

Should You Sell Products to Grocery Stores?

A guide for farms considering selling in grocery stores

Why do stores buy local products and why should I care?

In recent years there has been an increased interest among many groups, individuals, and agencies to encourage consumers to buy locally produced products. These products have included a wide array of items that stem closely to farms and include fruits, vegetables, nuts, milk, dairy products, wines, beers, meats, fish, honey, and other items produced from these products. This food becomes available to consumers through a number of channels including farm stands, farmers' markets, community supported agriculture (CSA) programs, restaurants, grocery stores, and specialty stores. While a number of purchasing channels exist, consumers as a whole still buy a large portion of their

total food through grocery stores.

Selling products to grocery stores seems like an obvious solution to get local food in front of consumers. However, it is important to recognize the challenges and benefits presented to a farmer interested in selling products to a grocer and ensure that both groups benefit in addition to the consumers. This guide will help you decide if selling in grocery stores is right for your farm, will give you the basics for selling in stores, and help you develop the skills to make your sales pitches a success.

What types of grocery stores will buy?

Farms typically have the options of selling through three types of stores:

1. **Local specialty stores:** These are small, usually locally owned stores that focus on selling specialized food such as health foods, organic foods, food for special dietary needs, and whole foods. These stores may be more approachable since they focus on working with local producers, but they will expect top quality products. These stores typically focus on buying as many local products as possible.
2. **Local grocery stores:** These stores are locally owned or independent grocery stores that are typically smaller in size than larger chain stores but offer a complete lineup of all standard grocery items and brands. They may be able to handle a little more product, but they will require an easy approach for ordering and billing and may not be as flexible as a specialty store.
3. **Regional and national owned chains:** These stores have multiple locations over a number of towns and cities. Much of the buying power and decisions are made by the corporate or regional office. These are sometimes former local grocery stores. The grocery market has shifted more into this category recently in Southwest Wisconsin after Dick's became part of Piggly Wiggly and a few Wal-Mart stores became supercenters offering grocery. Chain stores may be able to sell a large quantity of product through a number of stores. These stores may require more paperwork and permits than smaller stores. A store manager at these stores should be able to provide you with information about how to sell in their stores.

It is important to realize that you need to be negotiable while also having set information when you approach a store. You should have an idea how you would like to package the product, when you are available to deliver products, estimated prices, and order deadlines. Remember that both businesses are exploring the possibility of working together at this point. Do not put undue restrictions on yourself that will prevent the agreement from being profitable.

Are stores the right market for my farm?

Before you jump into the business of selling wholesale to grocery stores, you need to decide if selling in a specific type of market will be profitable for you. It is important to recognize that all farms are unique and certain farms are set up to specialize in certain areas. If you want to sell in the wholesale business, you need to be able to sell enough product at wholesale prices to be profitable. Many wholesale growers will specialize in just a few products that they are good at producing. They can focus on growing a lot of that product and being good at it. With the large amounts of product, they can more easily produce the quantities desired by multiple grocery stores.

Grocery stores are not just a simple and easy solution for selling produce and getting rich fast. However you decide to market your product, you need to be able to match it to your type of farm and your skills. Remember that there are other methods to sell your products such as farm stands, farmers' markets, CSA programs, and outright wholesale. You also need to examine your skills. Are you good at making sales calls to stores or are you better at talking with the customers who will actually eat the food? Do you have the equipment to make regular deliveries, and can you charge a high enough price to cover delivery costs? Look at the chart on page 3 to see if you have the skills and resources it takes to be successful in the grocery market.

If you decide the wholesale market is for you, you then need to decide which specific stores are right for you. Consider where deliveries will need to be made and on which days. Some stores may require lots of paperwork and may not be convenient to work with. You may only be able to serve a certain number of stores and you will need to decide which stores can be the most profitable or are the best to work with. Look for stores that may be able to offer a long term relationship so that you can continue to sell to year after year. This will not only save you marketing time in the future, but it may also build up customer loyalty in the store.

How much should I charge for my product?

Product pricing is very important and should be set with careful planning. If you set your prices too high, the store will not be interested in your product. If you set your prices too low, you will be missing out on potential profit or even losing money. Be sure to be specific about what is or is not included with the price. For example, if the store requests special packaging, you may need to add an additional rate. Packaging may also be a way to convince the store to pay your initial price if the store felt it was too high.

So how do you determine a price? Most importantly, do not feel like you have to compete with distributors that sell produce by the semi-load. Your product should be better tasting and fresher so the store should expect to pay at least the same if not more than produce from far away. Be sure to sell the fact that it is local, fresh, and high quality. Before you even approach the store, check a few stores to find the current retail price of the product. Also check this price in the store that you will approach. In most cases you will need to charge less than the current retail rate. Consider that the store will expect to make a profit so you need to be able to charge accordingly. If the retail price is too low, stay with what you feel you need and approach the store anyways. It may pay off if the store is willing to pay extra for local produce.

