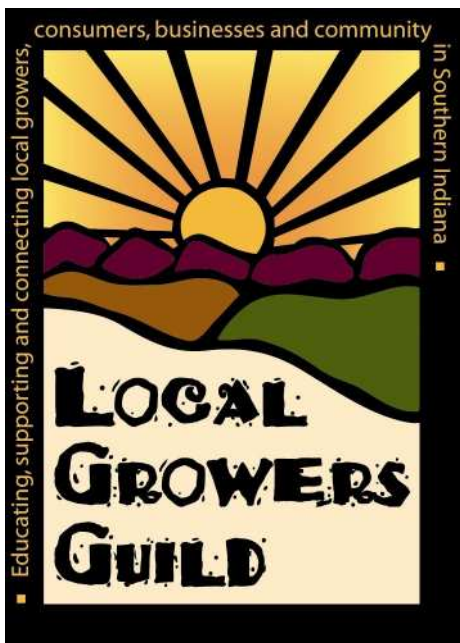


# **A Study of Local Food Distribution in South Central Indiana**



**Prepared by the Local Growers Guild  
With assistance from Green Fire Consulting Group, LLC  
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# Executive Summary

Interest in locally grown food has increased tremendously nationwide over the last decade. However, the dominant system of food distribution is still structured with little emphasis on distributing it close to where it was grown or adapting to the needs of small to mid-sized farms. The goal of this project was to identify ways to help small farms in southern and central Indiana market and distribute their products more effectively and to make it easier for businesses, individuals, and large institutions like schools and hospitals to source locally grown food.

The project was conducted by the Local Growers Guild (LGG), a cooperative of growers in south central Indiana, with assistance from Green Fire Consulting, LLC. The focus of the LGG is expanding the availability of quality locally grown foods. We connect growers with buyers, educate consumers about the importance of eating locally and provide growers with business support. Our members consist of small to medium farms producing a diversity of specialty crops such as organic and heirloom varieties of fruits and vegetables, meats from grass-fed livestock, maple syrup, honey, herbs and flowers.

This year-long project consisted of

- Studying distribution systems in other communities that might serve as models for developing and expanding the local food distribution system in South Central Indiana (within a 100-mile radius of Bloomington with a focus specifically on Bloomington).
- Surveying small to medium-sized farms in South Central Indiana to learn about current marketing and distribution strategies, interest in particular distribution approaches, current production levels, interest in expansion, perceived obstacles for expansion, and desired assistance.
- Surveying potential buyers such as wholesalers, restaurant owners, small grocery produce buyers, and institutional food service directors to understand their interest and willingness to buy from local farmers, what opportunities exist currently for local growers, and what hurdles need to be overcome for a significant expansion of local production and sales.
- Identifying resources in the community that would support expansion of local food production and distribution, especially with regard to improved storage and transportation of local products.
- Developing recommendations for the Local Growers Guild (LGG) to pursue in order to improve local food distribution.

## Market Channels

Markets can generally be divided into four categories:

- Direct sales to **consumers** (individuals) who eat the food
- Sales to **small retailers** (restaurants, groceries) that resell the food to consumers as groceries or prepared meals
- Sales to **large retailers/institutions** (school cafeterias, hospital cafeterias, etc.) that resell the food to consumers as prepared meals

- Sales to **wholesalers** (distributors) that resell the food to retailers or institutions that then resell the food to consumers

Generally speaking, farmers receive higher prices when they sell more directly to the end consumer. Therefore, goods sold to a consumer at a farmers' market would give farmers a higher price than goods sold to a restaurant, which would in turn be a higher price than goods sold to a wholesaler. However, farmers who sell directly to consumers have to do their own marketing, sales, and delivery in exchange for that higher price.

When looking at the price of goods sold in each market channel, it's also important to look at the quantity of goods sold. An individual consumer will make smaller purchases than a restaurant, which in turn will purchase less than a school or large distributor. Selling a large quantity of product to an institution generally requires less time than marketing, selling and packaging multiple smaller orders.

Another consideration is the amount of "red tape" involved in each market channel. There are very few legal requirements that farmers need to consider when selling unprocessed farm products. However, many institutions and wholesalers set requirements for growers that revolve around food safety and product consistency. In terms of food safety, many institutions require proof that food safety protocols are being followed (Good Agricultural Practice certification, etc.) and extensive liability insurance coverage. Distributors often also have requirements about product uniformity, requiring a particular size, shape, and color of product.

As part of this study, we wanted to identify which market channels were most appealing to farmers, what they viewed as potential obstacles, what the actual requirements are from different buyers, and how farmers can effectively distribute their products both now and with future expansion.

### **Distribution Models**

Our review of distribution models focused on understanding challenges and risks for the distributor, the challenges and risks for participating growers, and the potential benefit to the grower. We also considered what the biggest challenges are for implementation and how a model might be best adapted to appeal to growers. We categorized the models based on the four possible marketing channels a farmer can pursue – direct sales to consumers, sales to small retailers, sales to institutions, and sales to wholesalers. In total, we profiled fifteen models.

- **The Bloomington Community Farmers' Market** in Bloomington, IN is an extremely successful farmers' market where growers sell directly to consumers from April through November.
- **The Bloomington Winter Farmers' Market** in Bloomington, IN is an indoor winter market created to give growers a chance to sell directly to consumers from January through March.
- **New Roots/Fresh Stop** in Louisville, KY is a non-profit group that connects inner city churches with rural farm cooperatives to create a sort of Community

- Supported Agriculture (CSA) program where church members order produce from the farmers on a weekly basis.
- **Farm Fresh Delivery** in Indianapolis, IN is a privately owned home grocery delivery business that buys food from local farmers and sells it to consumers as a customizable CSA basket. Consumers log in to their website to adjust the contents of the CSA basket and to purchase additional grocery items if desired.
  - **Stout's Melody Acres Farm Stand** in Franklin, IN is a roadside farm stand where Melody Acres sells produce to consumers.
  - **Musgrave Orchard** in Bloomington, IN is a seasonal store located at the orchard that carries apples, cider, and a variety of specialty food products to attract customers in the fall.
  - **The Downtown Farm Stand** in Muncie, IN is a small natural foods grocery opened by a farming couple who wanted an outlet for their produce.
  - **Seldom Seen Farm** in Indianapolis operates an online store that allows customers to place orders during the winter months for pick-up at a winter farmers' market or other established pick-up point.
  - **Cooley Family Farm** in Lafayette, IN operates an online store that allows customers to order produce year-round for pick-up at the farmers' market or other established pick-up point.
  - **The Clean Food Network** in Albertville, AL is a cooperative of growers who run a small distribution operation using the website [www.locallygrown.net](http://www.locallygrown.net) to accept orders from clients and making deliveries using a garage and a delivery truck.
  - **Farmsreach** in San Francisco, CA is a website designed to help tech savvy farmers create virtual market stalls and sell their products to area chefs.
  - **Fischer Farms** in Jasper, IN is a farm that sells and delivers meat to retailers in Bloomington and Indianapolis and now also sells products from other farms.
  - **Jennings County Growers** in North Vernon, IN is a cooperative of farmers that works with a local locker plant to market meat to schools, restaurants and the public.
  - **Grasshopper Distribution** in Louisville, KY is a distribution center that sells food for local farmers on a consignment system (farmers provide a list of their products and pricing; Grasshopper collects orders from restaurants with a slight mark-up and then purchases the food from the farmers).
  - **Local Crop** in Cleveland, OH works with the traditional distributor Sysco to allow Sysco customers to order special local food products as add-ons to their regular orders.
  - **Stanz Foodservice** in South Bend, IN is a traditional distributor has modified its bid sheets to show the origin of its food products so that Notre Dame University can purchase more regional products.

Studying the different models provided many suggestions on how to improve local food distribution at every level. A lot of techniques, such as developing a CSA program in partnership with a church or setting up a web store, could be adopted by growers immediately with minimal expense. Other models, such as creating a bricks-and-mortar retail store or a cooperative warehouse and distribution system, require a more substantial initial capital investment and thus more risk.

When farmers take on a major role in distribution, they have to develop the business skills needed to handle the marketing and logistics, take on the risk of making capital investments, and devote time to coordinating distribution that takes away from time available for farming. Many farmers do not have strong business backgrounds and can face a steep learning curve when setting up their own distribution system.

We did see several examples of very successful distribution businesses run by farmers or farmer cooperatives. However, some of the most dynamic, successful models are owned by private entrepreneurs who are not growers themselves. Non-growers often have stronger business backgrounds and are not splitting their time between farming and running a distribution business.

The disadvantage to growers of privately held distribution companies is that growers must share a portion of the end price with the distributor and therefore receive a lower price than with a direct sale. However, the margin charged by each type of distributor varies depending on the company's structure, values, and what services they offer. A brokering website like Farsmreach operates with a low margin because it was developed with a mission to help farmers and because it does not provide assistance with product delivery. A traditional distributor like Stanz Foodservice charges a high margin because they take on responsibility for sales and delivery.

At this time it seems most appropriate for the LGG and individual farmers to pursue distribution models with minimal capital investment that would reduce and allow the distribution system to be profitable (or break even) without passing a large expense on to growers. One example would be the Clean Food Network and its use of a borrowed garage and a truck driver who worked for free produce. However, the Clean Food Network relied on its founder to provide coordination with minimal compensation. In order for any distribution business to be successful, there has to be someone ready to commit time,, money or both to make it happen.

### **Grower Survey**

Our survey of growers showed that most growers are interested in expanding and they project significant expansion (doubling acres farmed and employees working on the farm) if marketing and distribution channels are put in place. The main obstacles to expansion are insufficient storage, inadequate post-harvest handling set-up, lack of proper equipment, concerns that it takes too much time and expense to access new markets, and concerns with red tape (contracts, insurance) in new markets. Access to reliable and affordable farm labor is another issue that was mentioned and is likely to become a larger challenge as farms expand.

Based on the survey results, all growers currently sell at least a portion of their products directly to consumers, generally through farmers' markets and/or CSA programs. About half also sell to retailers and about twenty percent sell to wholesalers as well as directly to consumers. Farmers seem to add new sales channels while keeping their old sales

channels, carefully balancing the potential risks and benefits of each channel to maximize their profits.

Growers are primarily interested in direct sales to consumers but most of those surveyed would like to expand to also sell to small retailers and about half are interested in potentially selling to wholesalers or institutions. The biggest demand for assistance was help connecting with restaurants and other small retailers. Growers would also like assistance marketing surplus products, additional farmers' market outlets, an internet store for marketing their products, and assistance accessing large volume markets either by combining products with other farms or by working with a wholesaler.

Storage is a major issue, although it appears that a central storage facility would not address all storage needs. Many farmers expressed a need for post-harvest handling, such as washing and cooling freshly harvested lettuce. Facilities for cooling freshly picked produce need to be located on the farm. Some post-harvest handling activities like washing and packing could be handled by a centralized facility but in the case of cooling produce, the farmer needs a facility on the farm. Root crop storage and long-term storage of frozen products could also be addressed with a centralized facility. Further studies are needed to develop clear recommendations about storage facilities.

### **Buyer Survey**

We surveyed retailers, institutions, and wholesalers to understand demand and the needs of different types of buyers. We also looked back at customer surveys conducted at the Bloomington Winter Farmers' Market in 2008 to get a feel for consumer demand for local food.

Demand for local food appears to be increasing at all levels. However, some areas of the direct sales and retail markets are becoming crowded such as the Bloomington Community Farmers' Market and core local product sales to Bloomingfoods. Growers need to become more creative in their marketing approaches, develop communication and delivery systems to meet the needs of each market channel, and find ways to work together to offer consistent quantity and quality to retailers, institutions, and wholesalers.

As part of the study, we made contact with local wholesale distributors, and with several major institutions, including Indiana University Bloomington, Monroe County Community School Corporation, and Bloomington Hospital, to assess their interest in purchasing more local foods. We were encouraged by the strong interest shown by all of these entities in exploring ways for them to purchase more fresh produce from local growers.

Many retailers, institutions, and wholesalers who are interested in local food want a more streamlined approach to ordering food or at least better information about which growers are looking for markets and what products they have available. Many retailers and institutions are accustomed to working with wholesale distributors and need help setting protocols and developing systems for working directly with farmers. These protocols would cover insurance requirements, certification requirements or programs to ensure

safe food handling practices, expectations of how produce should be washed and packed, guidelines on how to manage invoices and payments, and strategies for how to accommodate the seasonality of local produce.

Additional education is needed on both the buyer end (what is it reasonable to expect from small to mid-sized farms?) and on the grower end (what needs to happen to ensure a good relationship with businesses?). Local food distribution could also be improved by a system to match growers with buyers. Potential systems include publishing an annual guide to farmers ready for retail sales with their products listed by season or a website where growers could post available products on a daily or weekly basis and businesses could place orders.

### **Local Resources**

The Bloomington community is extremely supportive of locally grown food and there are many farmers, food purchasers, organizations, and community members that are interested in supporting the local food economy. The Local Growers Guild has successfully strengthened connections between many groups and has continually informed the public about the importance of local food although there remain opportunities for additional education and collaboration. Locally grown food plays an important role in community sustainability on three levels – economic strength, environmental protection, and community enhancement.

In terms of physical infrastructure, there are a number of possibilities for storage and distribution projects but very little that is currently available. The most exciting upcoming project is the Bloomington Kitchen Incubator. This nonprofit group will help farmers and other entrepreneurs develop value-added food products using the certified commercial kitchen currently under construction by Middle Way House. The new kitchen facility will include some cooler space and an area for washing and packing produce. However, it appears that more infrastructure needs to be developed in the Bloomington area, particularly freezer and root cellar space.

Two retailer members of the Local Growers Guild, One World Enterprises and Bloomingfoods, have expressed a willingness to build storage space for local growers as part of their planned business expansions. This would be a great way to strengthen retailers and farmers by sharing resources. There are also opportunities for farmers to share space with each other, including an opportunity offered by farmer William Harriman in response to the survey.

Growers who are interested in setting up internet sales have many resources available on the web but could use additional support from the Local Growers Guild. The LGG website is informative but is not useful as a sales forum in its current form.

### **Conclusions and Recommendations**

While growers are interested in expanding and there are interested buyers in all four market channels, there are definite gaps in the distribution infrastructure. Most growers surveyed are not yet set up for sales to wholesalers and institutions. They lack facilities

for post harvest handling, an understanding of insurance and inspection requirements, sufficient volume to meet large scale demands, and transportation options.

At the same time, many retailers, institutions, and wholesalers need help setting up protocols and developing systems for working with local growers. Some common issues include determining insurance requirements; ensuring safe food handling practices; proper washing and packing; managing invoices and payment; and accommodating the seasonality of local produce.

In order to help growers work with retailers, institutions, and wholesalers, the Local Growers Guild needs to focus on helping growers improve their marketing skills, develop basic infrastructure on the farm, and work with retailers, institutions, and wholesalers to help them develop clear protocols and requirements. There are not yet enough growers ready to sell at the wholesale level to justify the creation of a cooperative distribution center. There is clearly a need for storage both on and off the farm and this should be addressed by exploring opportunities to share storage space between farms, share storage space with local retailers, and develop facilities on farms. More detailed information about storage needs must be developed before the LGG takes on the expense of constructing a facility. The example of Jennings County farmers shows the importance of building capacity for projects with larger impact by starting small and then gradually building up from there.

Also, it's important to support all distribution approaches. Growers can be successful using any of the distribution channels (sales directly to consumers, to small retailers/groceries, to institutions and to wholesalers), or combination thereof. Most of the farmers surveyed intend to sell through multiple distribution channels with a definite emphasis on selling directly to consumers and selling to small retailers. Many direct sales techniques profiled in the distribution models can be implemented by the LGG or individual farmers with minimal investment costs, such as starting a CSA program in partnership with a church.

Based on these insights, we recommend the hiring of a local food broker for at least one year by the Local Growers Guild to make connections between growers and buyers. Any approach to increasing local food production needs to take into account the individual circumstances of different growers and different buyers. This broker will work on:

- A more detailed assessment of individual growers' needs, their production potential, and their willingness to expand to meet the demands of larger institutions, consolidators and wholesalers.
- Assisting institutions and wholesalers with the development of protocols and procedures that accommodate local growers.
- Connecting growers with buyers and helping buyers source from multiple growers to access sufficient quantities.
- Connecting growers with each other when there are opportunities to combine efforts, for example to improve storage or to share transportation and delivery, or to form cooperative CSA programs.

- Assisting growers with the development of infrastructure needed to sell to retailers, institutions, or wholesalers (post-harvest handling equipment, affordable insurance, food safety certification, etc.)
- Developing written Seller's and Buyer's Guides for different distribution channels.
- Developing a series of workshops to educate farmers about different distribution approaches and the multiple variations within each approach, thus helping growers identify which distribution channels most fit their circumstances.
- Offering "Meet the Buyer" workshops where growers can interact with food purchasers from various businesses, and learn about their requirements and procedures.
- Investigating the possibility of creating a LGG run web-store, or cooperative storage and distribution facilities.

Although interest in local food is high in South Central Indiana and there are many great opportunities for small to medium-sized farmers, farmers still need help expanding their operations and meeting ever-increasing demand. The Local Growers Guild is excited to be a part of the process and will continue to work on development of the local food economy.

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## Introduction

The Local Growers Guild (LGG) is a cooperative of growers in South Central Indiana, based in Monroe County. Our focus is on expanding the availability of quality locally grown foods. We connect growers with buyers, educate consumers about the importance of eating locally and provide growers with business support. Our members consist of small to medium farms producing a diversity of specialty crops such as organic and heirloom varieties of fruits and vegetables, meats from grass-fed livestock, maple syrup, honey, herbs and flowers. Our working definition of local is any farm within a 100-mile radius of Bloomington.

Interest in locally grown food has been increasing dramatically over the last decade. However, the current system of food distribution is structured to move food around the world with little emphasis on distributing it close to where it was grown or adapting to the needs of small to medium-sized farms. The goal of this project was to identify ways to help small farms in South Central Indiana market and distribute their products more effectively and make it easier for consumers (businesses and individuals) to source locally grown food. This is especially critical as the LGG helps growers expand into larger markets such as school systems and hospitals that are interested in local food but require large quantities, consistent quality and easy delivery.

The Local Growers Guild conducted this one-year study to evaluate the feasibility of creating an improved local food distribution system. To better understand what distribution options are available, we analyzed several model systems, mostly in the Midwest, with varying levels of production and farmer involvement. The study focused on identifying key components of successful distribution systems for local foods products. We also worked with a consultant to assess and organize the needs and expectations of potential stakeholders (growers, buyers, and community organizations) to better understand what models would be most appropriate for this area.

The study is divided into five sections:

Section 1 provides case studies of distribution systems in other communities that might serve as models for developing and expanding the local food distribution system in South Central Indiana.

Section 2 presents the results and analysis of our grower survey. Grower interest was evaluated by circulating a written survey to approximately 200 growers in South Central Indiana with questions about current production levels, interest in expansion, perceived obstacles for expansion, and desired assistance. This survey asked growers about their current marketing and distribution strategies, their assessment of obstacles that need to be overcome in order to expand production and their interest in particular distribution approaches that could help them expand production and sales.

Section 3 presents the results and analysis of our buyer survey. Buyer interest was evaluated through a series of one-on-one conversations with local wholesalers, restaurant owners, grocers, and institutional food service directors. Our goal was to evaluate their interest and willingness to buy from local farmers, existing opportunities for local growers, and identification of hurdles that need to be overcome for a significant expansion of local production and sales.

Section 4 assesses resources available in our community that can support an expansion of local food production and distribution. Understanding the needs of buyers was a major part of community resource assessment; this section focuses on identifying key players in the local food scene and assessing existing infrastructure that might be available for growers to utilize for improved storage and transportation of their products.

Section 5 explains our conclusions and recommendations based on the surveys and research presented above.

