Guide to Selling Wholesale

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Introduction

This guide is designed to offer an overview of wholesale market opportunities, from small restaurants to large grocery chains and institutions. The first steps to determining which of these markets are right for your farm involve understanding the needs and capacities of your farm business, as well as the range of market requirements across wholesale outlets.

In this overview you'll find the differences between various outlets, general requirements, and relevant resources to help you determine what markets may be a good match for your farm. This can also be a tool to determine what is a good fit for your business now, as well as what you may need to do to build your capacity for expanding in the future.

As always, building relationships is key to successfully entering into a new market. While this guide offers information, there is no substitute to direct communications with buyers in order to learn more about their individual needs and requirements. Clear and consistent communication will help ensure there are well-defined expectations, and set the stage for a successful, mutually beneficial partnership.

ASAP is available to help farms in the region make market connections and be better prepared to access opportunities in local markets. Please contact us directly to learn more.

Benefits of Selling Wholesale:

- Diversification - Whether you start with direct sales or wholesale markets, diversifying both your product and market mix are key to managing risk for your farm. While juggling too many markets may not be sustainable, having options for where to sell your products gives your farm more resiliency.
- Somewhere to turn with surpluses - While wholesale markets have a lower price point than retail, they can reduce loss when you have surplus product you are not able to move through direct markets. Consistent record keeping and financial planning will help you better understand your break even point for pricing, and is an important tool for understanding the right market mix for your farm.
- Convenience/efficiency - Factoring in your time at tailgate markets or farm stands, wholesale markets can be more profitable than selling direct depending on the scale of your farm. Consider volumes and delivery requirements when looking at wholesale market opportunities. With good record keeping you may find it is more efficient to sell through a distributor than direct to multiple locations.
- Cross promotional opportunities - Building your brand and telling the story behind your farm/products is often easier in direct markets where you can connect face to face with customers. Diversifying with wholesale markets can be a way to cross promote your products, offering customers multiple options for buying your products and supporting your farm. Connections and presence throughout the community are great marketing tools, whether selling to local schools or area restaurants. For this strategy to be effective, it is critical to brand or identify your product through wholesale systems. This can be done through product labeling, point of purchase materials (farmer profiles, signage, rack cards, etc.), and providing your farm story to your buyers to use in advertising and promotions.

Understanding the Industry

Pricing is only one of multiple factors to consider when examining wholesale market opportunities. This section offers some generalizations that can be made about different markets and offers resource links for those wanting to learn more.

Restaurants

In general, restaurants are the easiest wholesale market for small farms to access. They are highly variable, depending on the size and customer base, but usually pay closer to retail prices. Building and maintaining relationships is key to all wholesale markets, but these resources offer specific recommendations for working with chefs.

- General tips for selling to restaurants: ATTRA -Tips for Selling to: Restaurants
- Additional communication and relationship building techniques: ATTRA - Selling To Restaurants
- Further information on crop selection, harvesting, and pricing specifically for restaurant accounts: NC Cooperative Extension - Marketing To Restaurants

Groceries

A larger volume market, but also variable depending on the size and number of stores. While smaller independently owned stores or co-ops often have fewer requirements, generally selling to groceries requires product liability insurance, a food safety plan or GAP certification, standard sizing/packing and may require multiple delivery locations.

- General tips for selling to groceries: ATTRA - Tips for Selling to Grocery Stores
- Wondering if you need UPC and PLU codes to begin selling to groceries? Check out: CEFS- Using PLU and UPC Codes

Distributors

Distributors, wholesalers, brokers, packers - these categories often get lumped together or terms are used interchangeably, but each can offer a different range of services including washing, packing, grading, storage, insurance, sales and distribution. Here is how these distributor markets differ and general tips for selling to each sector:

- ATTRA - Tips for Selling to Produce Brokers
- ATTRA - Tips for Selling to Produce Distributors
- ATTRA - Tips for Selling to Produce Packing Houses
- ATTRA - Tips for Selling to Wholesale Buyers at Terminal Markets

Institutions

While this is usually a higher volume market, it is often a low price point (depending on the scale, the high volume can offset the low price point) and typically has the highest level of purchasing requirements. While many institutions prefer purchasing through a distributor or may require a bid process, they are often also interested in supplemental direct purchases and featuring local products on their menus. Find out if the food service is independently operated or run by a management company when considering these markets, as there may be more red tape working with larger companies. Selling to institutions is typically a market for larger growers and can be useful in market diversification.

- How School Food Works
- Local Food Purchasing Flow Chart - Diagram illustrating the process for determining local procurement options (which are not mutually exclusive) for school system and how ASAP can help.

Market Requirements to Consider:

- Product liability insurance - While product liability insurance is important for direct and wholesale markets, the level of coverage you purchase may be determined by the requirements of your buyers. One to five million dollar coverage is not unusual for larger grocery stores or institutional markets to require of producers. Some packers or distributors may offer some coverage, but it is important to fully understand your risk by discussing this with buyers and your insurance agent.

