes.com