## Section 1: Case studies of models from other communities

There are many different ways that farmers can sell the goods they produce. Markets can be divided into four categories:

- Direct sales to **consumers** (individuals) that eat the food
- Sales to small **retailers** (restaurants, small groceries, caterers) that resell the food to consumers as groceries or prepared meals
- Sales to **institutions/large retailers** (school cafeterias, hospital cafeterias, etc.) that resell the food to consumers as groceries or prepared meals
- Sales to **wholesalers** (distributors) that resell the food to retailers or institutions that then resell the food to consumers

Generally speaking, farmers receive higher prices when they sell more directly to the end consumer. Therefore, goods sold directly to a consumer at a farmers' market would give farmers a higher price than goods sold to a restaurant, which would in turn be a higher price than goods sold to a wholesaler. However, farmers who sell directly to consumers have to do their own marketing, sales, and delivery in exchange for that higher price.

Some studies will combine all retailers and institutions into one group since they all resell food to consumers as groceries or prepared meals. However, the two groups have very different volume needs and often different requirements regarding insurance and packaging so we found it useful to divide them into two groups. Our case studies are presented based on the four possible marketing channels a farmer can pursue – direct sales to consumers, sales to small retailers, sales to institutions, and sales to wholesalers.

Our analysis focused on understanding the following six criteria about each model.

1. What is the target market? (consumers, retail businesses, institutions)
2. What are the challenges and risks for the distribution model owner? (initial capital investment, other set-up costs, level of ongoing involvement, expertise required, technology)
3. What are the challenges and risks for the grower?
4. What is the biggest potential benefit to the grower?
5. What have been the biggest challenges to implementation?
6. How could the model be adapted to make it more appealing to growers?

### 1.1 Direct Sales to Consumers

Most members of the Local Growers Guild focus on selling directly to consumers. There are four main consumer outlets - farmers' markets, Community Supported Agriculture (CSA) programs, farm stands or stores, and internet sales directly to consumer (either delivered or picked up). However, there are many variations within each of these categories and several growers have developed ways to combine them to increase income.

### 1.1.1 Farmers' Markets

Many of the members of the Local Growers Guild use farmers' markets as the core outlet for their products. Successful farmers' markets are great ways to sell to a large number of customers at one time. However, they do require that farmers have a reasonable amount of marketing skills and are willing to spend a significant amount of time setting up and staffing a booth.

Farmers' markets can be challenging to get started as they need a critical mass of vendors as well as a critical mass of customers. One way to make it easier is to develop farmers' markets that function as "hubs" for other local food transactions such as pick-ups of CSA orders and restaurant orders. Another is to encourage farmers to use internet sales to pre-sell a portion of their products with pick-up at the market (see internet sales section). These techniques allow farmers to use their resources more efficiently and increase overall sales.

Another approach is to increase customer attendance by attaching a farmers' market to another destination where people are already shopping or working and are likely to stop and make a purchase. For example, MCL Cafeteria's produce buyer Ron Harris organized a farmers' market in the parking lot so farmers could supply the restaurant and sell directly to consumers in one trip. A similar thought led the City of Bloomington to move the Tuesday evening farmers' market away from city hall (which hosts the bigger market on Saturday) and relocate it next to a Bloomingfoods store. The idea was that people often stop by the grocery store on their way home and would happily pick up a few things from the farmers' market but that most people never go near city hall on their way home.

Farmers' markets are also generally limited in season length. The Bloomington Community Farmers' Market has an unusually long season, running from the beginning of April through the end of November. Most other markets around the state begin in May or June and end in September or October. As consumer interest has increased and farmers have extended their cold-season production, there has been an increased need for winter outlets. This has led to the creation of winter farmers' markets in Bloomington, Indianapolis, and other communities as well as increasing interest in year-round farmers' markets such as the Goshen Farmers' Market.

#### **Bloomington Community Farmers' Market (Bloomington, IN)**

##### ***A city-run outdoor farmers' market***

The Bloomington Community Farmers' Market is arguably the most successful farmers' market in Indiana, attracting thousands of customers during the summer months. The market has been open every year since 1975 and has steadily expanded, shifting locations several times before moving its current location in the Showers Plaza. This parking lot adjacent to city hall features shelters that were created specifically for the market. The City of Bloomington sponsors this farmers' market, providing the market space and also providing staff to run the market. The staff works closely with an advisory board comprised of farmers and community members to determine market rules and develop promotional activities.

The main market runs from the first Saturday in April through the last Saturday in November. This is a great opportunity for growers although cold or wet weather does decrease customer counts dramatically, especially in the spring and fall. There are approximately 100 farmer booths at the market and about 80 can be reserved for the season through a reservation process based on seniority (number of years participating in the market). The remaining spaces are assigned every Saturday on a first-come, first-served basis. The market generally has less than 90 farm vendors and is willing to create temporary spaces if needed during the busiest week or two of the summer. Vendor fees are \$12 per market day for a vehicle space (room to pull in a truck) and \$6 per market day for a table space. The market also allows a small number of prepared food vendors (e.g. muffins, coffee, hamburgers, etc.) with preference given to vendors using locally produced ingredients.

The Bloomington Community Farmers' Market has detailed guidelines for who may sell and what may be sold. All farm booths must be staffed by a farmer who has worked on all stages of production (planting, weeding, harvesting in the case of crops; raising for a specified length of time in the case of animals). This was done to enhance the connection between farmers and consumers and to avoid having product re-sellers, which is a common practice at some of the markets in Indianapolis and elsewhere in the state. The market also wants to focus on the needs of small to medium-sized farms and therefore requires that farmers participate in the whole farming process as opposed to some large operations where much of the work is done by field crews without direct involvement of the farm owner.

Having strict guidelines has earned the market a great reputation for integrity and quality but the market advisory committee often is presented with cases that are not directly addressed by the guidelines. The committee reviews these market applications and makes a decision, frequently updating the guidelines as well. The rules are also updated periodically in response to new legislation or interpretation from the Indiana State Department of Health. The market originally was limited to produce, eggs, and cut flowers but now also allows the sale of cheeses, meats, and many other farm products.

In 1999, the city of Bloomington created the Tuesday Market, a mid-week early evening market that runs from June through September. The goal was to provide a mid-week outlet for locally grown food and to attract people heading home from work. This year (2009), the Tuesday Market moved a few blocks west of the Showers Plaza and is now located next to the Bloomingfoods store on Madison Street. This market is still much smaller than the Tuesday market but continues to grow and to provide a great mid-week local food option.

The Bloomington Community Farmers' Market is incredibly successful and as a result of that success it attracts farmers from almost 100 miles away. Customer counts are high but competition between vendors is growing, particularly for some of the most common products (tomatoes, sweet corn). Established vendors with a loyal customer base (such as

the “Sweet Corn Man” Dan McCullough) flourish at the market but it can be challenging for new farmers to distinguish themselves and to be successful.

Model Name:	Bloomington Community Farmers’ Market
Target Market:	Consumers
Distributor Challenges and Risks:	Markets are generally not profitable for organizers but have great benefits to the community. Achievement of critical mass is a challenge.
Growers Challenges and Risks:	Growers need excellent marketing skills needed to compete with other vendors. Customer counts are variable and weather-dependent Selling at market is a full day of work off the farm. Successful markets like this one are often very competitive and challenging for new vendors.
Biggest Benefit to Grower:	Good access to customers excited about local food. Generally high prices.
Biggest Challenge to Implementation:	Developing a strong market takes several years; during the start-up phase it can be very challenging to recruit growers and to make it a profitable experience for growers.
Adaptability:	Could structure the market so farmers could delegate someone to staff the booth (but this eliminates the direct farmer-consumer connection that is highly appealing). Could increase the market’s “hub” activities such as CSA pick-ups and chef orders.

**Bloomington Winter Farmers’ Market (Bloomington, IN)**

*A grower-run indoor winter farmers’ market*

The Bloomington Winter Farmers’ Market was launched in 2004 by a group of farmers and Slow Food supporters. It became a program of the Local Growers Guild in 2005 when the LGG was officially incorporated. The market is managed by an advisory committee and a part-time seasonal market master. Vendor fees are \$20 per market day, which is higher than the Bloomington Community Farmers’ Market, but these vendor fees create a sufficient operating budget to rent a school gymnasium for the market, pay the market master, and pay for market promotion through flyers and advertisements.

As a farmer-run market, the Bloomington Winter Farmers’ Market also has developed guidelines about who may sell that are designed to encourage small to medium-sized farms and to exclude produce re-sellers. Guidelines are slightly less restrictive for prepared foods since the market wants to provide a wide variety of products to attract customers. The advisory committee has also considered the possibility of inviting farmers from other regions of the country to bring in products that are not grown in Indiana such as citrus. For the past two years, there has been a fisherman with a small operation in Alaska selling salmon at the market.

Still, it is an ongoing challenge is offering a diversity of products during the winter months. The winter market offers a large number of prepared foods (pasta sauce, wine, candy, baked goods) to supplement the selection of farm products. A wide variety of meats and cheeses are available throughout the winter season. A few produce growers operate heated greenhouses but other growers offer stored crops (potatoes, sweet potatoes, winter squash, apples) or freeze-resistant greens grown using cold frames and other season extension techniques that don't require heating. Customer surveys consistently show that consumers would like to see a wider variety of vegetables and the advisory committee has been encouraging local farmers to expand their winter production.

The Bloomington Winter Farmers' Market has a very loyal customer base but would like to expand further and is exploring ways to recruit new customers. One challenge is that the current space, Harmony School, is located in a residential neighborhood with very little traffic or visibility so marketing becomes even more important to recruiting customers. Harmony has been an excellent host for the winter market but as the market grows, it hopes to move to an even larger space. The market has grown in terms of both vendors and customer counts over the last four years and hopes to continue growing. The creation of a new winter market in central Indianapolis in 2009 has created some competition between the markets for vendors. At the same time, the number of farmers and small food producers interested in winter production and sales seems to increase every year.

Model Name:	Bloomington Winter Farmers' Market
Target Market:	Consumers
Distributor Challenges and Risks:	Markets are generally not profitable to organizers although this one is self-supporting. Hard to attract customers during winter months, especially if weather is poor.
Growers Challenges and Risks:	Customer base is somewhat uncertain during winter. Vendor fees are higher than a summer market. Marketing skills and product diversity is key.
Biggest Benefit to Grower:	Good access to customers excited about local food. Generally high prices. Direct connection to consumers during the winter months.
Biggest Challenge to Implementation:	Developing a strong market takes several years; during the start-up phase it can be very challenging to recruit growers and to make it a profitable experience for growers. In the winter, it is especially challenging to develop a diversity of product that will attract lots of customers.
Adaptability:	Could structure the market so farmers could delegate someone to staff the booth (but this eliminates the direct farmer-consumer connection that is highly appealing). Could increase the market's "hub" activities such as CSA pick-ups and chef orders.

### 1.1.2 Consumer Supported Agriculture (CSA)

Consumer Supported Agriculture (CSA) programs were created to help strengthen the bond between local farms and the community of people they feed. The basic idea is that community members pay the farmer in very early spring to support farm operations for the growing season. In exchange, they are entitled to a piece or “share” of the harvest throughout the growing season. Often the share is presented as a weekly box or basket of produce which changes throughout the season to reflect the changing crop varieties on the farm, as well as any major crop successes or failures. This share can be picked up from the farm or from a designated pick-up point. The community member gets to see how things are going on the farm, which may mean that there is no broccoli but plenty of cucumbers because the season was exceptionally hot. Many CSAs also invite their members to visit the farm and even to pitch in and put in a little “sweat equity” either working in the fields or sorting produce for member shares.

In the original CSA programs, dedicated subscribers shared in the risk of farming as well as the benefits so if the farm had a bad year, subscribers wouldn’t get much in their shares. As CSA programs became more competitive, many newer CSA programs have guaranteed a certain quantity and quality of product for their subscribers, substituting larger quantities of one crop if another crop fails and planting extra plants to ensure they can fill the CSA boxes. Some farms will even purchase crops from other farmers to fulfill their CSA contracts.

There are many successful CSA programs in the Bloomington area. Some take advantage of the farmers’ market on Saturday to have customers pick up their shares while others run their CSA shares on a mid-week pick-up schedule so they can harvest their fields twice a week (Tuesday for the CSA, Friday for the farmers’ market). Several farmers offer meat CSAs as a different approach than the standard produce-based CSAs. One of the most successful CSA programs, CORE Farms CSA, involves multiple farms working together to provide a diversity of products.

For this study, we looked at two different modifications to the CSA model that involve multiple farms to reach a wide audience. The first is a non-profit group that helps connect farms with churches and other community organizations as a core market for a CSA program. The second example is Farm Fresh Delivery in Indianapolis, a home grocery delivery service that features local and organic food. Farm Fresh Delivery is a third-party CSA, meaning it is a privately held company that buys food from different local growers, compiles it into baskets, and delivers it to subscribers. However, this model could potentially be adopted by a farmer or group of farmers and focus more on local foods. Farm Fresh Delivery could also be considered an outlet for farmers who don’t want to take on the challenges of starting a delivery business, and is discussed as such in the “Buyers” section.

#### **New Roots/Fresh Stop (Louisville, KY)**

##### ***A non-profit food broker connecting farmers with churches and community groups***

New Roots is a non-profit organization that works to develop a just and sustainable food system in the Ohio River Valley region. Their goal is to improve access to fresh food for

urban residents and create marketing opportunities in the city for local and regional farmers. Their main initiative is the Fresh Stop Project, a community institution-driven fresh food distribution program that also includes nutrition education, health research, and lobbying for better fresh food access.

Fresh Stop works by connecting a community partner inside the city such as a church, hospital, or community center with a farmer cooperative outside the city. The program began by connecting the West Chestnut Street Baptist Church with the Farm2CityConnections (farmer cooperative) of Barren County, KY. Members of the church have the opportunity to sign up for a box of local, fresh produce every week - \$24 for a large box, \$12 for a small box. Each week a volunteer coordinator provides members with a list of available local foods. The coordinator collects orders and payments by Wednesday night and calls the farm cooperative with orders on Thursday. The food is picked Friday morning and delivered to the church that afternoon. On Saturday, the food ready for pick-up by the participants. The volunteer coordinator also helps community members exchange recipes and information about nutrition.

So far this has been a great way to provide the low-income community with healthy food while also providing an outlet for local farmers. While fresh healthy food has been a major selling point for the program, many members of the African American church also appreciate that they are supporting a cooperative of African American farmers. Fresh Stop has had great luck working with Farm2CityConnections because they are coordinated by a farmer who is passionate about the project and very happy to donate time to coordinate with all the other farmers and help organize the orders. The project requires a fair amount of volunteer participation to be successful and keep prices down for the subscribers.

Model Name:	New Roots – Fresh Stop Project
Target Market:	Consumers
Distributor Challenges and Risks:	This model depends on volunteers who are willing to do marketing and coordination.
Growers Challenges and Risks:	May take time for church members to start ordering food through the system. Prices may be somewhat low since the goal is outreach to a low-income community.
Biggest Benefit to Grower:	Direct connection with consumers with minimal overhead. Product is pre-sold, deliveries are made without needing to staff a market booth for hours.
Biggest Challenge to Implementation:	Need a non-profit group or volunteer to coordinate the initial connection between the church and the grower(s). Need volunteers to continue coordinating the program.
Adaptability:	Could be targeted to a more affluent community group – a different church, a school, a large office building. Could be structured with a more traditional CSA basket to ensure product movement (sign up for the season rather than choosing whether or not to order each week).

## **Farm Fresh Delivery (Indianapolis, IN)**

### ***Home grocery delivery featuring local products***

Farm Fresh Delivery is a privately owned home grocery delivery service in Indianapolis, founded in 2007 by Matt Ewer and Beth Blessing. Matt has several years of experience managing organic farms and Beth has several years of experience as a nutritionist and food service instructor. They started small with \$20,000 invested in a truck and a website. The company has expanded dramatically over the last two years to include a large warehouse, several trucks, several staff members, and over \$2,000,000 in sales annually.

Customers start with a standing order for a CSA-like basket of produce. Every week they receive an e-mail letting them know what will be included. They can then log in to the website to exchange any items they don't want (e.g. request radishes instead of carrots). They also have the option to add in a variety of grocery items (e.g. coffee and granola). Once they confirm the changes, their credit card is billed the appropriate amount (the base CSA basket cost plus any extra groceries) and their order will be delivered to their door a few days later.

Farm Fresh focuses on offering organic and locally grown foods. Sometimes they will offer "naturally grown" products from farmers who are not certified organic and occasionally "conventional" products from conventional farms, all clearly labeled. They do supplement with non-local produce, especially in the winter, with a preference for U.S.-grown.

Matt coordinates with local growers at the beginning of each season to create a rough production and purchasing agreement. There are no fixed contracts, or seasonal contracts; agreements are made based on mutual trust. Growers report to him weekly as they approach harvest and let him know what will likely be available. Matt gives them a rough idea of what he needs and then confirms the exact amount after people have customized their bins.

As Farm Fresh expands, they work with increasingly more local growers. Almost all the growers that supply Farm Fresh have increased their production to meet the demand. Farm Fresh has flexibility to accommodate fluctuations in production as they can change what is in the basic CSA bin and can offer items with limited quantities through the grocery section. This means they can work with growers who are just getting started in retail sales and try out the relationship with one certain product.

Farm Fresh is investigating how to work with businesses to supply some items for consumption at work and also deliver orders at the workplace. However, they are not interested in selling to cafeterias or restaurants because they believe the margins are too small.

Matt thinks this model is extremely successful in Indianapolis because there are neighborhoods without good access to organic food – it can take 30 minutes to drive from the south side of Indianapolis up to the Whole Foods in Castleton. People appreciate

having healthy fresh food delivered to their door and are willing to pay a premium. Matt does not believe the model would be as appropriate in Bloomington, a community well-served by Bloomingfoods and a very successful farmers' market although they are currently expanding to serve Cincinnati.

Model Name:	Farm Fresh Delivery
Target Market:	Consumers
Distributor Challenges and Risks:	Initial capital investment required for storage facilities, delivery trucks, and website development. Different aspects of the business require different skills – website maintenance, recruiting new customers, coordinating delivery routes, coordinating product line from farmers and suppliers, anticipating adjustments in quantities as customers adapt their orders, etc.
Growers Challenges and Risks:	Growers must be able to adjust their delivery volume based on changes in the order volume every week.
Biggest Benefit to Grower:	Ability to sell small quantities of product as special offers. Ability to sell large quantities of product as CSA basket items. Prices are between wholesale and direct to consumer.
Biggest Challenge to Implementation:	Many logistical challenges that must be handled well by someone with a lot of experience. Model is most appropriate for areas that do not have good access to healthy food (e.g. no natural food stores, no farmers' market).
Adaptability:	Could be run as a customizable CSA program without the grocery part (customers would simply be able to swap out produce items they didn't want). Could be run by a farmer or farmer cooperative rather than a non-farmer.

### 1.1.3 Farm Stands/Stores

Another option for growers is to sell products directly from the farm. The biggest advantage is that farmers don't need to travel to sell their products directly to consumers. Direct sales from the farm can be divided into roughly three categories:

1. Basic farm stand/stall on or near the farm (outdoor space, nothing fancy)
2. Farm store on or near the farm that functions as a retail space with electricity and a wide product range, often featuring products from other farms
3. Farmer-owned store located away from the farm

Farm stands can be very successful if they are well located, generally meaning on a high traffic road in an area that is underserved by quality grocery stores. Farm stores tend to be a little fancier, have a wider product range, and often have an agritourism component to bring people out to the country. Some farmers have taken the next step and created farm stores in urban areas away from the farm where they can market their products to a larger, more affluent population. These farmer-owned groceries or local food boutiques can be very successful but require significant capital investment and careful management.

### **Stout's Melody Acres Farm Stand (Franklin, IN)**

#### ***Medium-sized farm stand on the farm***

Randy Stout of Melody Acres runs a very successful farm stand in addition to his sales at farmers' markets and to local restaurants. Melody Acres is located on State Road 135, a fairly busy state highway in a rural area near Indianapolis. He mainly sells vegetables and plants grown on his farm but sometimes sells product from other local farms to meet the demands of the public. Farm stand and farmers' markets prices are generally comparable although prices in rural areas are often lower than in urban areas. Randy said it has been interesting to compare what sells at the Bloomington Farmers' Market with what sells at his farm stand; the farm stand demand is generally for traditional country foods like green beans, red slicer tomatoes, and sweet corn while the farmers' market crowd tends to appreciate more gourmet items like arugula, kale, and heirloom tomatoes.