- Certifications - (GAP, Organic, Appalachian Grown, etc.) When selling into wholesale markets you lose the opportunity to communicate directly with the end consumer about your growing practices or the story behind your farm. Certifications provide consumers with information they need to know if they are supporting the types of growing practices or farms that are important to them. Certifications might open up new market opportunities as well, such as those that require GAP or those looking for Certified Organic or local. Assess market opportunities and requirements and weigh the costs/paperwork involved to determine if it is a critical piece of your business plan. These resources offer a good starting point for producers considering GAP, Organic or Appalachian Grown certification for their farm.

  - GAP Certification: Is It Worth It? (NC Cooperative Extension)
  - Good Agricultural Practices for Small Diversified Farms (CFSA)
  - Organic Certification FAQS + The Road to Organic Certification (CFSA)
  - Certified Local: What is Appalachian Grown?

- Vendor application process - Often you will have to be set up as a vendor within each buyer's system, but the process for this is highly variable. Ask your buyers about this process early on, as it may be simple and can happen with your first sale or it may have to be set up weeks in advance with involved paperwork, proof of certifications, or multiple levels of approval.

- Invoicing - This can be as simple as a receipt book, but buyers will take you more seriously and can justify their purchases if you have a professional invoice.

- Communication style - You will hear repeatedly that communication is key to successful relationships with your buyers. The first step in this is finding out their preferred method: calls,

emails, texting, fax. Create a system to establish consistent communication, such as a weekly price sheet/availability list. Mimic the industry and find out what will fit best within each procurement system.

- Delivery times/schedules - This is important to consider in determining your capacity to serve a market. Is it worth your time if a buyer expects you to deliver weekly, what about daily? Is there flexibility in the time of day you deliver? Does it conflict with or complement other deliveries? Is refrigeration necessary?

- Post harvest handling - This is one of the biggest factors that will affect the quality of your product and your reputation with your buyers, as well as one of the most common mistakes for farmers scaling up from direct markets. Do your homework as to the proper cooling, storage, washing, and packing required for each of your products as this can save you significant loss on returned or degraded product in addition to your reputation for a quality product with good shelf life. NC Growing Together offers a variety of helpful resources, including a guide to Post handling resources (CEFS)

Packaging

Packaging will factor into your costs for any market, but the types of packaging that are standard and required will vary depending on the types of wholesale markets. In general:

- Mimic the industry (ex: iced broccoli) - understand the industry standards
- Check with your customers, ask to see examples
- Check out your local distributor
- Packaging standard sheets and box companies (ex: Produce Packaging Standards)
- Certified Local/Appalachian Grown branded materials

Pricing

Your cost of production should be central to pricing your products. Record keeping is key in determining this, and it will be different for every farm. The following are some of the costs that factor into your cost of production.

- Variable and fixed costs
- Soil amendments
- Pest management
- Labor
- Irrigation
- Machinery and equipment (repairs, fuel)
- Marketing (boxes, packaging)
- Land

When determining which products are going to be profitable for your farm you may want to consider those that might be loss leaders (loses money, but stimulates sales of other products) and breaking even. Other market factors that influence the pricing of products include seasonal trends (weather in other areas), specialty versus commodity crops, and the promotional value for customers (will they pay more than the national market price for local or other values that may be important to them). Here are several resources you can reference to give you a baseline for general market pricing:

- WNC report http://www.ncagr.gov/markets/mktnews/RA_FV001.txt
- Distributor price sheets (MFP, Leading Green)
- Organic sources (Agricultural Marketing Service, Maine Organic Farmers and Gardeners Association, Northeast Organic Farming Association of New Hampshire, Organic Farmers' Agency for Relationship Marketing (OFARM), and the Rodale Institute)

Wholesale Marketing - Label it local

The demand for local is high and continues to grow. Labeling your product local and connecting it to your farm and story will appeal to consumers and increase demand for your product. This can also be a selling point for wholesale buyers who want to reach a broader customer base and meet consumer demand for authentically local products.

Point of Purchase materials

Work with your wholesale accounts to label your product local and highlight your farm. This should accomplish their goal of meeting customer demand for local, while also differentiating your product and promoting your farm in the marketplace.

To get more detailed information about ASAP's Appalachian Grown Program, including a map of the region, how to use AG in your marketing, and the value of Appalachian Grown – read our Appalachian Grown Marketing Guide.

Tools for finding buyers:

- Look at messaging and menus
- Follow food trends
- Wholesale Local Food Guide - appalachiangrown.org
- Connecting with ASAP
- Grower-Buyer meetings (part of ASAP's Business of Farming Conference)

Summary Recommendations

- Do your homework about what buyers are looking for (both in terms of products, volume, delivery, certifications, packaging, etc.)
- Have your documentation
- Ask questions
- Sell your story
- Be accessible

Relationships are everything!

- This applies to retail and wholesale
- Know yourself, strengths and weaknesses
- Samples, samples, samples
- Communication is key - Be persistent, ask for feedback, be responsible for follow through, and provide relevant updates about your products (ie let your buyer know if you don't have what they're expecting)

For other resources visit the tools tab at asapconnections.org