Model Name:	Stout's Melody Acres Farm Stand
Target Market:	Consumers
Distributor Challenges and Risks:	Minimal capital investment to build farm stand, parking area. Must be willing to staff farm stand or set up some sort of honor system for payment. Marketing needed to attract customers.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Sell to consumers without leaving the farm (no travel expenses or lost time). Prices are relatively high.
Biggest Challenge to Implementation:	Farm stands are very location-sensitive.
Adaptability:	Multiple farmers could operate a farm stand cooperatively to share in the costs of staffing and the benefits of sales. Adding an agritourism component could increase sales.

### **Musgrave Orchard (Bloomington, IN)**

#### ***Farm store***

Musgrave Orchard exemplifies a seasonal agritourism-based farm store. The store is located at the orchard just north of Bloomington and is open during the fall months to sell apples, apple cider, and a variety of supporting products. The store is a fairly basic cinder block building but it is equipped with electricity and running water and has a small kitchen that can be used to make value-added products like caramel apples. Most customers come out to purchase apples or apple cider but there are many other products available such as pumpkins, candy, popcorn, herbal creams, fall plants, etc. The store has also experimented with hosting a December farmers' market to offer an outlet for farmers and to attract more customers.

This farm store is an interesting example because it is located somewhat off the beaten path and is only open a few months out of the year but it has become well established in

the community as a destination for quality apple cider and other products. Musgrave makes the cider but most of the other products, including some of the apples, are purchased from other growers or food processors.

Model Name:	Musgrave Orchard Farm Store
Target Market:	Consumers
Distributor Challenges and Risks:	Initial capital investment needed to construct the store can be high [this facility was built many years ago]. Must be willing to staff the farm store and set consistent hours of operation. Marketing needed to attract customers. May need to purchase products from other farms or food processors to offer enough diversity for customers.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Sell to consumers without leaving the farm (no travel expenses or lost time). Prices are relatively high. Can make additional income selling other products.
Biggest Challenge to Implementation:	Farm stores are very location-sensitive although agritourism can help attract customers to rural locations. Initial construction of store is often expensive. Must have the skills to operate a store successfully, especially when carrying additional products.
Adaptability:	Multiple farmers could operate a store cooperatively to share in the costs of staffing and benefits of sales. Additional agritourism components (petting zoo, hay rides, etc.) could attract more customers and also generate side revenue streams.

### **The Downtown Farm Stand – An Authentic Food Store (Muncie, IN)**

#### ***Small local foods grocery run by a farm family***

The Downtown Farm Stand is a small organic grocery store developed by Dave and Sara Ring of Ring Family Farm. They opened the store for a multitude of reasons but the two biggest ones were that they wanted an outlet for their organic produce and they felt that Muncie needed an organic grocery store.

Opening a grocery store is a big undertaking with a large capital investment and a steep learning curve for someone without store management experience. So far, the Downtown Farm Stand has been very successful, in part because it filled a niche in Muncie (there were no groceries specializing in health food or organic food).

Model Name:	Downtown Farm Stand
Target Market:	Consumers
Distributor Challenges	Large initial capital investment needed to construct store.

and Risks:	Ongoing cash flow considerations for ordering products to keep the store well-stocked. Many skills needed to run a store successfully – marketing, product selection, logistics of keeping shelves stocked, etc. Expectations from customers are generally higher for retail stores in the city than they would be for a farm store or farm stand. Need to balance production levels at the farm with requests from customers and clearly identify source of products.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Retail outlet for farm product without middle man. Large potential income from store including both the farm product and other products.
Biggest Challenge to Implementation:	Lots of experience, skills, and capital needed to be successful.
Adaptability:	Could set up the store to also make sales to local restaurants and institutions. Could be run by a cooperative of farmers to share the risk and benefits. Could build storage area or processing area as part of the store that could be rented out to other growers.

#### 1.1.4 Internet Sales

Internet sales are another option for growers to connect with consumers. Many growers are challenged by the technology required to set up a web store but software programs can simplify the process. There are also existing web stores like [www.localharvest.org](http://www.localharvest.org) where growers can set up a store for a minimal fee. The other challenge of internet sales is coordinating delivery. Some products such as live plants and processed foods are relatively easy to ship through the mail although packing and mailing can be expensive and time consuming. Another option is to have pick-up points where customers collect their products, similar to the CSA model.

#### **Seldom Seen Farm Winter Web Orders (Indianapolis, IN)**

##### *A farmer using a web store to sell winter crops and make one delivery per week*

John and Kelly Ferree grow vegetables on about six acres of land including 7500 square feet of greenhouse space. They sell at several summer farmers' markets around the Indianapolis area and are very happy with the results but struggled to find an outlet for their products in the fall and early spring when the farmers' markets are closed. They developed a pre-paid winter CSA program in 2007 but found it to be challenging to implement, in part because they wanted customers to be allowed to adjust their orders every week depending on what was available and what they preferred. It became very cumbersome to keep track of all the e-mails and phone calls and get all the orders straight.

In 2008, they decided to develop an online web store for the winter season (November-April). Customers could login, see what crops were available, and place an order by Thursday of each week for pickup on Saturday. Customers would pay over the internet at the time of ordering and specify what pickup point they wanted. If a customer was out of town or wasn't interested in the offering that week, he or she simply wouldn't place an order. Every winter weekend, John would box up the orders and deliver them to the various pick-up points around town.

He continues to sell at two farmers' markets in Indianapolis, using those markets as pick-up points as well as selling additional produce that was not pre-ordered. He feels it is much better use of his time and avoids a lot of waste since he has a better idea of how much produce to harvest based on pre-orders. Winter produce is also sold to area restaurants.

John did notice a drop in his online orders in 2009 when a winter farmers' market opened in Broad Ripple close to much of his customer base. He sells at this market and hopes to encourage more customers to use the online ordering since it increases his efficiency.

John and Kelly found that setting up a website was fairly inexpensive and did not require a huge amount of technical knowledge although prior experience with HTML, web design, and graphic design is very helpful. They purchased open source shopping cart software for \$100 (AgoraCart and OSCommerce are two examples) to set up the store. The store was put on their existing website that costs about \$150 a year to maintain and host. John says that if you can set up wordpress or another content management system, you can set up a store.

Model Name:	Seldom Seen Farm Web store
Target Market:	Consumers
Distributor Challenges and Risks:	Small initial investment in technology. Must be able to keep website running and fix any bugs. Must determine how to get the product to the consumer.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Increase sales during winter months while spending less time staffing a market booth. Minimize delivery time. Prices are relatively high.
Biggest Challenge to Implementation:	Knowledge and comfort level with technology. Logistics of product delivery.
Adaptability:	Can combine well with a winter farmers' market. Could be used during the summer months as well (see Cooley model below).

### **Cooley Family Farm Web Orders (Lafayette, IN)**

#### ***A farmer using a web store to sell products year-round with delivery at farmers' market***

Kevin and Tracy Cooley developed a website for their farm in 2005 with a basic e-mail system to stay in touch with their CSA and farmers market customers after the summer market season was over. They used the e-mail system to sell fall crops and produce grown in their high tunnel hoop houses. Over the last few years they increased their cold season growing extensively and now grow nearly year-round.

Negotiating purchases by e-mails going back and forth was cumbersome, so the Cooleys then developed a website for ordering of fall/winter early/spring produce. Tracy has extensive web experience and was able to do all the website design and maintenance in-house. Costs are minimal – annual hosting fees, monthly high speed internet fees, and small credit card processing fees for each transaction. Tracy regularly updates entries for the store in terms of variety, available quantity, and price. One important feature of the online store is that it has an inventory system to assure that no product is oversold (e.g. ten heads of lettuce sold when only five were available).

This year, 2009, they decided to offer online ordering through the summer season as well as selling their CSA shares online (May-October). Having the online store has helped the Cooleys cut back to one Farmers Market per week during the summer (from three previously). In the winter they make one weekly delivery to town and have one day where customers can pick up at the farm. The time savings allows the Cooleys to invest more time on the farm.

Using the online store has also helped match the harvest to the need, increasing profit and reducing waste. This is especially true during the fall/winter/spring, when they grow in high tunnels. In winter, profits are increased in two ways. First, harvesting just enough of a crop gives the remaining plants an additional week to grow, increasing their dollar value. Secondly, it eliminates waste since there is no unsold produce that would usually be composted rather than being sold for profit.

During the summer, Kevin reduces waste and risks by going to the market with a good percentage of his produce sold in advance. The online ordering system also guarantees customers that they actually get what they want without having to be the first ones at market. Both CSA customers and others now utilize the online store during the summer. During the winter, Cooley's is one of the few sources of local chemical-free produce.

Because Tracy is able to do all this in-house, maintaining the online farm store is not expensive for the Cooleys. However, it would be expensive for growers who are not savvy with computer programming, and would have to hire someone to keep the website current. Kevin said that other growers have tried to do the online ordering in this way, and could not keep it up because of the inconvenience and cost of having to hire help for the frequent necessary updates.

Model Name:	Cooley Family Farm Web store
Target Market:	Consumers
Distributor Challenges and Risks:	Small initial investment in technology. Must be able to keep website running and fix any bugs. Must determine how to get the product to the consumer.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Increase sales year-round while spending less time staffing a market booth. Minimize delivery time. Reduce waste, especially in winter months. Prices are relatively high.
Biggest Challenge to Implementation:	Knowledge and comfort level with technology. Logistics of product delivery.
Adaptability:	Can combine well with farmers' markets.

### **Clean Food Network (Albertville, AL)**

#### ***A farmer cooperative using a web store to sell products and deliver weekly***

The Clean Food Network in Alabama is a privately held business (LLC) started by a few farmers who wanted an easier way to combine their products and market them to customers. They set up a web store through [www.locallygrown.net](http://www.locallygrown.net), a website specifically designed for growers to market in their regions. They also acquired a delivery truck and the use of a two-car garage for consolidating, packing, and short-term storage. This year (2009) their local food bank is expanding and has agreed to provide space for their weekly order consolidation.

Every Friday, the farmers post listings of each product that will be available the next week. The manager e-mails the options to all subscribed customers. Customers have until Monday at noon to login to the website and place an order. Then “pick sheets” are sent to each farmer, who collects the food and brings it to the packing house on Tuesday. The farmers repack everything into boxes for customers and then the manager or intern delivers it to the Tuesday afternoon pickup points. Nothing is stored for more than twenty-four hours.

Customers join the network by creating an account and by mailing in a check for \$105. Part of this initial payment (\$25) pays the annual membership fee and the remainder (\$80) goes to their initial credit line. Since the website is not set up to accept payment online and the farmers don't want to wait at the pick-up points to collect payment, they use this advance payment system and notify customers as their credit line shrinks. Current customers are content with the arrangement although the network is trying to find ways to attract more customers.

The network started with four farmers and now has eleven farmers. New farmers go through one year of probation to ensure they are committed to the program. If differences arise, farmers growing something that is needed (e.g. unique vegetable) have

to finish the season with the Clean Food Network. If they are growing a crop that is already covered elsewhere, the network lets them go immediately. After a successful year under probation, a new farmer will be made a full partner in the network. The partner farmers meet annually to plan who will grow what crops at what times for the next year. They incorporate requests from the previous year, such as an interest in more Chinese vegetables. The founding partner and general manager, Dove Stackhouse, takes care of the day-to-day business decisions. She is not paid for her services.

Overhead costs are fairly low since the garage space is donated and the intern works in exchange for produce. Their main expense is the truck and boxes. They estimate operating costs of about \$4,000 or roughly 30% of the \$12,000 they made in sales last year. The operation was started using Dove Stackhouse's personal finances in 2007 and the grant received a \$40,000 SARE grant that October. They expect the business will be self-sustaining starting in June but they are also planning to barter for services with produce to keep operating expenses low.

Their web expenses are low because they use the existing website [www.locallygrown.net](http://www.locallygrown.net) which was developed by a farmer in Athens, Georgia in early 2007. Any farmer group can set up a free account using the site but they are asked to pay a fee of 3% of completed sales to cover the costs of web hosting and development. So far there are about sixty active markets and another twenty in development, primarily located in the South but spreading across the country. In fact, the Permaculture Guild in Bloomington (a group of growers using permaculture techniques) has used the site and is interested in partnering with the Local Growers Guild to set up a more formal system.

Model Name:	Clean Food Network
Target Market:	Consumers
Distributor Challenges and Risks:	Initial capital investment needed for packing area and delivery truck. Marketing skills are essential to attracting customers and explaining the system. Must be able to coordinate product delivery effectively. Must figure out a way to collect payment since the website does not offer that feature.
Growers Challenges and Risks:	[Same as distributor.]
Biggest Benefit to Grower:	Direct access to consumers who are interested in local food. Pre-ordering allows for custom harvesting. Minimal time required to deliver product (as compared to staffing farmers' market booth).
Biggest Challenge to Implementation:	Farmers must be comfortable with technology. Must have initial investment capital or access to short-term storage facility and a delivery truck.
Adaptability:	Could be adapted as a customizable CSA program to improve sales levels (guaranteed weekly sales). Website could be modified to accept online payment, which

might attract more customers.
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## 1.2 Restaurant/Small Grocery Sales

Another attractive market for growers is selling to local restaurants and small groceries. Small retailers provide the next step for growers accustomed to selling directly to consumers. Quantities are somewhat larger, prices are somewhat lower, and small retailers are often very willing to work with individual growers. Chefs in particular have a reputation for being very interested in connecting directly with local farmers and are eager to find fresh, tasty products to use in their restaurants.

Many small growers in Indiana sell directly to local restaurants and groceries (over 50% of those surveyed) but it can be difficult for growers to first establish a relationship. Chefs and grocers also have voiced a desire to have more consistent supply and to have a more streamlined process for locating the products they desire.

One option is to create a distribution company focused on local food, which is discussed in the section about wholesale distributors. This section reviews two alternate ways farmers are supported in connecting directly with restaurants and small groceries. The first is an online virtual market aimed specifically at small retailers and the second is an example of two farmers sharing marketing and distribution.

### **Farmsreach (San Francisco, CA)**

#### ***Online food broker/web store connecting growers with buyers***

Farmsreach is an online local foods marketplace founded in 2007 in San Francisco, CA. The founders strive to use state-of-the-art technology to increase farm profits and sustainability. Their website connects restaurants and stores directly with regional farmers without any “middlemen” while still making it as easy for restaurants as ordering from a traditional food distributor like Sysco.

Tech savvy farmers (with smart phones) have the ability to upload photos of their produce, along with the amount available for purchase, directly from the field to the website. Each farmer has a virtual “farmers’ stall” like at a farmers’ market. Buyers browse the products, place orders, and then negotiate delivery with the farmer. Most farmers bring their products to a farmers’ market for pick-up; some farms deliver directly to the buyers. Here is how it works:

- 1). The farmer creates their stall, listing their food, with pricing, packaging and other information. Once the items are ready for sale, the farmers can mark that they are available.
- 2). Farmers mark what days they will be available to deliver, and what locations.
- 3). Farmers open their stalls and the products are immediately available for purchase.
- 4). Buyers can search for the items that they want or can search for producers within a specific geographic range.
- 5). Buyers place orders based on search results.

- 6). FarmsReach generates picklists for each farm along with the designated delivery place and time.
- 7). The farmer harvests the food, develops a delivery route, and drops off the food.
- 8). At delivery, the buyer receives an invoice to pay immediately or to pay through FarmsReach using the invoice number.

Right now the site is focused on fruits and vegetables and the developers are still tweaking the system. The ultimate goal is to expand across the country, allowing new regions to adopt the technology for a fee. The developers say they are not ready to expand yet to southern Indiana (the software is still in the beta stage of development) but they anticipate charging a 5% fee for local users of the site.

Model Name:	Farmsreach web store
Target Market:	Restaurants
Distributor Challenges and Risks:	Initial investment needed for technology (sounds minimal). Marketing is essential for getting restaurants to participate.
Growers Challenges and Risks:	Growers need to be very tech savvy to keep their virtual stalls up to date with pictures, quantities, and prices. Growers need to handle their own delivery and invoicing. Growers take the risk of making the sale or not.
Biggest Benefit to Grower:	Access to small retailers with a very modest fee for the connection. Prices are generally fair.
Biggest Challenge to Implementation:	Need to get both farmers and chefs to buy into the system and make it work effectively. Currently, this software is not available outside of California.
Adaptability:	A similar website could be used to target consumers rather than retailers. System could also be used to provide an outlet for surplus products.

### **Fischer Farms (Jasper, IN)**

#### ***Independent farmer selling his products and neighbor's products to restaurants***

Fischer Farms in Jasper, Indiana is a medium-sized farm raising about 500 beef cattle. Dave Fischer and his family sell at the Jasper Farmers' Market and the Evansville Farmers' Market as well as to restaurants and small grocery stores in Bloomington and Indianapolis. Their products are local and natural (no hormones, no antibiotics). They also sell pork made from a neighboring farm's hogs and process about six steers and ten hogs per week to meet retail and consumer demand. The processing plant stores the meat and they try to move all product within one week.

Customers place their orders on Monday, animals are processed on Tuesday, and deliveries are made on Thursday. Their delivery route goes from Jasper to Bloomington to Indianapolis and back home with multiple stops totaling about a sixteen hour day. Generally Dave and his wife take care of deliveries but sometimes her parents will drive

the route to allow them more time on the farm. They do have a couple of workers who help out on the farm.

About three years ago, they began working with an Amish produce farmer who lives along their delivery route. He tells them what he's raising and Dave adds it to the order list he sends out to retailers every week. This way the restaurants can order both meat and produce at the same time and receive it in the same delivery. They have been very enthusiastic about the convenience level, especially since the order is totaled on one invoice. One retailer estimated that the processing cost for a purchase order can be as high as \$100 when counting the time taken by managers and accountants to review, sign, and enter the data. The set up is also much easier for the Amish farmer who for religious reasons does not maintain a bank account and would likely struggle to become an approved vendor with a lot of retailers.

Every Tuesday, Fischer Farms purchases live hogs from their neighboring hog farmer and orders produce from the Amish produce farmer based on the orders that were placed on Monday. Generally, Fischer Farms negotiates prices with the other farmers earlier in the season and then sets their prices for retailers. In this way, Fischer Farms minimizes the risk of having products they can't sell. However, there have been some situations where they have negotiated other arrangements, particularly with produce. As an example, several retailers expressed an interest in carrots two years ago so Fischer Farms asked the produce farmer to grow carrots last year. The farmer grew carrots but the retailers weren't happy with the quality (they didn't look like California carrots) and would not buy them. Fischer Farms and the produce farmer agreed to split the loss from any carrots grown that year that could not be sold.

Another challenge Fischer Farms has encountered is retailers who say they will want a certain quantity of an item like tomatoes throughout the summer but then they don't actually order it most weeks. This is more of an issue with produce than with meat since produce needs to be planned much further in advance. Dave does allow advance reservations for some specialty products like blackberries so that chefs can have a guaranteed supply.

In general, the Fischers are happy with their current operation although Dave feels that they are still figuring things out. They feel the delivery aspect of their business is more of a service than a moneymaker. Retailers certainly appreciate the ability to buy local meats and produce in a way that is as convenient as buying through Sysco or another wholesale distributor. The farm has a website with detailed information about their products and an online store where consumers and retailers can place orders (\$100 minimum order) but many retailers continue to place orders by phone. Dave is open to the idea of working with other farmers but the farms would need to be along the southern end of his delivery route and offer high quality products that he does not already offer.

Model Name:	Fischer Farms
Target Market:	Restaurants, small groceries
Distributor Challenges and Risks:	Initial investment in delivery truck, coordinating storage facilities with processor. Logistics of setting up delivery routes. Marketing skills essential to getting clients, taking regular orders, maintaining relationship.
Growers Challenges and Risks:	Growers selling through Fischer Farms rely on Fischer Farms for marketing and take on the risk that no one will order their product (although Fischer Farms will share the risk in certain situations where there was a joint decision).
Biggest Benefit to Grower:	Selling to multiple restaurants on a delivery route offers a large market, reasonable prices, and no middle man. Retailers appreciate the ability to order multiple products in one delivery.
Biggest Challenge to Implementation:	Initial capital investment. Skills to build strong relationships with restaurants. Big time commitment to make deliveries (16 hour delivery route every week). The system works best at a scale where the grower can sell to multiple retail stores every week to maximize distribution efficiency.
Adaptability:	Multiple farms could sell products through one farm's delivery network. A group of farmers could invest jointly in storage facilities and delivery trucks and share delivery duties.

### 1.3 Institutional Sales

Many local food movements across the country target large institutions – schools, universities, hospitals, prisons, senior centers. Often the driving force behind these movements is to get healthy food to those who are most vulnerable (the young, the old, the ill) while supporting small sustainable farms. Institutions also provide an excellent opportunity for education – particularly schools and hospitals. They also are amazingly large one-stop markets for farmers who can provide the volume of food needed and meet all the requirements of the institutions.

However, institutions are also very challenging markets due to liability concerns, budget constraints, bureaucracy, and seasonal limitations. Many institutions work with high-risk populations (the young, the old, the ill) and therefore have concerns about food safety, which often means extensive food safety protocols (Good Agricultural Practice certification, etc.) and extensive insurance requirements. They also have very tight budgets and some public institutions even operate on a weekly bidding system which prevents them from contracting and guaranteeing sales to a particular farmer or

distributor. Schools and universities also face the challenge that their major operating schedules only barely overlap with prime crop production season.

A handful of growers surveyed currently sell to institutions but most institutional sales happen through wholesale distributors. Both farmers and wholesalers emphasized that the key to success is to sell to multiple outlets rather than focusing exclusively on institutions. This is partly due to the volume of food involved; generally farms will produce more than is needed to be sure of filling market demands so the surplus needs to be routed elsewhere. At the same time, institutions provide a large volume, low price market and therefore can be easily combined with a small volume, high price market to provide a higher total income for the farmer and/or distributor.

We studied the model of the Jennings County Growers, a cooperative that helps connect farms with institutions as a sort of non-profit broker model. There are additional profiles in the wholesaler section that tie into institutional sales.

### **Jennings County Growers (North Vernon, IN)**

#### ***Farmer cooperative selling meat to schools and institutions***

Jennings County Growers was developed by a small group of farmers who wanted to help their fellow farmers learn how to sell their own products. They realized that most traditional farmers are excellent at growing food but don't have the skills or desire to do marketing and sales. They also realized that commodity prices are a dangerous roller coaster ride and that farmers could be more successful if they found their own markets.

In the late 1990's, a group of farmers including Bud Beesley and Richard Adrian worked together to open a farmers' market in Jennings County in order to provide an outlet for locally grown food and to help farmers learn marketing skills. This market opened in 1998 and is still operating. Building on the success of the market, the farmers formed a cooperative in 2001 with the goal of marketing produce cooperatively (later expanded to include meat). The cooperative charges members no dues or fees but expects them to actively participate in marketing efforts.

While Jennings County Growers have had many remarkable accomplishments, perhaps the most impressive is their success in marketing locally raised meats to school systems and other institutions in a 10-county region. They worked with farmers and existing meat processors to create an infrastructure for cooperatively processing and marketing locally grown meat across ten counties. Much of the success of this project is due to an informal and unusually trusting partnership between the JCG leadership, the locker plant, the retail market, and the growers. This high level of trust is sustained in large part because the leadership's labor is provided in-kind, and because of the consistently altruistic values of the leaders.

There were several projects and agencies that came together to get the cooperative processing and marketing project going including the Historic Hoosier Hills Resource Conservation and Development Program and the Farm Bureau. The initial approach was to create a small marketing team consisting of a couple farmers and a Farm Bureau

director. This team would meet with the superintendent and/or school boards within each of the participating counties to talk about local meat. The co-op members would present what was being made available and provide contact information for future discussion.

As part of these initial discussions, it became apparent that many food service directors believed they were forbidden to work directly with growers due to unclear policies from the Indiana Department of Education. Jennings County Growers contacted the state and set up a series of meetings with the Indiana Department of Education to discuss their policies relating to food products sold to schools. The State clarified that farmers could sell direct to local institutions without prohibitive labeling requirements, removing the concerns of the food service directors.

At this point, Bud Beesley was able to meet with school personnel and other prospective wholesale buyers to build contracts. Forty-pounds boxes of sample product were presented for the institutions to test out. The cooperative worked with the schools to develop a product that met all the education department requirements. The schools wanted 85% lean and 15% fat and needed a patty that would meet the proper weight requirements after cooking – 3 ounces for high school, 2 ounces for elementary school. The schools were very impressed with the quality of the meat as compared to the patties they generally purchased on the open market. Most mass producers get the lean/fat ratio correct by adding ground soy to fatty meat and even then the patties are often slightly underweight when cooked so kitchen staff would have to add cheese to meet the weight requirements.

Students appreciated the improved quality as well. When the Switzerland County Schools moved from the hamburger-soy product to the Jennings County Growers' 85% lean product, the schools sold twice as many hamburgers. Ohio and Jefferson County Schools have experienced similar increased demand on the part of students.

The schools were also very happy with the level of service they received. Jennings County Growers works hard to keep their customers happy. They do not require minimum purchase amounts as many other wholesale meat suppliers do and they will also make special deliveries without an extra charge. School employees and students also appreciate the fact that they are supporting local farmers and fellow community members through their purchases.

While school sales were very successful, the simple fact remains that schools and other institutions only want the cheaper cuts of meat so the farmer has to find an outlet for the rest of the animal. This is actually a great opportunity for the farmer since the “leftover” parts are much more valuable and can be successfully marketed to retail customers with much higher margins. However, it meant that Jennings County Growers also had to work out an infrastructure system to move those products through the retail market.

The solution came out of the close relationship between Jennings County Growers and the processing plant Westport Locker. Westport Locker is an entrepreneurial, business-planning and financial partner in the farmer-controlled marketing system. It has an

excellent and long-established reputation for slaughtering and custom processing livestock. It has been incredibly supportive of this project and provides the key infrastructure needed – animal processing, butchering, cold storage, and delivery. The company has increased its staff at Westport to meet increased demand created by the Jennings County Growers project. They also took on the financial and managerial risk of designing, staffing, and running the City Meat Market in Madison.

City Meat Market was opened in 2005 in Madison, Indiana and offers a locally produced high quality fresh meat product in a clean, attractive and locally owned meat market. The market also offers custom cutting, packaging and cooking advice.

How it works from the farmer’s perspective:

1. Animal is taken to Westport Locker (or another meat processing plants in the network) where it is purchased on the day of slaughter and owned by Westport through two weeks of processing
2. Jennings County Growers pays Westport for any of the processed meat they will be selling
  - a. Sales to schools and government institutions
  - b. Limited sales to restaurants
3. Westport delivers the processed meat
  - a. Free delivery to City Meat Market for retail sales (Westport owns City Meat Market)
  - b. Free delivery for nearby JCG sales; JCG pays for the long haul deliveries

At this time, Jennings County Growers does not charge farmers for management and marketing services beyond expecting them to donate time to the marketing effort. Bud Beesely and Richard Adrian conduct the marketing and coordination efforts free of charge. This helps keep overhead low and increases the prices received by growers.

One of the ongoing challenges is cash flow since wholesale customers generally take 30 to 120 days to pay invoices. Jennings County Growers is also interested in purchasing a warehouse and cold storage facility to allow continued expansion. This building would serve as a distribution center and office, and would be used to process produce as well as meat. All of the schools currently purchasing local meat from the Jennings County Growers have also expressed interest in buying local produce during the portion of the school year when the produce is in season. They had a potential building identified but were not able to raise the needed funds (about half a million dollars) before it was sold to another party.

Model Name:	Jennings County Growers
Target Market:	Institutions, consumers
Distributor Challenges and Risks:	Multiple groups work together to make distribution work (farmers, farm coordinator, locker plant) and depend upon each other for the model’s success. Distributor must invest energy in coordination of sales and directing different cuts of meat to different markets.

	Model is successful because locker plant was willing to take on risk of opening a retail store and expanding its processing operation. Model is also dependent on coordination services offered at no charge by JCG leaders.
Growers Challenges and Risks:	Growers must be willing to assist with marketing efforts. Growers must work cooperatively with each other and with JCG leaders. Growers take on the risk of their products not being sold.
Biggest Benefit to Grower:	Access to large institutional market balanced with retail sales to provide reasonable prices.
Biggest Challenge to Implementation:	Need a lot of cooperation between locker plant, retail butcher shop, growers, institutions. Coordination is time-consuming and could be expensive if the coordinator were paid for his/her time.
Adaptability:	The model could be expanded to include produce.

#### 1.4 Wholesalers/Distributors

Wholesale distributors are the traditional “middlemen” that connect farmers with restaurants, groceries, and institutions. They buy products from farmers at a wholesale price and then take care of storage, marketing, sales, and delivery to their customers. Customers appreciate having a consistent, reliable supply of the products they need as well as reassurances that the food has been safely handled and is properly insured.

Farmers get the benefit of being able to focus on growing since the distributor takes care of marketing, sales, and delivery. However, distributors require large quantities and offer low prices compared with selling to small retailers or end consumers. Distributors also often have a long list of requirements pertaining both to farm operations and the final product as delivered to the distributor. Here are some common requirements.

- Farms must follow food safety procedures such as Good Agricultural Practices or Hazard Analysis and Critical Control Points and may need to show certification
- Farms must have proper equipment for grading, washing, and packing produce
- Farms must carry liability insurance
- Produce must be of uniform size (generally large) and color with no blemishes
- Produce must be packed in boxes as instructed by the distributor

Generally, distributors want picture perfect produce, which can be challenging for growers. One reason growers often combine wholesale markets with direct-to-consumer markets is that they can often sell their undersized or misshapen produce to consumers who are more focused on taste and quality than aesthetics.

There are many different types of wholesale distributors. They can be generally classified using the following categories.

- Farm cooperative distributors – producer cooperatives where farmers work together as distributors, spreading the risk and sharing the work of distributing

- products (the challenge is finding farmers with enough time, knowledge, and capital to make it successful)
- Public-private partnerships – distributors or brokers that are closely associated with a nonprofit organization and have a strong mission to ensure fairness to producers
  - Values-driven enterprises – privately held distributors that focus on the local food niche market and are mission-driven but do not have farmer advocacy as part of their business model
  - Traditional distributors with a twist – traditional distributors who have created a division focused on local food that leverage the existing infrastructure of large food distributors to sell local food
  - Broadline distributors – traditional broadline distributors that offer a wide variety of products and generally do not focus on local food but will distribute local food if it is cost-effective for their business model

Generally speaking, the distributor categories closer to the top of the list are more focused on the needs of the farmers and therefore offer farmers higher prices and better advocacy. However, there are certainly examples within each category that are better or worse.

We discussed two farmer cooperative distributors in previous sections – the Clean Food Network was covered in the section on direct sales to consumers and the Jennings County Growers cooperative was covered in the section on institutional sales. We originally examined Common Market in Philadelphia as an example of a public-private partnership but were not able to gather enough information to include in this report (Red Tomato is another example of a public-private partnership). The three models we studied were a privately held values-driven enterprise called Grasshopper Distribution (originally envisioned as a farmer cooperative distributor), and two traditional distributors with twists.

### **Grasshopper Distribution (Louisville, KY)**

#### ***Values-driven distributor founded by farmers***

Grasshopper Distribution was formed in 2005 by three farmers and one food processor. There had been several years of planning amongst a group of farmers but when the smoke cleared and the time came to commit, only four farmers were ready to buy into the project. They decided to form as an LLC rather than a cooperative because they believed it was a simpler and more effective business model. Each owner put in \$500 initially (several thousand dollars more along the way) and the business received almost \$400,000 in grant money to acquire the infrastructure needed for the business – a warehouse, coolers, freezers, and trucks – and to hire initial staff. About half the funds came from a USDA producer grant (it was a 50/50 matching grant) and about half came from tobacco settlement money. (Kentucky farmers have been aided greatly by a large chunk of tobacco settlement money that was earmarked for helping tobacco farmers transition to food production and helping the local food economy grow strong.)

The original goal was to market food from small and medium rural farms to large institutions in Louisville. However, Grasshopper encountered many barriers in the institutional market – insurance requirements, auditing requirements, low prices, complex policies, etc. They then shifted their marketing plan to focus more on restaurants and a CSA program where individuals could subscribe to receive a box of locally grown products.

Grasshopper operates similarly to a traditional distributor in that every week they send out a product list and their customers place orders. However, there are two major differences in their product list. One is that each product is listed by the farm it came from so there might be “Green Zucchini from Smith Farm” as one item and “Green Zucchini from Jones Farm” as the next. The other major difference is that farmers set the prices they want and Grasshopper adds a slight mark-up before publishing the prices, rather than Grasshopper telling the farmer what they will pay. They will tell a farmer if they think a price is too high but it’s up to the farmer to make the final decision.

Grasshopper operates at a mid-sized scale with over \$300,000 in sales in 2008. They are hoping to become profitable without grant money in 2009. They have faced several challenges including adjusting their strategy to work without institutional sales, educating farmers about achievable prices, developing strategies for crop failures (currently no penalty for farmers), developing strategies for having farmers committed to selling through Grasshopper (currently no penalty if a farmer takes his/her product elsewhere), and tweaking the logistics of pick-up and delivery (recently changed from picking up products at each farm to picking up products at certain farms that provide storage for their neighbors).

Model Name:	Grasshopper Distribution
Target Market:	Retailers, consumers, institutions
Distributor Challenges and Risks:	Large initial capital investment in warehouse, coolers, trucks. Marketing skills critical for attracting clients. Many logistical challenges when working with multiple farms and multiple buyers. Challenging to coordinate with farmers and develop a sense of appropriate pricing. Can be very expensive to pick up products from multiple farms.
Growers Challenges and Risks:	Growers set their own prices and take on the risk of their products not being ordered.
Biggest Benefit to Grower:	Growers can set their own prices somewhat higher than wholesale prices. Distributor offers free pick up from the farm or a neighboring farm. Marketing with farm name intact to consumer.
Biggest Challenge to Implementation:	Lots of logistics to consider in terms of pick-up routes, delivery routes, marketing, price setting, and coordination between farms.
Adaptability:	Could be run cooperatively by a group of farmers

## Local Crop (Cleveland, OH)

### *Traditional distributor with a twist – local food “add on” option*

Local Crop is a local food distribution system developed by Chef Steve Schimoler in 2008 in partnership with the traditional food distributor Sysco. His goal was to help restaurants and institutions get the local food they wanted along with their mainstream Sysco delivery. The basic format is a website that is updated biweekly with products available from participating farms. Retailers login with their Sysco customer number and place their orders on a first come, first served basis. There are two “market sessions” per week. Orders placed during Market Session One (Sat-Mon) are added to the next regularly scheduled Sysco delivery on the following Thursday, Friday, or Saturday. Orders placed during Session Two (Tues-Thurs) are added to the next regularly scheduled delivery on the following Monday, Tuesday, or Wednesday.

Here’s how it works from the farmer’s perspective. Participating farmers call or e-mail twice a week to say what products they have available in what quantities. They also set their own prices although the Local Crop coordinator might make suggestions about what would be an appropriate price for the item. Local Crop adds a small mark-up to cover delivery costs and then posts the list on the website. After the orders are placed, Sysco sends an order sheet to the farm so that they can harvest based on demand. The freshly harvested produce is brought to the central Sysco warehouse where it is broken down into orders and sent out to retailers as part of their larger orders.

Through this system, farmers are able to charge slightly higher prices, especially when they have a high quality product. Chefs are able to order products from a particular farm if they believe the quality is higher and they are often willing to pay a little extra. However, the farmer does take on the risk that the product will not sell and he/she will have to find an alternate outlet.

Local Crop currently works mainly with grower cooperatives because cooperatives provide a fairly high guarantee of product quantity (if one farmer’s crop fails, another’s will likely be available) while also supporting small and mid-sized farms. The biggest challenge has been getting food from the farms to the Sysco warehouse. Local Crop has been able to coordinate some backhauling with Sysco trucks and have also started working with consolidators who collect products from multiple farms. However, there are relatively few consolidators in the Cleveland area.

The system is currently only in place in Cleveland, Ohio and Columbus, Ohio. They are considering expanding the program into other areas. Sysco views this project as more of a customer service program than part of their product line and therefore they are willing to keep their profit margin slim in order to make local food more accessible.

Model Name:	Local Crop
Target Market:	Retailers, Institutions
Distributor Challenges and Risks:	Initial capital investment in website, project coordinator and integration of program into existing infrastructure.
Growers Challenges	Grower sets prices and takes on risk of product not being

and Risks:	ordered by customers.
Biggest Benefit to Grower:	Access to a large customer base. Ability to set prices somewhat higher than regular wholesale prices. Marketing with farm name intact to consumer.
Biggest Challenge to Implementation:	Existing broadline distributor must support the development of the program and coordination with their storage and delivery facilities.
Adaptability:	Model could be adopted by distributors other than Sysco.

**Stanz Foodservice/Notre Dame University (South Bend, IN)**

***Traditional distributor highlighting locally grown food***

Stanz Foodservice is a full service food distributor in South Bend, Indiana that was founded in 1923. They are a preferred supplier of Notre Dame University and have been working with the university to source more local food as part of a Sustainable Food Model developed in 2005. This comprehensive model addresses many aspects of food service including how food is sourced, how food waste is handled, and what sort of cleaning products are used in the kitchen. They defined local or regional food as buying from Indiana, any state that borders Indiana (Ohio, Michigan, Illinois, and Kentucky), or Wisconsin (southern Wisconsin is a shorter distance from Notre Dame than much of southern Indiana).

Stanz Foodservice assisted the university by clearly identifying which foods on its order sheets were grown or processed regionally to allow the university to order knowledgeably. They have also responded by seeking out additional sources of local food. Only a small amount of produce sold through Stanz comes from Indiana and it's generally limited to a few traditional items – corn, tomatoes, and melons. Many more products are sourced in Michigan which has a stronger system of medium to large sized farms that grow for wholesalers and also has a better infrastructure of consolidators. Consolidators offer a centralized location where farmers can bring their products to then be picked up by distributors like Stanz.

Notre Dame worked with the Indiana State Department of Agriculture to establish the Indiana College and University Food Alliance which helps bring universities together to discuss ways to improve the sustainability of food service programs and develop information on how to improve local food access.

Model Name:	Stanz Foodservice
Target Market:	Institutions (Notre Dame), retailers
Distributor Challenges and Risks:	Small investment in changing system to track source of different food products. Investment developing relationships with regional farmers and food producers. Distributor typically commits to buying produce and then has to find a market for it.

Growers Challenges and Risks:	Prices are relatively low (standard wholesale pricing). Distributors typically have strict requirements for product quality as well as requirements for food safety handling at the farm.
Biggest Benefit to Grower:	Growers with an established relationship have a guaranteed outlet.
Biggest Challenge to Implementation:	Distributor must be motivated to source and identify local food. Distributors generally prefer working with medium-sized to large farms.
Adaptability:	Any distributor could adopt this model.

### 1.5 Conclusions about Distribution Models

Our review of distribution models focused on understanding challenges and risks for the distributor, the challenges and risks for participating growers, and the potential benefit to the grower. We also considered what the biggest challenges would be for implementation and how a model might be best adapted to appeal to growers.

Studying different models provided many suggestions on how to improve local food distribution at every level. A lot of techniques, such as developing a CSA program in partnership with a church or setting up a web store, could be adopted by growers immediately with minimal expense. Other models, such as creating a bricks-and-mortar retail store or a cooperative warehouse and distribution system, require a lot more initial capital investment and thus a lot more risk.

One of the key questions in studying distribution models is determining who is doing the work and who is taking the risk. From a grower’s perspective, the best system requires minimal investment (of money and time) but offers a high price. Still, in the end someone has to do the work of marketing and delivery so often it becomes a question of whether the farmer wants to take on those responsibilities and risks in order to increase potential profits or the farmer prefers to work through a middle man.

Anyone who wants to open a retail store or operate a distribution center needs to have very strong business skills and a willingness to continually devote time and energy to keeping the business running. This becomes especially important if there are infrastructure expenses to be covered (storefront, warehouse, freezers, trucks) and if there are product flow logistics to be coordinated (ordering from multiple farms, selling to multiple buyers, stocking store shelves).

When farmers take on a major role in distribution, they have to develop these necessary skills, take the risk of making capital investments, and devote time to coordinating distribution that takes away from time available to grow food. Many farmers do not have strong business backgrounds and can face a steep learning curve when setting up their own distribution system.

We did see several examples of very successful distribution businesses run by farmers or farmer cooperatives. However, some of the most dynamic, successful models are owned by private entrepreneurs who are not growers themselves. Non-growers often have stronger business backgrounds and also are not trying to split their time between farming and running a distribution business.

The disadvantage (to growers) of privately held distribution companies is that growers receive a lower price working through them than if the growers are able to sell directly to the consumer. The margin that distributors charge varies depending on the company's structure, values, and what services they offer. A brokering website like Farsmreach charges a fairly low fee because it was developed with a mission to help farmers and because it does not provide assistance with the actual product delivery. A traditional distributor like Stanz Foodservice charges a higher margin because they take on responsibility for sales and delivery.

Studying the different models also provided some insight into challenges that distributors face. One interesting topic that came up when talking with wholesale distributors was the idea of using consolidators. Consolidators are third party businesses that transport products from multiple farms to wholesalers. This relieves farmers of the burden of making deliveries and a well-organized consolidator can efficiently serve multiple farms and multiple wholesalers. Produce consolidators appear to be more common in states like Michigan that have a more fully developed fresh produce network. The concept seems worth further investigation but might not be appropriate for small farms since it would undoubtedly add a layer of cost to the farmer. A better option might be for groups of neighboring farmers to cooperatively purchase a vehicle and share delivery duties.

Our initial plan was to identify one model that could be adopted by the LGG to meet the needs of the member growers. Grasshopper Distribution is an example of a model that is very supportive of growers, giving them a chance to earn higher-than-wholesale prices while still taking care of marketing and product delivery for growers. However, creating a distribution center like Grasshopper requires a large initial capital investment and part of the reason Grasshopper has been successful is that it received many start-up grants. The business also requires ongoing efforts to coordinate the logistics of marketing, receiving, sorting, and delivering products from multiple farms to multiple businesses every week. Staff members must be extremely knowledgeable about the food business and able to adapt sales strategies – for example, developing a large CSA program when it became apparent that institutional sales were not as easily accessible a market as anticipated.

Creating a distribution center like Grasshopper requires that someone (a group of growers or a group of private investors) take on a large amount of financial risk to pay for the initial infrastructure and the ongoing staffing expenses. The Clean Food Network was a nice example of how a group of farmers can start at a smaller scale, renting a garage and a truck and sharing the packing duties. However, even the Clean Food Network relied on grant support initially as well as coordination provided by founder Dove Stackhouse at little or no cost.

At this time, the LGG would be best served by encouraging individual farmers to implement some of the more accessible techniques (e.g. starting a CSA program in partnership with a church) and by continuing to build up production levels and grower commitment before launching a larger distribution undertaking. Developing a web store seems like a potential next step in terms of a central distribution effort and the LGG should further investigate Farmsreach and other software options for connecting growers with buyers.

## Section 2: Assessment of Grower Interest

### 2.1 Methodology

Our original plan was to bring together a large group of potential stakeholders for a series of organizational meetings, similar to the Agricultural Economic Development Initiative (AEDI) organized by the state in 2007. Potential stakeholders would include farmers, potential buyers (e.g. restaurants, cafeterias, groceries) and community organizations interested in agricultural economic development (e.g. Chamber of Commerce, Small Business Development Center). However, after further discussion and reflection we determined that gathering all these individuals would not be productive without a clearer understanding of the current state of food distribution and possible models to explore. We wanted to be sure we captured grower ideas effectively and determined that a written survey would be much more effective than convening growers in one place. Therefore, the project committee focused on gathering information from all the various stakeholders using a series of written surveys, telephone interviews, and meetings.

We developed a written survey for growers (see Appendix 1) asking about their current marketing methods, their interest in expanding production levels, their interest in accessing new markets, and their perceived obstacles. We mailed out approximately 200 copies of the survey to a mailing list comprised of members of the Local Growers Guild and vendors at the Bloomington Community Farmers' Market. The survey was also posted online using Survey Monkey and the Local Growers Guild website. A short article directing growers to the web survey was published in the LGG newsletter, the Purdue Extension Monroe County newsletter, and via several e-mail listserves. We also provided an incentive of a prize drawing for four \$40 gift certificates pulled from the farmers who completed their surveys by April 1<sup>st</sup>. Additionally, the assistant director of the Local Growers Guild telephoned all members to encourage them to participate and collected some survey data over the phone.

A total of 54 farms responded to the survey. Just over half (28) are members of the Local Growers Guild. They represent a diverse array of products. Most (37) grow vegetables although at least half of the vegetable growers also produce meat, eggs, or fruit. A few growers specialize in plant sales.

### 2.2 Current Sales Channels

There are many different ways that farmers can sell the goods they produce. We divided the options into four main categories – sales directly to consumers, sales to small retailers, sales to large retailers/institutions, and sales to wholesalers. There are many subsets within each category as summarized in Table 1 below. The chart also shows how growers are currently selling their products and where they would like to sell in the future.

**Table 1. Current and Future Sales Channel Interests of Local Growers**

<b>Category</b>	<b>Sales Channel</b>	<b>Current Sales</b>	<b>Interest in Future Sales</b>
<b>Direct to Consumer</b>		100% (54)	92% interested = 80% very interested 12% somewhat interested
	Farmers' market	87% (47)	
	Farm stand or store or sales to farm visitor	68% (37)	
	Community Supported Agriculture (CSA) program	19% (10)	
	Internet sales directly to consumer		
<b>Sales to small retailer</b>		54% (29)	82% interested = 39% very interested 43% somewhat interested
	Restaurant	35% (19)	
	Small grocery	39% (21)	
	Caterer		
	Fraternity/Sorority		
	Small school cafeteria		
	Grocery delivery service		
	<b>Sales to institution/ large retailer</b>		4% (2)
Large grocery			
School system cafeteria			
University			
Hospital			
Prison			
Corporate cafeteria			
<b>Sales to wholesaler</b>		19% (10)	43% interested in institution or wholesaler = 16% very interested 27% somewhat interested
	Traditional wholesalers		
	Cooperative or nonprofit wholesalers		

Of the 54 growers surveyed, all sell at least a portion of their products directly to consumers. Nearly all participate in at least one farmers' market and about a quarter participate in at least two farmers' markets. About half also sell directly to consumers at a farm stand or through a CSA.

This is not surprising considering we sent the survey out to members of the Local Growers Guild and vendors at the Bloomington Community Farmers' Market. Most of the farms in the Local Growers Guild started their operations with a focus on selling at a farmers' market although many have expanded to include other distribution channels.

Over half the growers surveyed sell to retailers, split fairly evenly between restaurants and grocery stores. Only two (4%) currently sell to institutions and only ten (19%) sell to wholesalers.

### **2.3 Future Sales Channels**

Further in the survey we inquired which marketing avenues were of interest to the growers. We asked them to rate their interest ("very interested," "somewhat interested," "not interested") in three categories – direct sales to consumers, sales to retailers, and sales to large volume markets at wholesale prices. The greatest interest was in expanding direct sales to consumers (92%, most were "very interested"). There was also a lot of interest in sales to retailers but it was not as strong (82%, half "very interested"). Less than half those surveyed were interested in sales to large volume/wholesale markets and most were only somewhat interested (43%, most "somewhat interested").

The results confirmed our general impression that Local Growers Guild farmers are primarily focused on direct sales to consumers and are interested in developing more sales to retailers. We had initially theorized that there might be one group of growers focused intensely on direct sales to customers and other group focused intensely on wholesale markets. However, this does not seem to be true. Only a handful of growers were interested exclusively in direct sales to consumers (4 total) and another handful exclusively interested in direct sales to retailers (3 total). The majority either expressed an interest in all three avenues (18) or in sales to consumers and retailers but not wholesalers (21).

The general pattern seems to be that farms start with direct sales to consumers, expand to also include sales to small retailers, and then potentially expand again to also sell to wholesale clients (institutions, large groceries or distributors). Growers seem to be focused on adding new channels rather than transitioning out of one channel and into the next.

We also asked growers to rate their interest in finding an outlet for their surplus products with the understanding that prices would likely be lower than any sort of pre-arranged sale. Only a handful (4 total) said they were very interested and about a third (17) said they were somewhat interested. This sentiment was repeated further in the study when we asked if they would be interested in selling surplus food to a third party.

## 2.4 Interest in expansion

Another key question for growers was evaluating their interest in expanding their farms. We asked growers if they were interested in expanding their farm operations and offered four choices of response.

**Table 2. Grower Interest in Expansion**

Yes, but I don't know where to start.	7%
Yes, but I'm currently expanding at a slower rate than I'd like.	22%
Yes, and I'm currently expanding at a rate that I feel comfortable with.	54%
No (please skip next question)	17%

Based on these responses, 83% of the growers surveyed are interested in expanding. More than half said they are “expanding at a rate that [they] feel comfortable with” which would mean only 29% of the growers surveyed are having trouble expanding at a rate they would like. However, many of the growers who are expanding at a comfortable rate went ahead and provided answers to the questions about what obstacles slow expansion and what assistance would be useful, indicating that they could still benefit from future projects and might even expand at a faster rate.

Further in the survey, growers were asked to project how much they might expand their farms over the next five years if they had access to a better storage, distribution, and marketing system. About half (26) the growers responded and indicated they would increase the acreage they farm dramatically, with estimated increases ranging from 25% to 750%. The majority anticipated at least doubling in size (100% increase). In terms of acreage, current farm sizes range from 0.5 to 107 acres with a total of 441.5 reported acres. Projected farm sizes range from 1 to 250 acres with a total of 972 projected acres.

Employment projections were also encouraging. Farmers reported currently having 73 employees on 28 farms (undoubtedly counting family members) and projected expanding to have 174 employees in five years, creating 101 new jobs and more than doubling the farm workforce. This would increase average farm employment from 2.5 workers per farm to 6.2 workers per farm.

## 2.5 Obstacles to Expansion

There are many challenges a farmer must overcome when expanding his/her operation and many of them are unrelated to distribution infrastructure. We provided a list of ten common obstacles and a section for growers to write in responses. About two thirds of the growers surveyed responded to this section (38 total) and each grower marked an average of 3 responses.

- Insufficient storage space (58%)
- Not set up for large volume post-harvest handling (53%)
- Lack of proper equipment (34%) – this may include washing and grading equipment and therefore overlap with “post-harvest handling”

- Perceived costs of marketing are too high (29%) – time and effort needed to find buyers and negotiate contracts is too much
- Alternate markets seem to require lots of red tape (24%) – contracts, insurance, bookkeeping, etc.
- Lack of good farm labor at a reasonable wage (24%)

Other obstacles that were marked included holding down jobs off the farm, insufficient/inappropriate land, a perception of no market for the product, and restrictive government regulations.

Clearly, there is a need to address storage and facility options for growers either on the farm or at a centralized location. It appears that both may be needed as there are some operations that would be best achieved at the farm shortly after harvest (e.g. cooling freshly picked lettuce).

There also appears to be a need to provide marketing support for helping farmers find new buyers and navigate through the “red tape” that some sales channels require. It is very possible that in many cases there is a perception of difficulty that is not actually there.

Farm labor is an obstacle that is challenging to address but is likely to become an even larger issue as farms expand to meet increasing demands. Regional studies done in other parts of the country indicate that there is a need for more small or medium sized farms which means there is a need for more farmers. One possible solution is to create a farm mentorship program that would provide current farms with the labor they need while providing new farmers with on-the-job training.

## 2.6 Storage Needs of Growers

Growers were asked “If the Local Growers Guild built shared, fee-based, centralized storage and warehousing facilities, what parts would you consider using?” Of the 54 surveyed, twenty-seven (50%) selected none of the options. Fifteen (28%) wanted refrigerated space, thirteen (24%) wanted storage for root crops, eleven (20%) wanted freezer space, ten (19%) wanted washing/grading facilities, nine (17%) wanted dry goods storage, and four (7%) wanted certified organic storage.

Our next question asked growers to provide as much information as possible on how much storage they would need and what sort of seasonal variation could be expected. The results were varied, with some growers able to provide precise figures and others giving only general thoughts.

- Winter storage for root/winter squash etc. Space that produce can be brought in, cleaned and stored until delivery.
- Basic root cellar conditions
- 500 lbs. storage for root crops 500 lbs. of fruit storage (refrigerated; 50 degrees) 25 cubic feet of freezer space Freezer space needed year-round and fruit storage (fridge) & root crops space only in winter.

- 1 pallet frozen space; 1-2 pallets dry space. It would not vary during the season.
- Need more storage space in summer; need more freezer space (60 cubic feet)
- Once I am producing at a higher level it would be helpful to have off-site freezer space for berries, storage for root crops and dry goods storage space.
- Freezer space potential in winter; unsure of amount of space needed
- C.A. low humidity 50-60 F. Displacing oxygen would be helpful.
- Needs to be refrigerated or frozen during (summer) warm temps.
- I NEED 6-8 pallet spaces at 60 F I WANT 10-20 pallet spaces at 33 F
- Greens (lettuce, spinach, arugula, etc.) kept around 45 F
- Late summer, into fall, and through winter 200+ bushels at 55F, 60% humidity 30+ bushels at 40 F, 86-90% humidity
- Currently we would need about 40 cu feet of freezer space in late summer and fall and about 40 cu feet of refrigeration space in late November. This should increase each year.
- Some storage in fall, at room temperature or in a refrigerated space, none at any other time of the year
- I need freezer space for frozen sheeps milk and processed lamb.
- Need most storage in fall, very little in spring, mid-season possibilities

More information is needed to determine exact storage requirements and figure out where would be an appropriate location for the facilities.

### 2.7 Requested Marketing Assistance for Growers

As indicated earlier, most growers seemed interested in expanding direct sales to consumers and sales to retailers. Some growers expressed an interest in selling at a wholesale level. Further in the survey we asked growers more specifically what sort of marketing and distribution assistance would be useful. A dozen growers skipped this section, apparently because they are not interested in expanding at this time and did not think it applied. Of the forty-two growers who responded, two thirds selected at least four of the fourteen suggestions. The resulting levels of interest were somewhat scattered.

**Table 3. Marketing Assistance Requests from Growers**

Category	Assistance Type	Responses	%
Direct to Consumers	I would like more farmers market outlets	15	36%
	I would like help starting a CSA program for my farm.	4	10%
	I would like to set up a cooperative CSA with other farmers.	12	29%
	I would like help setting up a custom ordering system over the web.	10	24%
Sales to Small Retailers	I would like to be part of a cooperative marketing effort to connect me with more restaurants and grocery stores.	21	50%
	I would like a web-based store where I could post my available products on a weekly basis and local businesses could place orders.	15	36%

	I would like to either share delivery duties with other growers or hire someone to make deliveries so I can spend more time on the farm.	4	10%
	I would like access to a facility where I could wash, grade, and pack my product to make it more marketable.	10	24%
	I would like access to a storage facility.	19	45%
	I would like to learn how to negotiate and create strong contracts with buyers.	11	26%
Sales to Large Retailers	I would like help in combining my products with products from other farms to be able to meet the demand of high volume customers.	13	31%
	I would like to be part of a cooperative marketing campaign to help me get access to large-volume buyers.	11	26%
	I would like to sell my products at wholesale prices to LGG or another entity that will resell my products to restaurants or institutions, because I'd prefer to stay on the farm and focus on growing.	13	31%
Surplus sales	I want to sell surplus to a farmers' cooperative or other organization that will do all the marketing and distribution.	18	43%
	I want to do the marketing and distribution [of surplus] myself but need help making contacts and learning to negotiate effectively.	4	10%

Of the fourteen choices suggested, none were selected by more than half the growers.

Half the growers (50%) expressed an interest in a cooperative marketing effort connecting them with restaurants and grocery stores. This ties in well with the strong interest in developing sales to small retailers and has been a definite goal of the LGG since its creation. A few of the growers who selected this response already sell to restaurants but most seem to be currently focused on farmers' market sales.

Nearly half (45%) expressed an interest in access to a storage facility. This topic was explored in more detail in a separate part of the survey (see section 3.6) but is clearly a major theme of grower needs at this time.

Nearly half (43%) expressed an interest in selling their surplus product to a wholesaler or individual who would then sell it to the end consumer. This could be a viable business opportunity for someone experienced with the logistics of handling miscellaneous quantities of perishable items. Currently, many growers donate their surplus products to local food banks including a program in Bloomington where farmers can take their leftovers at the end of the farmers' market and load them directly onto a truck for the food bank. Presumably a surplus wholesaler would prefer to collect items that had not been sitting out at the farmers' market for five hours and therefore would not compete directly with food bank donations.

About a third (36%) expressed an interest in a web-based store where growers could post their available products and buyers could place orders, working out transportation and payment directly with the farmer. This sort of system could also be very useful in connecting growers with small retailers and might also provide an outlet for surplus products, depending on the set-up.

About a third (36%) expressed an interest in new farmers' market outlets. Half did not specify where they would like a new market. One grower suggested starting a market "closer to home [Odon]" but there may not be enough of a consumer base there. Another suggested Brown County which is currently working on starting a market in Nashville. Another mentioned Martinsville, which is starting a market this year in coordination with the existing Mooresville Farmers' Market. One grower requested a "high traffic mid-week market [in Bloomington]." There is currently a Tuesday evening market run by the city of Bloomington but it is relatively new and still building up a following. There is also a Wednesday morning market held on the east side of town that seems successful but is not well-known in town. Several people suggested starting a farmers' market on the IU campus but the logistics have not yet been determined. Farmers' markets are hard to start because there must be enough farmers to make it worthwhile for customers to come but customers won't come until there are enough farmers present and so there has to be an initial leap of faith. However, a farmers' market could also be developed as a hub for local food where it could serve as a pick-up point for CSA programs, online farm store orders, and restaurant deliveries.

Almost a third (31%) expressed an interest in combining their products with other farms to meet large-scale demands. Another third (31%) expressed an interest in selling their products to a wholesaler (ideally cooperative) that would take care of all the marketing and distribution, allowing the farmer to focus on growing. These two groups did not overlap very much (4 of 13), indicating there is one group that wants to take care of all the coordination themselves and another group that wants to hand it all over. However, most of the growers interested in selling to a wholesaler were also interested in selling either through a CSA or a farmers' market (8 of 13) so it appears that most growers are interested in keeping at least a portion of their direct sales.

Almost a third (29%) expressed an interest in setting up a cooperative CSA and an additional two farms (5%) expressed an interest in setting up a CSA for their own farms. This is a project that could easily be addressed with a short workshop.

## **2.8 Conclusions About Grower Interests**

Based on the survey results, all growers currently sell at least a portion of their products directly to consumers, generally through farmers' markets and/or CSA programs. About half also sell to retailers and about twenty percent sell to wholesalers as well as directly to consumers. The trend seems to be for farmers to add new sales channels but keep their old sales channels, carefully balancing the potential risks and benefits of each channel to maximize their profits.

Most of the growers surveyed are interested in expanding and they project significant expansion (doubling acres farmed and employees working on the farm) if marketing and distribution channels are put in place. The main obstacles to expansion are insufficient storage, inadequate post-harvest handling set-up, lack of proper equipment, concerns that it takes too much time and expense to access new markets, and concerns with red tape (contracts, insurance) in new markets. Access to reliable and affordable farm labor is another issue that was mentioned and is likely to become even more of a challenge as farms expand.

Growers are primarily interested in direct sales to consumers but most of those surveyed would like to expand to also sell to small retailers and about half are interested in potentially selling to wholesalers or institutions. The biggest demand for assistance was help connecting with restaurants and other small retailers. Growers would also like assistance marketing surplus products, additional farmers' market outlets, an internet store for marketing their products, and assistance accessing large volume markets either by combining products with other farms or by working with a wholesaler.

Growers are also interested in accessing a cooperatively owned storage facility, although it appears a central facility would not address all storage needs. Many farmers expressed a need for post-harvest handling, which would likely include storage facilities on the farm such as a cooler to take the field heat out of freshly harvested lettuce. Other storage needs such as root crop storage or long-term storage of frozen products could be addressed with a centralized facility. Further studies are needed to develop clear recommendations about storage facilities.

## Section 3: Assessment of Buyer Interest

### 3.1 Distribution Channels

There are many different ways that farmers can sell the goods they produce. We divided the options into four main categories – sales directly to consumers, sales to small retailers, sales to large retailers/institutions, and sales to wholesalers. Most of the growers who work with the Local Growers Guild are focused on direct sales to consumers and about half sell a portion of their products to small retailers. There is some interest in wholesale or institutional sales.

As part of this study, we surveyed retailers, institutions, and wholesalers to understand demand. We also looked back at customer surveys conducted at the Bloomington Winter Farmers' Market in 2008 to get a feel for consumer demand for local food. Demand seems to be high in every target market and appears to be increasing every year on both a national and a regional level.

### 3.2 Direct Sales

Although this project did not include a formal evaluation of end consumer demand, interest in local food is clearly increasing in South Central Indiana. Several new farmers' markets have been created over the last few years (Owen County Farmers' Market in 2007, Indianapolis Downtown Winter Farmers' Market in 2008, Martinsville Farmers' Market in 2009, Eastern Greene County Farmers' Market in 2009) while existing markets continue to expand (Bloomington Winter Farmers' Market has increased every year, Bloomington Community Farmers' Market has expanded both in number of weeks of operation and number of vendors, Orleans Farmers' Market has continued to expand).

Some of the more successful farmers' markets have become increasingly competitive. As markets become more competitive, farmers often see a reduction in the volume of product they can sell unless they lower prices or the market management limits the number of farm vendors for each product to reduce competition. Growers who are well-established at the market can often maintain their prices and their sales volume based on a loyal customer base and a high level of quality. However, it is increasingly difficult for new farmers and market gardeners to establish a niche at the more successful markets. Many farmers have responded to this challenge by pursuing alternate markets either in direct sales to consumers or in sales to small retailers.

Several growers have started Community Supported Agriculture (CSA) programs where consumers purchase a subscription or share of a farm early in the season and receive a weekly delivery of product throughout the growing season. The number of CSAs amongst LGG members has increased dramatically from eight in 2008 to twelve in 2009 with sizes ranging from ten to one hundred shares per CSA. Consumer interest in CSA programs also appears high although more education is needed. The Local Growers Guild conducted a CSA event at the 2009 Bloomington Winter Farmers' Market and estimates that 25% of customers who picked up a brochure mentioned that they had heard of CSA programs but did not know what they were prior to the event.

In 2008, the Local Growers Guild surveyed customers at the Bloomington Winter Farmers' Market. Keeping in mind that the survey targeted people who have already shown a strong interest in local food, there was clearly a demand for more products and more varieties as well as a willingness to pay extra for locally grown food. Half of those surveyed said that they spend between \$10 and \$20 a week at the winter market and 65% said they would spend more money if there were a wider product selection.

As consumers become more interested in local food, they create an increased interest from the restaurants and grocery stores they patronize, as well as opening the doors for local food boutiques and other businesses focusing on locally grown food.

### **3.3 Small Retailers**

About 50% of LGG member farms sell to small retailers, primarily restaurants and small grocery stores. Some of the best examples are meat producers who are able to supply restaurants and groceries with a consistent quantity and quality of meat year-round. They have the ability to store frozen meat for long periods of time as opposed to produce, which must be sold within a short time frame before it begins to deteriorate. However, there are certainly examples of local produce growers who have developed successful market relationships with restaurants and groceries based on excellent communication and willingness to deliver.

Growers who work with small retailers understand that the prices are lower than what they could get at the market. However, growers don't have to spend time staffing a market booth and they know up front how much they will be able to sell. Long-time growers have become really efficient at growing certain items in larger quantities, and so they can sell to a small retailer and still make an acceptable profit. Some of them will also sell a portion of their produce at a farmers' market or through a CSA to round out their sales with a small volume at higher prices.

Based on informal surveys, small retailers stated that their biggest challenge in working with local growers is finding the quantity and quality of product they need on a consistent basis. Often they need more than one farmer can supply or they become frustrated when a farmer can supply enough one week but not the next. Some retailers strongly prefer contracting with growers to provide a particular crop throughout the growing season. Others (often chefs) prefer to work with multiple growers and take advantage of specialty products as they become available, often tailoring their menus to accommodate seasonal delicacies and crop surpluses. All retailers said communication is essential and that knowing what will be available in the future is critical to planning. All the retailers surveyed also stated their frustration with growers who show up unannounced with a load of product to see if the seller might be interested.

For this study, we interviewed three Local Growers Guild retailer members (Bloomingfoods, Lost River Market and Deli, and FARM Bloomington) and referred back to informal interviews held with another five retailer members in 2008 (Upland

Brewery, Trulli Flatbread (now Finch's), Nick's, One World Enterprises, and Limestone Grille). We also spoke with Farm Fresh Delivery, a home grocery delivery service featuring local food that was profiled in the model section. There are many other potential markets in the small retailer category that were not captured in this study including caterers, fraternities, sororities, and small schools or daycare centers. These businesses are worth pursuing in the future, especially as infrastructure is developed that makes it easier for food purchasers to order local food.

### **Bloomingfoods**

Bloomingfoods is a cooperative grocery in Bloomington with an exceptional reputation for working with local growers. Local food has been a big part of their mission for many years and is included in all three of its retail stores. We interviewed Jerome Gust, the produce manager for the East store, to find out how Bloomingfoods works with local growers and what they see as potential for future growth.

At the beginning of each season, Bloomingfoods meets with growers and enters into written agreements for the year. They are not contracts but they are agreements stating that both parties agree on certain quality requirements and a certain price range as well as establishing a target production volume. Most of the growers who work with Bloomingfoods have grown for them for years, and several grow for Bloomingfoods almost exclusively. Bloomingfoods has a strong preference for organically grown and tries to source from certified organic farms whenever possible. They do require documentation for organic certification but do not have other certification or insurance requirements for growers.

Sometimes problems can arise when a grower ends up with a product that is of less than premium quality. In that case Bloomingfoods can't sell it for as high of a price, and needs to reduce its purchasing price with the growers. Another common scenario is a grower having a larger-than-expected harvest. Bloomingfoods tries to work with them if possible to take on additional produce at a lower price and potentially direct it to the deli department to be incorporated in soups, sandwiches, or other products. On the other side of the spectrum, sometimes the harvest is smaller than expected. If Jerome knows about it a few days in advance, he can order missing quantities from a distributor (order 2-3 days in advance), or a back-up local grower.

The key is having a lot of communication with regular growers throughout the season. Jerome relies on growers to call him at a certain time every week to confirm their upcoming delivery, quantity, and quality. This allows the store to maintain a consistent supply of fresh produce for its customers.

Growers are expected to wash and package their food appropriately. Bloomingfoods provides containers, and bags, clamshell containers at cost to the growers as well as clear instructions on what packaging method is preferred. Growers deliver their produce between one or three times a week and get a check within a week.

Occasionally, Jerome will buy products from growers who do not have an agreement with Bloomingfoods, generally in the case of a specialty item that they don't carry regularly. However, they prefer not to have growers show up unannounced with produce for a number of reasons. For starters, Jerome generally orders food three days in advance from distributors so often he already has a delivery scheduled and can't accept even a high quality local item. Bloomingfoods has also had unfortunate experiences with growers who bring in leftover produce that is not in good shape (wilted), is not properly washed, or is not properly packaged. Growers that have an agreement with Bloomingfoods know how to prepare, clean, bundle and package things the way Bloomingfoods needs them. They also understand the importance of consistency, reliability, and high quality.

Jerome is very enthusiastic about supporting local growers but feels there is not a whole lot more capacity at Bloomingfoods for selling local produce. They have steady suppliers lined up for the most popular easy-to-grow items so there is only room for some specialty niche crops, which would be in small quantities. He suggests that local growers, if they wanted to sell more, would have to go through wholesalers, or someone would have to be a broker and help growers to get into new markets, like other grocery stores (chains), Indiana University, etc.

### **Lost River Market and Deli**

Lost River Market and Deli is a cooperative grocery in Paoli, Indiana that opened just a couple years ago. Their business model is similar to Bloomingfoods and they are also very dedicated to purchasing from local growers.

They have a very informal relationship with their suppliers that focuses on building a relationship without any contracts or written agreements. They do talk with some growers in late winter to do some planning for the next season. They have found it to be fairly effective but did miss out on some crops like strawberries that apparently ended up being sold elsewhere. Quantities and prices are finalized when the product arrives in the store. Surplus can be routed through the deli in soups and salads or sent out as hog feed.

Farmers are expected to wash, package, and deliver their products. The co-op prefers to pay on thirty days credit but will occasionally pay cash on demand. They work with a lot of Amish farms and try to be flexible.

Some farmers will just show up with products, especially niche products like cherries. They are still trying to get farmers to only come in when the produce manager is working. Sometimes they will buy from the farmers who show up at the door but they prefer advance planning.

At this time they are trying to streamline their suppliers to a small, dedicated group and to identify what products sell most successfully. (Their honey supplier now sells exclusively to them while their egg provider went back to selling at the farmers' market because the store was not moving enough eggs.) They believe they are doing a great job

marketing local products but that customer demand is not as high as they would like to see and therefore they don't anticipate much expansion at this time.

### **Farm Fresh Delivery**

Farm Fresh Delivery is a home grocery delivery service focused on natural, fresh, and organic foods. Subscribers sign up for a starting "basket" of produce that operates like a CSA program except customers can customize their basket every week and can also add in a variety of grocery items.

Owner Matt Ewer coordinates with local growers at the beginning of each growing season to give them a rough idea of what he can buy from them. There are no fixed contracts, or seasonal contracts; agreements are made based on mutual trust. Growers report to him weekly as they approach harvest and let him know what will likely be available. Matt gives them a rough idea of what he needs and then confirms the exact amount after people have customized their bins.

Farm Fresh has a lot of flexibility to accommodate fluctuations in produce as they can change what is in the basic CSA bin and can offer items with limited quantities through the grocery section. This makes it easy for them to work with farms of varied production levels. They are currently expanding into the Cincinnati area and are always interested in identifying more growers who can provide organic or naturally grown products to either that market or their Indianapolis market.

### **FARMBloomington**

Chef Daniel Orr opened FARM Restaurant in Bloomington just a year ago with a focus on local food. There are many restaurants in Bloomington that support local growers but his is one of the newest and certainly has the most aggressive marketing strategy with loads of information about local growers on its website and menu. He and his staff have worked hard to identify local suppliers and have succeeded in bringing in a long list of local products.

He says they still struggle some to find good sources of local produce. We suggested the idea of an online website where farmers could post what they have available and chefs could place orders but he did not think that was very appealing. He said his dream would be to work with a local food broker who could call once a week and let him know what was available and what was about to be ripe in the fields. This would allow the restaurant to update its menu every week and order accordingly. He said it would also be very useful if the local food broker could help piece together deliveries from multiple farms to meet quantity needs. He does not mind receiving multiple deliveries but needs to make sure he has enough quantities to serve at the restaurant.

### **Other Restaurants**

The director of the Local Growers Guild interviewed the chefs and managers of LGG retail members last summer about their local food purchases to determine what was working and where improvements could be made. There were several common themes. They were all very enthusiastic about the growers they have been working with and really

appreciate having good relationships with farmers. In general, meat seems to be easier to deal with than produce, most likely because it can be frozen and stored indefinitely so it is easier to plan quantities. Produce is more challenging in terms of consistency, quantity, and price. Most retail members of the Local Growers Guild have a few specialty produce items that they purchase from local growers (salad mix, tomatoes, sometimes squash or potatoes) and the rest comes from distributors. Several retailers stated that they don't feel they can justify paying higher prices for local produce across the board because their margins are already thin. Others said it was too time consuming to contact multiple farmers to find what they need. Seasonality was also a major issue; some restaurants enjoy changing their menus regularly but most want to offer at least a core menu year-round and one common item is a basic salad. During peak production months, some local chefs visit the farmers' market in order to come up with weekly specials.

### **3.4 Large retailers and institutions**

Only a handful of local growers reported that they sell to institutions but there has been a fair amount of interest from local institutions, particularly universities. Universities and schools are very appealing target markets due to their size and their connection with youth (and thus ability to educate the younger generation) but they are also very challenging to work with due to liability concerns, budget constraints, bureaucracy, and the fact that the school season and prime production season only overlap slightly. Indiana University (the Residential Programs & Services Division) is very interested in purchasing local food and in 2008 purchased all their apples from Apple Works in Trafalgar, Indiana. Monroe County Community School Corporation would like to pilot a farm-to-cafeteria program and is very excited about working with the Local Growers Guild but also concerned about how to make the program effective. Bloomington Hospital is also interested in trying out a pilot program and tying it into nutrition education efforts at the hospital. It will likely take a few years of baby steps before institutional sales are fully developed but it is exciting to see the programs develop.

Other institutions that might be interested in sourcing locally grown food include the cafeteria at Cook Pharmica, nursing homes in the area, Monroe Hospital, Meadows Hospital, as well as other regional school systems, hospitals, and corporate cafeterias. These potential buyers should be investigated more thoroughly as infrastructure is developed.

#### **Indiana University**

Indiana University is the largest employer in Monroe County and its 40,000 students nearly double the population of Bloomington when school is in session. The university began a formalized push for sustainability in 2006 with the creation of a Sustainability Task Force. This year they hired a Sustainability Director and continue to work on ways to improve the university's environmental footprint, including changing the way food is purchased.

There are two major food providers on campus. The Residential Programs and Services Division (RPS) provides food through all the dormitory cafeterias as well as the "C-

Store” convenience marts located in several of the dormitories. Sydexo is contracted to provide food in the Student Union (one food court, the Tudor Room formal dining, and catered events) as well as the cafeteria in the Main Library.

RPS has been studying how to incorporate more local food into their cafeterias as well as improving recycling efforts and waste reduction. IU student Jessica Colaluca wrote a report in 2008 about a pilot program that helped get locally grown apples into RPS. This year, student Malaney Varaljay wrote an excellent synopsis of how the RPS purchasing system works and how growers can sell to the university (see Appendix 3).

The process is somewhat intimidating but is fairly straightforward. A local grower who would like to sell their produce to IU must first be contracted as an official vendor by the IU Purchasing Department. The farmer must fill out a Vendor Information Packet (VIP) which includes a W-9 tax form, a general vendor information form and an optional direct deposit form. The farmer must also provide proof of insurance - \$1,000,000 worker’s compensation, \$1,000,000 general liability, and \$1,000,000 automobile insurance.

Once a farmer has been approved by the IU Office of Risk Management, they are established as an individual vendor and will be added to the RPS bid list. The bidding process occurs on a weekly basis and requires that the winning vendor distribute their produce to IU three times a week, on Monday, Wednesday and Friday.

IU operates on a low bid system but they do have the ability to list a local product as a specific line item – e.g. “Indiana tomatoes” rather than “tomatoes” – in order to give preference to a local producer. They could potentially pay slightly higher prices for local products but would have to be able to justify the cost difference to an auditor.

Although IU is willing to contract individual vendors, they feel it would be more practical for an individual farmer to sell to IU through a wholesale distribution warehouse, such as Troyer’s Beasley, RPS’s current distributor, or a farmers’ coop. This would eliminate the need for each farm to submit a VIP packet and acquire additional insurance because the distributor would be acting as the vendor. Another advantage would be that the distributor would be in a better position to move the product to an alternate market if they were not selected during the IU bidding process. (This option is discussed further below in the wholesaler section.)

Some growers have pursued becoming individual vendors to IU. Apple Works Orchard of Trafalgar, Indiana completed the VIP and other necessary paperwork and was approved by IU Purchasing and therefore became a contracted vendor to the University in 2008. RPS purchased nearly all of their apples from this local vendor, making 2008 – 2009 school year the first successful year where the purchase of one food item was totally satisfied by a local producer. However, another local grower, Olde Lane Orchard, went through the process of being approved as a vendor but then was never selected as the low bid. This was particularly frustrating since they acquired additional insurance that they do not use for any of their other markets, a potential risk for growers.

### **Monroe County Community School Corporation**

Sara Tedeschi, regional coordinator of the National Farm to School Network, came to Bloomington in March to present on farm-to-school programs. There are not very many programs operating in Indiana but she had heard a lot of interest in the Bloomington area and so came down at the invitation of Bloomingfoods and spoke to a room full of food service workers, parents, farmers, and interested community members. As a result of that presentation, Hattie Johnson, the director of Monroe County Community School Corporation (MCCSC) started talking with Maggie Sullivan, the director of the Local Growers Guild, about getting locally grown food into cafeterias.

MCCSC is very interested in the concept but is concerned about food safety and about finding sufficient quantities of food at affordable prices. School budgets for food are very tight and tied into a commodity ordering system. The federal reimbursement rate is \$2.68 per school lunch for free lunches, which includes labor (only about \$1.08 per meal is used to purchase ingredients). Reimbursement for reduced benefit lunches is \$2.28 and reimbursement for students who pay full price is \$0.26. MCCSC is given a yearly USDA commodities budget of \$200,000 for the system (14 elementary schools, 3 middle schools, 4 high schools). Commodity ordering happens in the spring for the following school year. Schools get to order what they want from a commodities list but the USDA buys food by the truckload so there is often rounding of orders that means a school might get something they did not request instead of something they did request because of the way the trucks were filled. The school gets to control how a commodity is processed but they have to use a processor on the approved USDA list. One example would be to order peanuts as a commodity but have them processed through Smuckers and delivered as a product like uncrustable sandwiches or jars of peanut butter. Likewise, they order chicken as a commodity product and then specify how they want it processed (nuggets, patties, diced, etc.) with details like what sort of fat content, what kind of breading is used, and whether it's baked or fried.

Commodities account for about 50% of the food used by volume. The remainder is purchased using a bid system. Non-produce foods are typically bid on a yearly contract basis. Produce is bid on a weekly basis which means they can change their supplier from week to week. They buy a fairly limited amount of fresh produce since kitchen staff time is limited and they can't spend a lot of time washing and cutting. Fresh produce is generally limited to use in salads and on the make-a-submarine-sandwich line. Hot vegetable side dishes are usually made from canned or frozen vegetables. Last year they also had a special salad bar program in Fairview Elementary as part of a grant from Hidden Valley (salad dressing company). The salad bar program will continue at Fairview (without the grant) and a salad/potato bar will be implemented at Clear Creek Elementary.

MCCSC initially talked with their food distributors (Gordon's and B&B Foods) to see if they work with local growers and if they can say which of their products were locally grown but their distributors said they were not able. This year (2009-2010) they have decided to work with Piazza Produce, who makes an effort to source local products

(within a 200 mile radius) and clearly identifies those products in the order guides. However, local produce will likely be only a small portion of total orders. A lot of the supply issue is a result of living in the Midwest where schools are not in session during peak growing seasons.

MCCSC and LGG also discussed the idea of finding a local grower to supply some of their food needs directly but the quantities requested are fairly large. The elementary schools each have between 400 and 500 students.

One suggestion was to start with a small pilot project at Templeton Elementary, which received a grant for 2009-2010 to launch a Fruit and Vegetable Snack Program. The grant will pay for each student to receive a serving of fruits or vegetables 2-3 times per week during the school year. It seems unlikely that one grower could supply all the snacks but it might be possible for a grower to provide a few snacks during the year, particularly of items like melons or apples.

At the time of this report, the LGG was still looking for a grower or two who would be willing to provide food for the snack program. They are also still talking with MCCSC about other possible pilot programs, as well as other ways the schools could promote local food and local farmers. Many farm-to-school movements start outside the cafeteria by having growers come in to give presentations or having special tasting events or bringing in general educational signage. MCCSC is enthusiastic about the idea of doing some sort of program, particularly if it can tie into their goal of nutrition education.

### **Bloomington Hospital**

Randy Sparrow, director of the Bloomington Hospital Food Services, made headlines last year by introducing a “green” initiative to reduce the amount of waste generated from take-out containers at the hospital. The hospital has switched from traditional Styrofoam containers to corn-based biodegradable containers. Surprisingly, the switch actually ended up saving them money since they were able to negotiate low prices for the high volume of products they use.

He and his staff were very receptive when the LGG approached them about introducing locally grown food to the hospital cafeteria. They have a large cafeteria that serves meals to staff, patients, and visitors at the hospital. They also have a large nutrition education mission and were very interested in the idea of incorporating local food but were concerned about being able to source sufficient quantities, seasonal variations, and the complexity of working with multiple farmers.

However, they also had concerns about food safety and wondered what sort of assurance would be provided that produce from local farmers was safe and clean. They were surprised to learn that there are very few legal requirements for the sale of uncut produce and that many small farms do not carry insurance or go through any food safety training. Another issue that arose was a concern that the purchasing department might not want to create accounts for each individual farmer and would prefer to work through one entity, perhaps the Local Growers Guild.

At the initial meeting, the LGG suggested that it might be best to start with a pilot program and they discussed the idea of a “local fruit special” that could happen a few times a month and highlight a seasonal, locally grown fruit or even vegetable. They were excited about the idea of educating the public as well as providing a high quality product for diners. The LGG also anticipates working further with the hospital to help develop clear guidelines for farmers that would assuage concerns about food safety and liability.

### **3.5 Wholesalers**

Wholesale distributors are the traditional “middlemen” that connect farmers with restaurants, groceries, and institutions. As discussed in the section on models, wholesalers do a lot of the work for the farmer (storage, marketing, sales, and delivery) but offer a relatively low price and require a large volume. Wholesale distributors also generally require a fair amount of “red tape” – safe handling certifications, insurance, etc. They also often set a high standard for the uniformity of produce – large uniform sizes, consistent coloring, no blemishes – and require farmers to wash and pack their produce following the distributor’s guidelines.

Most distributors work with mid-sized to large farms although as the interest in local food has increased, they are reaching out to any farms that are interested. New values-driven distributors are popping up to focus on the local food niche and traditional distributors are coming up with new approaches to the local food market to serve the needs of their clients.

#### **Piazza Produce**

Piazza Produce is a foodservice provider based in Indianapolis that serves Indiana and surrounding states. They already work with a number of medium-scale to large-scale farms in Indiana and have seen a definite interest in locally grown from many of their customers. They are planning to launch a division this fall called “FRESHWORKS” that will assist local food producers with the distribution of their products throughout the Midwest.

Piazza Produce was founded in 1970 by Pete Piazza and his father, Paul. In the last ten years they have acquired several other produce businesses including Indianapolis Fruit Company. They focus on providing fruit, vegetables, dairy and floral products with Piazza Produce handling food service distribution and retail distribution done out of the Indianapolis Fruit (Indy Fruit) facility.

Representatives from Piazza met with the staff of the Local Growers Guild in an effort to recruit new suppliers. They are very interested in building relationships and are more than happy to provide detailed information about pricing, what they expect from growers, and how the process works. They are very comfortable teaching growers how to sort, wash, and package produce and where to acquire appropriate packaging. In the future, the LGG plans to work with Piazza to develop a more thorough understanding of all their requirements (insurance, product sizing, cooling, etc.) using the information provided by IU student Malaney Varaljay about Beasley Produce as a model.

**Beasley/Troyer**

Beasley Produce (now owned by Troyer) is another major food distributor in the area that is interested in marketing more locally grown food. They are the preferred food service vendor of Indiana University, a local institution with a strong interest in acquiring more locally grown and processed foods.

Beasley Produce recently hired a new produce manager, Bill Bernath, who is very interested in building relationships with local growers. Growers are asked to come in to talk with Bill and to fill out a New Vendor Item Sheet, a credit report, and sign the Produce Agricultural Commodities Act (PACA). They also require farmers to strictly abide by the health regulations of the distribution warehouse and be able to trace every item of produce sent to the warehouse to its roots. In most cases, a traceability program will be set up and the farmer will also have to pass a health and inspection process.

Produce would need to be pre-cooled and delivered to the warehouse within 24 hours of being picked in order to retain freshness. The produce would then be stored and cooled at the warehouse until distributed within approximately 3 days of its arrival. If a farmer does not have an onsite cooling facility, it may pose a problem with regard to certain products. The coolers at the warehouse are meant to sustain temperatures and not to take out field heat. Therefore, to bring freshly harvested product which is of high temperature, into the warehouse, would only raise cooler temperatures causing the equipment to work harder and expend more energy while also possibly causing a fluctuation in temperature of other refrigerated items located in the same area. It would therefore be ideal for a farmer to have some method of cooling their product, even if it is a refrigerated vehicle. This way, the shelf life and nutritional value of the product will not be compromised.

There are a few possible exceptions to this rule though. Pre-cooled produce is preferred in the interest of food safety, but Troyer would be willing to discuss on an individual basis, particular items that would not need to be pre-cooled. For example, if a farmer is offering tomatoes, peaches, nectarines or plums, they would not be required to be pre-cooled because they need to be ripe for consumption. Products such as corn, lettuce and other highly perishable items would need to be pre-cooled; first and foremost to promote extended shelf life but to also prevent the growth and spread of contaminants and food borne diseases.

A farmer may establish a straight price and an “act of God” price with the distributor, at the beginning of each season for each commodity. For example, a farmer may set the standard price of 20 dollars for a 25 lb. case of tomatoes. This means that the farmer’s price will not change by the week; he will ask a standard 20 dollars for the entire season. The “act of God” price is one that is established in the case of a huge loss that is out of the control of the farmer. For example, if there is a flood or other natural disaster that ruins half of the farmer’s crop, the distributor will pay, say 30 dollars per case for the salvaged amount of product.

The other option for pricing would be on a by-win basis if a farmer wanted to supply an institution like IU that operates on a bid system. The farmer would offer a weekly

bidding price to Beasley, which Beasley would mark up and bid to IU. If the bid wins for that week, the farmer delivers their produce to the warehouse to be distributed and receives the price they offered for that week. If they do not win for IU and are not on the bid list for any of Beasley's other clients, the farmer would not deliver their produce to the warehouse that week. These prices will typically be more competitive as they are not set as a standard in the beginning of the season, which accounts for price fluctuations.

### **Bloomingfoods Greengrocer Project**

George Huntington, the general manager at Bloomingfoods, has recently been investigating the idea of setting up Bloomingfoods as a broker for restaurant sales since they already have a lot of experience working with local growers and they have some infrastructure for short-term storage and delivery. There is a large walk-in-cooler at the downtown Bloomingfoods store that could potentially be transformed into a greengrocer-type set up where chefs could come to check out the produce and order what they needed. Surplus would be sold to consumers or perhaps institutions with flexible menus. This project is still in the very early planning stages but could be another wholesale option for growers.

Bloomingfoods has an excellent reputation for working with local growers and would likely be willing to work with growers who have relatively small quantities as compared to the needs of a general wholesale distributor. The project would also be appealing to chefs who could browse the actual products before buying and could purchase products from multiple farms without having to coordinate with multiple farmers.

### **3.6 Conclusion of Buyer Interests**

Demand for local food is increasing at all levels. However, some areas of the direct sales and retail markets are becoming crowded such as the Bloomington Community Farmers' Market and core local product sales to Bloomingfoods. Growers need to become more creative in their marketing approaches, develop communication and delivery systems to meet the needs of each market channel, and find ways to work together to offer consistent quantity and quality to retailers, institutions, and wholesalers.

We were particularly encouraged by the strong interest shown by major institutions and local wholesale distributors such as Indiana University, Monroe County Community School Corporation, Bloomington Hospital, Piazza Produce, and Beasley Produce. However, a lot of the retailers, institutions, and wholesalers who are interested in local food want a more streamlined approach to ordering food or at least better information about which growers are looking for markets and what products they have available. Many retailers and institutions are accustomed to working with wholesale distributors and need help setting protocols and developing systems for working with local growers. These protocols would cover insurance requirements, certification requirements or programs to ensure safe food handling practices, expectations of how produce should be washed and packed; guidelines on how to manage invoices and payments, and strategies for how to accommodate the seasonality of local produce.

Additional education is needed on both the buyer end (what is it reasonable to expect from small to mid-sized farms?) and on the grower end (what needs to happen to ensure a good relationship with businesses?). Local food distribution could also be improved by some sort of system to match growers with buyers that could be as simple as a guide with a list of farmers and their products by season or as involved as a website where growers could post their available products on a daily or weekly basis and businesses could place orders.

It's also important to keep in mind that not every grower will want to work with every market channel. Wholesale distributors and institutions in particular can be unappealing to growers who are concerned about dealing with the "red tape" of insurance, food safety certifications, and bidding processes or who simply are not interested in producing the quantity and uniformity of product that is requested at the price that is offered. At the same time, it's important for growers to understand the process so that they can make well-advised decisions rather than running away from the bogeyman of red tape.

## Section 4: Resources in Our Community

### 4.1 Local Food Stakeholders

One could argue that everyone has a stake in the local food economy since everyone eats food. However, there are clearly some individuals and organizations that are more invested in the local food system than others. The core group of potential stakeholders we identified includes farmers, potential buyers (e.g. restaurants, cafeterias, groceries) and community organizations interested in agricultural economic development (e.g. Chamber of Commerce, Small Business Development Center).

#### **Farmers**

The Local Growers Guild has about 60 grower members who range significantly in size, type of product, and growing style but who are all interested in direct marketing to consumers. Most LGG members sell at least a portion of their products in the Bloomington area but as the Guild grows, some new members are focused on other areas of central and southern Indiana.

There are also a number of growers who sell in Bloomington but are not members of the Local Growers Guild. The Bloomington Community Farmers' Market maintains a database of approximately 200 growers who sell or have expressed an interest in selling at the market. Retailer members of the Local Growers Guild also report buying products from farms who are not members of the Guild but who are very active in the local food movement.

Additionally, there are a number of farmers in Monroe and surrounding counties who focus on growing commodity agricultural products (corn, soybeans, beef, pork, hay). These farmers generally do not sell their products to consumers and have not traditionally been interested in the Local Growers Guild or its projects. However, there are increasing opportunities for the two groups to work together – traditional farmers growing organic feed for local organic meat producers, traditional farmers renting land or equipment to new small-scale local food producers, both groups of farmers sharing storage space, joint educational projects such as farm tours or children's events, etc. Some traditional farmers are also starting to become interested in alternate growing and marketing methods for their products.

These traditional commodity farmers were not surveyed as part of this feasibility study but should be included in future work to understand existing infrastructure and potential for crop expansion. The Local Growers Guild has been working to establish a relationship with traditional farmers by meeting with the local Farm Bureau chapter, forwarding information through Purdue Extension newsletters, and by communicating with the local Soil and Water Management District, local representatives for the federal Natural Resources Conservation Services program, and the Indiana State Department of Agriculture.

## Potential Buyers

Potential buyers can be divided into four categories – consumers, retailers, institutions, and wholesalers. This list of potential buyers includes the major farmers’ markets within 100 miles of Bloomington, retail stores that are members of the Local Growers Guild, institutions who are currently talking with the Local Growers Guild about local food purchasing, and wholesalers who have expressed an interest in buying from local farmers. There are undoubtedly many other retailers in South Central Indiana beyond this short list who work with local growers but the retailers listed here have been dedicated supporters of the local food movement.

**Table 4. Current and Potential Outlets for Local Food**

<b>Name</b>	<b>Category</b>	<b>Status</b>
Bloomington Community Farmers' Market	Consumer Connection	Current
Bloomington Winter Farmers' Market	Consumer Connection	Current
Monroe County Growers Farmers’ Market	Consumer Connection	Current
Musgrave Orchard December Farmers’ Market	Consumer Connection	Current
Community Farmers’ Market of Owen County	Consumer Connection	Current
Bean Blossom Farmers’ Market	Consumer Connection	Current
Nashville Village Market	Consumer Connection	Current
Bedford Farmers’ Market	Consumer Connection	Current
Orange County Home Grown Farmers’ Market	Consumer Connection	Current
Valley Farmers’ Market	Consumer Connection	Current
Martinsville Farmers’ Market	Consumer Connection	Current
Mooresville Farmers’ Market	Consumer Connection	Current
Traders’ Point Creamery Green Market (Summer)	Consumer Connection	Current
Traders’ Point Creamery Green Market (Winter)	Consumer Connection	Current
Carmel Farmers’ Market	Consumer Connection	Current
Broad Ripple Farmers’ Market	Consumer Connection	Current
Indianapolis Winter Farmers’ Market	Consumer Connection	Current
Binford Farmers’ Market	Consumer Connection	Current
Indianapolis City Market	Consumer Connection	Current
Bloomingsfoods	Retailer (grocery)	Current
Lost River Market and Deli	Retailer (grocery)	Current
Farm Fresh Delivery	Retailer (grocery)	Current
Roots on the Square	Retailer (restaurant)	Current
Limestone Grille	Retailer (restaurant)	Current
FARMBloomington	Retailer (restaurant)	Current
Laughing Planet	Retailer (restaurant)	Current
Sahara Mart	Retailer (restaurant)	Current
One World Enterprises	Retailer (restaurant)	Current
Oliver Winery	Retailer (restaurant)	Current

**(Table 4 continued – Current and Potential Outlets for Local Food)**

<b>Name</b>	<b>Category</b>	<b>Status</b>
Finch's Brasserie	Retailer (restaurant)	Current
Bloomington Bagel Co.	Retailer (restaurant)	Current
Upland Brewing Company	Retailer (restaurant)	Current
Nick's English Hut	Retailer (restaurant)	Current
Monroe County School Corporation	Institution	Future
Indiana University RPS	Institution	Current
Bloomington Hospital	Institution	Future
Piazza Produce	Wholesale Distributor	Current
Beasley/Troyer	Wholesale Distributor	Future

**Organizations**

There are many organizations in the Bloomington area that are connected to food either formally or informally. Here is a brief overview sorted by each organization’s primary connection to the local food movement, although many organizations serve multiple purposes. As an example, Mother Hubbard’s Cupboard primarily works to reduce hunger through the operation of its food pantry but it also provides gardening lessons, cooking classes, and nutrition education to both its clients and the general public as part of its greater mission to help everyone access healthy fresh foods. Likewise, Purdue Extension is an invaluable resource for farmers but also provides public outreach and education.

**Table 5. Organizations Interested in Local Food**

<b>Organization</b>	<b>Interest</b>
<b>Economic Development</b>	
Bloomington Economic Development Corporation	promote economic development
Monroe County Economic Development Corporation	promote economic development
Chamber of Commerce	promote economic development
SEED Corp	support small business development through loan fund
Small Business Development Center	support small business development through mentoring
Bloomington Kitchen Incubator	support/create small food businesses
<b>Local Government</b>	
Bloomington City Council	various city sustainability initiatives
Monroe County Council	various county sustainability initiatives
Bloomington Commission on Sustainability	promote sustainable living
Bloomington Peak Oil Task Force	promote sustainable living
Indiana University Office of Sustainability	promote sustainable living

**(Table 5 continued – Organizations Interested in Local Food)**

<b>Organization</b>	<b>Interest</b>
<b>Research</b>	
Indiana University – Food Anthropology Program	research food and society
Indiana University – Service Learning Programs	connect students with real-world projects
<b>Agricultural Support</b>	
Purdue Extension	educate public about agriculture, gardening, more
Natural Resources Conservation Association (USDA)	support farmers and resource conservation
Indiana State Department of Agriculture	support farmers
Monroe County Soil & Water District	support farmers and resource conservation
Hoosier Hills RC&D	support conservation efforts
Farm Bureau	support and network farmers
<b>Advocacy, Education, Promotion</b>	
Hilltop Garden	provide gardening education
People's University (Bloomington Parks & Rec)	provide educational programming in community
Slow Food (Bloomington, IU)	promote local food, slow food
Bloomington Independent Restaurant Association	market local restaurants
Food Security Group	lobby for increased food security
Students for Sustainable Food	improve sustainability of food production
SPROUTS	campus gardening and composting
Community Gardens (Bloomington Parks & Rec)	provide gardening space for public
Center for Sustainable Living	promote sustainable living
Green Business Alliance	promote recycling, composting, energy conservation at business level
Going Local	promote local farms and local food through internet blog
<b>Feeding the Hungry, Food Rescue, Educating Low Income Communities</b>	
Hoosier Hills Food Bank	feed the hungry, gleaning program, Plant-A-Row
Mother Hubbard's Cupboard	feed the hungry, provide garden/nutrition education
Middle Way Food Works	nutritious food for day cares, senior centers; partner with BKI on commercial kitchen

## 4.2 Facilities for Storage, Distribution, Processing

One of the early ideas suggested for improving local food distribution was the creation of a centralized warehouse facility. The initial idea was based on the Grasshopper Distribution model of a storage warehouse and a collection of trucks to deliver locally grown food. Then a few meat producers mentioned a need for freezer space, a need that was also voiced by the Bloomington Kitchen Incubator in anticipation of new frozen food businesses being created. A few other growers mentioned that a central facility with washing, sorting, and packing equipment could allow farmers to combine their produce to meet the needs of large institutions. There has also been discussion of finding a permanent home for the Bloomington Winter Farmers' Market. With this in mind, we conducted a brief examination of available facilities in the Bloomington area.

### Buildings

- Melton's Orchard consists of a small retail store, several large walk-in-coolers, a warehouse set up for packing and sorting, a small kitchen that could be brought up to code for food processing, and an assortment of freezers, coolers, prep tables, and packing equipment. It could be used as a distribution warehouse and local food boutique. (The feasibility of this project was evaluated by business students at Indiana State University and is included as Appendix 4.) The facility became available in 2008 but has since been rented to a group running it as a farm store.
- The former Hoosier Hills Food Bank facility consists of a warehouse with a couple of offices carved out, an unfurnished kitchen, a walk-in cooler, and space for a walk-in freezer. The building could very easily be outfitted for a storage facility. It is located northwest of downtown Bloomington. Part of the building is available for rent although it would require sharing space with a recycling operation and there could be potential conflicts between food storage and unwashed bottles and cans.
- The former Marsh store on south Walnut Street consists of approximately 22,000 square feet of retail space. Great potential for hosting an indoor farmers' market and a distribution center and many other activities if funding were available.
- The former Antique Mall directly across from the summer farmers' market is in a great location to provide a year-round farmers' market but is currently slated to be converted into shared office space by its owners, CFC.
- The Caldwell Center, where the LGG and the Bloomington Kitchen Incubator (BKI) have their offices, has two empty offices that could potentially be adapted for storage. This building is conveniently located adjacent to the Middle Way kitchen that will be used by the Bloomington Kitchen Incubator. The landlord is open to the possibility of renting additional space to either group to install walk-in coolers, freezers, or shelves for dry storage.
- The former Beds Today store located next to the Caldwell Center is currently listed for sale at \$299,000 for 2,000 square feet. It also is located adjacent to the Middle Way kitchen.
- Warehouse space is available all around Bloomington with prices varying widely based on location. One challenge is that most warehouse space is available only in very large pieces (e.g. thousands of square feet).

- There are several houses located in commercial districts in Bloomington that are relatively inexpensive and could potentially be remodeled into small retail spaces with a washing/cooling/storage area in the back.

### **Cooler and Freezer Space**

Coolers seem to be well-used in this community and of course there's always the risk that an open door or a power failure could put everyone's products at risk, which can make businesses reluctant to share cooler or freezer space with other users.

- The Middle Way kitchen under construction on Washington Street just south of Third Street will include a large walk-in cooler and a washing station designed for farmers and clients of the Bloomington Kitchen Incubator to wash and cool produce. Prices have yet to be determined; the kitchen is scheduled to open in January 2010.
- Melton's Orchard has several walk-in coolers that might be available from the current tenants of the facility.
- William Harriman will have a cooler and packing shed set up in the near future near his farm, five miles north of Spencer. He may be able to rent out space to other farmers.
- The Chocolate Moose, a local ice cream shop on Walnut Street just north of Second Street, also runs a packaged ice business and might have freezer space available.
- There are a few large food distribution warehouses (Wetterau/U.S. Food Services on Curry Pike) that appear to be unoccupied due to companies shrinking or declaring bankruptcy. It's hard to say if these facilities still have freezers and coolers or if the equipment was removed and sold at auction.
- Indiana University has a number of older outdoor walk-in freezers and coolers that might be sold within the next couple of years as the university develops better facilities. Several of the food service managers who were consulted during this project mentioned that coolers and freezers can be difficult/expensive to maintain so it might be preferable to lease a unit that has a service contract.
- Bloomington Restaurant Supply rented out some freezer space to a local grower this year but appears to have filled all their capacity.
- Some growers have purchased failed coolers at auctions and modified them to use a simple air conditioning unit to keep produce at about 45 degrees. It is not as effective as an actual cooler or refrigerator but can certainly be used to take the field heat out of vegetables and store them for a few days.
- One World Enterprises is considering expanding its operations and would consider putting in cooler space for members of the Local Growers Guild.
- Bloomingfoods is considering constructing a commissary kitchen and would consider putting in cooler or freezer space for members of the Local Growers Guild.

### **Root Cellar Space**

One of the biggest demands from farmers was for root cellar space to store winter crops. Farmers have reported storing their winter squash and potatoes in friends' basements for

lack of better facilities. We were not able to identify any obvious root cellar opportunities out there but this could be a potential business opportunity – or perhaps a great way to get community members involved who have extra basement space!

### **Food Processing**

The Bloomington Kitchen Incubator is a new nonprofit organization that spun off the Local Growers Guild. Its goal is to encourage the creation of new local food businesses, including assisting farmers who want to produce value-added products such as tomato sauce or pesto or pies from their farm products. The BKI provides business support and also helps its members get access to commercial kitchens for processing. They intend to mainly use the new kitchen at Middle Way House that is currently under construction. They are also investigating alternate commercial kitchens that might be available for rent in restaurants, schools, fraternities, churches, etc.

Growers or food producers further south can work at the Madison Kitchen Incubator in Madison, Indiana which is a well-established incubator of food businesses with very nice kitchen and warehouse facilities. There is also a commercial kitchen in Columbus, Indiana owned by Max Lemley that has been rented out to farmers making value-added products.

It is very challenging to outsource food processing on a small scale but there are some facilities being developed around the state. In Bloomington, Dillman Farm (a local producer of jams, jellies, and other products) offers limited contract canning during the slow winter season, which makes it less accessible for local farmers interested in capturing their surplus summer products.

Legislation recently passed (HB1309) that allows the home production of foods that are not potentially hazardous if they are only sold at farmers' markets or farm stands. "Safe" products include most baked goods, most candies, dried fruits/vegetables, frozen fruits/vegetables, and certain high acid fruit-based jams and jellies. This makes it possible for farmers to create value-added products in their own kitchens to sell at farmers' markets but they would still need to work in a certified commercial kitchen if they wanted to sell through other avenues (e.g. to restaurants or groceries or at special events like fairs).

### **Trucks/Delivery**

Many farmers have asked about the possibility of backhauling as a way to distribute local food at minimal expense. Backhauling is the process of shipping goods in what would otherwise be an empty truck returning after a delivery route. Piazza Produce said they were open to the idea of backhauling farm products from Bloomington to Indianapolis if it were convenient to their delivery route. They and other wholesalers definitely make an effort to design efficient routes for both delivering and picking up products. More investigation is needed to identify possible matches between farmers and the existing delivery routes of distributors.

### 4.3 Online Resources

There are also many resources for farmers who want to promote or sell their products using the Internet.

- [www.localgrowers.org](http://www.localgrowers.org) – the Local Growers Guild website currently profiles all of its member farms and retailers to promote their operations and products. The LGG would like to expand its website to allow members to update their profiles seasonally and to make it possible to search for specific products.
- [www.farmersnetwork.org](http://www.farmersnetwork.org) – the Local Growers Guild is getting ready to launch a website that was developed by the Southern Indiana Rural Development Group to help farmers network with each other more effectively. The site will include profiles of all the member farms as well as forums where farmers can exchange information and buyers can post requests for products.
- <http://in.marketmaker.uiuc.edu/> - the Indiana Market Maker website allows farmers and buyers to set up profiles describing their operations and also has forums where buyers can request specific products. It is supported by Purdue University and the Indiana State Department of Agriculture.
- [www.localharvest.org](http://www.localharvest.org) – this website allows farmers and food producers anywhere in the country to create a free profile about their operation. For a fee, users can set up a web store on the site to sell products, accept payment through Paypal, and deliver products through the mail. The site has grown tremendously in popularity and is often used by consumers seeking specialty products such as duck eggs.
- [www.locallygrown.net](http://www.locallygrown.net) – this website allows any group of farmers to set up a web store for a charge of 3% of gross sales. The site does not accept electronic payment and is generally designed for farmers to market products within their own communities and to assign local food pick-up points.
- [www.farmsreach.org](http://www.farmsreach.org) – this website is not yet available beyond the San Francisco area but the developers hope to bring the technology to other regions. Farmers upload pictures of their products along with price and quantity information so that chefs can place orders and coordinate pick up. The website does have some ability to accept payment.
- AgoraCart is an open source software program that can be inexpensively purchased to set up a web store on an existing website
- OSCommerce is an open source software program that can be inexpensively purchased to set up a web store on an existing website
- Many members of the Local Growers Guild already run their own web stores with various levels of sophistication and might be willing to share information on how to get started
  - [www.seldomseenfarm.com](http://www.seldomseenfarm.com)
  - [www.seedsandsuch.com](http://www.seedsandsuch.com)
  - <http://store.howardfamilyenterprise.com/>
  - <http://www.capriolegoatcheese.com/>

#### 4.4 Resources Summary

The Bloomington community is extremely supportive of locally grown food and there are many farmers, food purchasers, organizations, and community members that are interested in supporting the local food economy. The Local Growers Guild has been very successful strengthening connections between everyone interested in local food although there are certainly opportunities for more education and collaboration. Locally grown food plays an important role in community sustainability on all three levels – economic strength, environmental protection, and community enhancement.

In terms of physical infrastructure, there are a number of possibilities for storage and distribution projects but very little that is currently available. The most exciting project in the works is the creation of the Bloomington Kitchen Incubator. This nonprofit group will help farmers and other entrepreneurs develop value-added food products using the certified commercial kitchen currently under construction by Middle Way House. The new kitchen facility will include some cooler space and an area for washing and packing produce. However, it appears that more infrastructure needs to be developed in the area, particularly freezer space and root cellar space.

Two retailer members of the Local Growers Guild, One World Enterprises and Bloomingfoods, have expressed a willingness to build storage space for local growers as part of their planned business expansions. This would be a great way to strengthen both the retailers and the farmers by sharing resources. There are also opportunities for farmers to share space with each other, as proposed by William Harriman.

Growers who are interested in setting up internet sales have many resources available on the web but could use additional support from the Local Growers Guild. The LGG website is informative but is not useful as a sales forum in its current form.

## Section 5: Conclusions and Recommendations

### 5.1 Conclusions

The most important insights from this study are as follows:

**Farmers are interested in expansion.** Based on survey responses, 83% of the growers surveyed are interested in expanding. More than half said they are “expanding at a rate that [they] feel comfortable with” and about 29% of the growers surveyed are having trouble expanding at a rate they would like. However, even many of the growers who are expanding at a comfortable rate do also report obstacles to expansion, indicating that they could even expand at a faster rate if those obstacles could be overcome.

**There is a need for better post-harvest handling and storage facilities.** The two obstacles mentioned by more than half the growers were insufficient storage space (58%) and not being set up for post-harvest handling (53%). These were also listed as issues of concern by retailers and institutions that require washed, sorted, packed, and often cooled products and who do not have much storage room of their own.

**Farmers want to sell through multiple channels.** The majority of growers surveyed are either interested in all three sales channels (direct to consumer, sales to retailers, sales to wholesalers) or in sales to customers and retailers but not wholesalers. Growers seem to be focused on adding new channels rather than transitioning out of one channel and into the next. Most farmers understandably prefer direct sales to customers, because they provide much higher margins of profit.

**There is a need for support of all marketing approaches.** Growers can be successful using any of the marketing channels (consumers, retailers, wholesalers) or any combination thereof. The key is understanding how to market effectively to the different groups. There are a lot of techniques that can be adapted from different distribution models to make farmers successful in whatever marketing approach they take.

**Direct sales to consumers can be expanded by modifying traditional approaches.** Several of the models we studied offer examples of how to make farmers’ markets, CSAs, and farm stands more effective. This includes using a web store to pre-sell produce, customizable CSA programs, CSA programs partnered with churches or businesses, winter farmers’ market, and online sales with a central pick-up point. Most of these models are low-cost to implement and can be scaled to a size appropriate to each grower or group of growers.

**Most growers surveyed are not yet set up for sales to wholesalers and institutions.** We found that many of the prerequisites for farmers to connect with wholesalers and institutions are currently not in place on the side of the growers (facilities for post harvest handling, insurance and inspection requirements, volume, storage, cooling, transportation).

**Many institutions are not yet set up to work with local growers.** The student who put together the “Seller’s Guide to Indiana University” found she had to jump through many hoops just to find out what IU’s food purchasing requirements were. Other institutions such as the Monroe County Community School Corporation, haven’t even figured out their protocols.

**Many of the most successful distribution businesses are privately owned by non-farmers.** Farmers often don’t have the time or skills to undertake a large distribution operation but a lot of locally grown food is moved through privately owned companies such as Farm Fresh Delivery in Indianapolis, Local Crop in Cleveland, and Bloomingfoods in Bloomington. Success in this case is defined as being financially sustainable (independent of grant money) and able to handle an increase in local production.

**Many successful farmer-run businesses depend on volunteer support.** This is especially true of the farmer cooperative models like Jennings County Growers and the Clean Food Network.

**Direct, trusting relationships between buyers and growers are crucial.** Strong relationships between buyers and growers and clearly understood expectations of reliability and commitment are key to all the successful models. Mutual trust and excellent communication is essential regardless of the actual model adopted. Any effort to significantly increase local food distribution will need to be based on the development of such relationships.

## 5.2 Recommendations

Based on these insights, we concluded that the Local Growers Guild needs to support growers in distributing local food through all four marketing channels – direct to consumers, sales to small retailers, sales to institutions, and sales to wholesalers. Each market requires a slightly different approach but all follow a common theme – educate farmers in marketing, put infrastructure in place where needed, educate buyers, leverage existing resources and technology.

For sales beyond the consumer level, the LGG should help growers improve their marketing skills, develop basic infrastructure on the farm, and understand requirements of retailers, institutions, and wholesalers. There are not yet enough growers ready to sell at the wholesale level to justify the creation of a cooperative distribution center. However, there is clearly a need for storage both on and off the farm. There are upcoming opportunities to partner with expanding retailers to share storage space and efforts should be made to identify other potential shared storage options. More detailed information about storage needs must be developed before the LGG takes on the expense of constructing a facility. The example of Jennings County farmers shows the

importance of building capacity for projects with larger impact by starting small and then gradually building up from there.

For the large number of growers interested in direct sales, the following improvements should be explored:

1. Educate farmers about all the direct-to-consumer distribution options available – farmers markets, farm stands, CSA programs, and online stores.
2. Expand on those models and try variations: for example online store orders being delivered at the farmers’ market, CSA programs that are partnered with a church community, home delivery of products, etc.
3. Encourage season extension techniques and expand crop storage facilities to increase availability of produce in the winter and spring. This is one area where Bloomingfoods said they could use more local produce and is also a constant customer request at the Bloomington Winter Farmers’ Market.
4. Assist local growers in using surplus products more effectively – connect with local processors, train growers to make value-added products, use online stores to move surplus product, etc.
5. Share existing cooler and storage space owned by other institutions
6. Encourage individual growers to invest in storage/cooling facilities, and to look for opportunities to share those facilities in a decentralized way.
7. Develop farm stands attached to places where people are going anyway (like farm stand in MCL Cafeteria parking lot).
8. Develop additional farmers’ markets in underserved areas (Indiana University) or at times that complement existing markets (mid-week, winter).
9. Make farmers’ markets into local food hubs where there are also online order pick-ups, CSA pick-ups, and even restaurant pick-ups.
10. Develop a network of sites than can be used as drop-off points for CSA/online ordering.
11. Create opportunities for farmers’ markets or farm stands where the farmers can drop off food to be sold by others, rather than staying to staff the booth.

For growers interested in selling to restaurants and other retailers, the following improvements should be explored:

1. Educate farmers about the expectations of retailers (consistency, communication, washing, packing, sometimes contracts).
2. Educate retailers about how to work effectively with growers (communication, clear expectations, adapting to production seasonality).
3. Connect more small growers with local restaurants, small groceries, caterers, local food processors, etc.
4. Work with Bloomingfoods as they develop their “greengrocer” concept of marketing local produce to restaurants.
5. Research options for creating an online system to connect growers and buyers.

With regard to those growers who want to pursue wholesale and larger institutions, we recommend a small step approach at this point: help growers feed their produce into **existing** wholesale channels.

1. Educate institutions and wholesalers about how to work with local growers and how to set clear expectations (insurance requirements, sizing, packaging, etc.).
2. Conduct workshops for growers that explain how to sell to IU or Beasley or MCCSC or whoever, until it is well understood by a lot of growers.
3. Develop written documents for growers explaining how to sell to each institution or wholesaler.
4. Develop written documents for businesses explaining how to source food from local farmers.
5. Explore and encourage opportunities for growers to pool their produce to achieve larger volume.
6. Continue to study the feasibility of creating additional cooler and freezer space for growers. This could be owned by the LGG or could be owned by a smaller group of farmers. Any extra space could be rented to other growers.

In order to implement these projects, we recommend hiring a local food broker for at least one year who will make connections between buyers and growers. Any approach to increasing local production must take into account the individual circumstances of different growers in order to maximize their growth potential. At the same time, it is essential to understand the needs of buyers in order to build strong relationships. Therefore, the local food broker will focus initially on assessing both groups and then move on to connect growers with buyers, educate both sides about expectations and agreements, offer workshops for growers on marketing and other topics, support the development of needed infrastructure, and document all information in references that can be used by growers and buyers in South Central Indiana and beyond.

#### **Interview individual farmers and buyers to assess their needs and interests.**

Interviewing farmers and food purchasers is an important part of building relationships between farmers and buyers – understanding the needs of both parties. Presumably, as the information is gathered there will be situations where it is easy to connect a farmer with a buyer, whether the buyer is a caterer, a restaurant, an institution, or a cooperative CSA venture. After six months of making connections, the food broker should have a very deep understanding of the local food system and where there are opportunities on either side. The first step is gaining a better understanding of the needs and interests of farmers and potential buyers. The food broker should start by interviewing each farmer member of the Local Growers Guild and consider reaching out to every food producer within a 100-mile radius of Bloomington, if possible. Based on work from this study, nearly every farmer has a slightly different marketing approach and is facing different obstacles to expansion. It's important to understand the needs of each grower even if the LGG can't provide assistance in every situation.

At the same time, the food broker should reach out to potential buyers, starting first with retailer members of the Local Growers Guild, then institutions and wholesalers who have expressed an interest in local food, and then reaching out to the larger market of potential buyers. There are clearly institutions that are interested in purchasing local food but haven't figured out how to integrate local food into their normal routine. Challenges

include adding farmers to their purchasing system and determining what they will require to ensure food safety.

**Connect farmers with buyers when there is a good match.** Understanding farmers' needs and interests will also make it easier to connect farmers with each other to embark on joint projects such as cooperative CSA programs, shared delivery routes, or renting surplus storage. In the future it might make sense for the Local Growers Guild to create shared storage facilities but a faster option would be for the farmers with the most need to work with each other right now.

**Connect farmers with each other when there are opportunities to combine efforts to improve storage and transportation.** Several good examples have already emerged from this study such as William Harriman offering to share cooler space near his farm and Dave Fischer taking the initiative to market and deliver his neighbor's produce along with his meat. There may also be good opportunities for backhauling either amongst farmers or in partnership with wholesale distributors.

**Develop written materials to assist both groups such as a Seller's Guide for farmers and a Buyer's Guide for institutions and retailers.** It's very important that the local food broker develop written educational materials to preserve the information gathered and to circulate it effectively. There have been wonderful guides to selling local food developed in other states, with one excellent example being Washington's handbook of regulations for direct farm marketing, also known as the Green Book. The local food broker should build on existing publications to gather general information but should also develop a Seller's Guide for each major retailer, institution, or wholesaler that has expressed an interest in local food, similar to the IU Seller's Guide included as Appendix 3. On the other side, the local food broker should develop a Wholesale Buyer's Guide for retailers, institutions, and wholesalers that gives contact information for each farm interested in the wholesale market and a description of what products they have available.

**Create a series of workshops to educate farmers about different sales methods – CSA programs, working with wholesalers, accepting web orders, etc.** Throughout this process, the Local Growers Guild should offer a variety of ongoing educational workshops addressing the needs of growers that have already been identified as part of this study or are identified as part of the local food broker's efforts. Potential workshop ideas include:

- How to start a CSA for your farm (or group of farms)
  - Variations include customizable CSA baskets, working with an office building, winter CSA programs
- How to know if your farm should become Certified Organic and how to become certified
- The basics of institutional sales – insurance, Good Agricultural Practices (GAP), contracts, bidding process, and more
- How to expand the growing season and find a market for your cold season crops
- How to set up website sales for your farm to increase off-season sales and to pre-sell food for pick-up at the farmers' market

- A series of “Meet the Buyer” workshops where growers could interact with food purchasers from various businesses and learn how they do business (including packaging requirements, insurance/certification requirements, contracts)
  - Piazza Produce
  - Beasley’s Produce
  - Indiana University
  - Monroe County Community School Corporation
  - Bloomington Hospital
  - Farm Fresh Delivery
  - Each retailer member of the Local Growers Guild
  - Others

**Promote existing marketing channels.** This would include the “Meet the Buyer” workshops but also involve promoting different farmers’ markets in the region, particularly the Bloomington Winter Farmers’ Market. As the Bloomingfoods greengrocer project develops, it should also be promoted. It’s also important to keep promoting LGG retailers and institutions and wholesalers who are willing to work directly with farmers.

**Further investigate the possibilities of creating a web store for the Guild or setting up cooperative processing and storage facilities.** Last but not least, the food broker should do more research into the idea of developing a web sale system that would give farmers another way to sell their products. It would be a relatively low investment project (as compared to a bricks-and-mortar institution) but would still require ongoing oversight. One idea would be to model the system after Farmsreach.com which allows farmers to create virtual “stalls” to sell their products to restaurants. There are many other variations available that could focus on restaurant sales, institutional sales, or sales to the general public. Some systems collect payment through the web while others require payment on delivery. More research is needed to determine what would be most appropriate for members of the Local Growers Guild.

Clearly, there is a lot of work to be done to improve local food distribution but the Local Growers Guild is in an excellent position to make improvements. There are many small projects that can be implemented now, particularly in terms of providing education all around – to growers, consumers, retailers, institutions, and wholesale distributors. Another low cost short-term project is to help growers work connect with each other to overcome barriers such as limited storage and transportation abilities. Hiring a local food broker would provide the staffing infrastructure to move forward on all the projects suggested and continue building up the local food supply. After a year of work, the LGG will be better positioned to launch infrastructure projects such as a web sales system, a storage/processing warehouse, or a warehouse and delivery truck system.

Building a strong local food system is a long project but it is also rewarding work and the members of the Local Growers Guild are committed to making constant improvements.

## Appendices

Appendix 1 – Grower Survey (March 2009)

Appendix 2 – Grower Survey Results

Appendix 3 – Seller’s Guide to Indiana University Bloomington

Appendix 4 – Melton’s Orchard Distribution Center Feasibility Report

## Resources/Further Reading

Chef’s Collaborative Regional Food Infrastructure Project (Michigan, 2008)

<http://www.chefscollaborative.org>

Local Food, Farms, and Jobs: Growing the Illinois Economy (Illinois, 2009)

<http://www.FoodFarmsJobs.org>

“The Green Book.” The Handbook for Direct Marketing (Washington State, 2006)

<http://agr.wa.gov/Marketing/SmallFarm/greenbook.htm>

Guide to Minimize Microbial Food Safety Hazards for Fresh Fruits and Vegetables (USDA, 1998 – “Good Agricultural Practices” and “Good Manufacturing Practices”)

<http://www.fda.gov/downloads/Food/GuidanceComplianceRegulatoryInformation/GuidanceDocuments/ProduceandPlanProducts/UCM169112.pdf>