One way to help determine current pricing of similar products is to look at the USDA's wholesale terminal price reports. These reports show what the wholesale price of produce is at major terminals around the U.S. This can be a guide to help give you an idea about current supply and prices of product in your area. If you follow these reports, you will notice that the prices will fluctuate during the season based on supply. You must decide if your prices will change based on the regional supply or your supply. Remember that a price listed in a report may be higher or lower than the price a grocer can actually buy a product from elsewhere.

Many grocery stores will use produce as a loss leader. This means that it will sell produce at a loss to attract customers into the

Find the current wholesale prices of produce at www.usda.gov by searching "Price reports."

Learn advertised prices of last week's produce nationwide and by region at www.marketnews.usda.gov/portal/fv.

store. However, stores know that selling local, quality produce also attracts customers. So, just because an item is priced very low on the shelves does not mean that the stores are not willing to pay a little extra. Even with these loss leaders the price may fluctuate from week to week.

Never simply leave the wholesale pricing up to the store. If you tell the store to pay what it is worth to them, you will end up losing out. If you want to sell on a commission basis, be very cautious. This leaves all of your money in the care of the store's marketing and trusting in the accuracy of its sales system. You will all not be compensated for any product loss.

Download a free invoice template from the Local Fare website at www.uwplatt.edu/cont_ed/LocalFare/

Pricing consistency is also important. It may be hard to change a price mid-season on produce. If this needs to happen, be sure to contact the store in advance and explain why the price will change. You do not need to apologize but you should be able to stand up for your decision. Keep in mind that unless you are under a contract with the store, this may affect if they continue to buy from you. Also, as a general rule do not lower your price when you have extra quantities coming from the field. Stores typically will not change their buying habits when a product is cheaper so you end up selling the same amount of product for less money while you are wasting labor picking excess product. Instead, tell the buyer you have extra supply and see if they could sell more product. Remember that it is hard to raise your prices after you have lowered them. If you do need to temporarily lower your price, make sure you tell the store why the price is lower and that it will only be temporary.

Clear and simple billing is important. Always include an invoice or delivery sheet when you make a delivery and be sure you receive a signature from the store confirming that the delivery is correct. Some stores will want a copy of this so you may need to have a copy ready or you may wish to use carbon paper. Unless you are certain the delivery invoice will go to the store's accounts payable, you may need to mail a copy of the invoice. Do this either the same day or the next. Make sure you include a delivery number and a payment due date. If you develop a simple and consistent system early on, you will make it easier on yourself as your customer base grows.

How should I label and package my product for resale?

Packaging products is an important part of selling to grocery stores. If you have flexibility, then it is best to ask the store how they would like you to deliver the product. Stores can be very particular about how the product will be packaged. For bulk items, the store may be flexible. Packaging should be part of the negotiation process when the store is considering the purchase of your product.

When packaging your product, you need to determine if your product will be labeled with your name. This could be accomplished by labeling directly on the packaging. But consider how the stores will use your product. You probably do not need to pay extra to label boxes that will not even be displayed in the store such as a bulk box.

Labeling creates brand recognition and consumers will come to know your product. Once they start buying one of your products they will continue to buy more if they know it is good. Customers will also come to learn that your product is local and will support you. However, if a store does not properly care for perishable products with your name on it, customers may become turned off by your product.

Packaging also allows you to better monitor your product. Packages can have a date or lot number attached to help you and the stores know which products came in what delivery. This may help pro-

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How often and when should I deliver to each store?

Most stores will expect you to deliver to the store. It is important to establish a schedule for delivery that will create consistency for both yourself and the store. Work with the store to decide how many times it will need a delivery each week. If this is your first store, you may be able to be flexible about delivery days. However, once you start having multiple deliveries, you need to coordinate so that you can complete multiple deliveries in the same trip.

Delivery days are one area where you can have a little more control over the stores and set your schedule to an extent. Almost every delivery that comes to a store is on a set schedule and the store does not have much control over this. Just as a distributor may schedule deliveries to four stores with one load, you need to plan accordingly and dictate when deliveries will be made. For example, try to combine all trips to a town on one day so you are not spending extra time driving. Almost any grocery store should be able to accept a load at any time when it is open unless it has a large delivery that comes in at a regular time every week. Being able to combine trips will be a very important factor in deciding if it will be profitable to sell to a given store.

The frequency of deliveries is also important. If you deliver to a store more frequently, it should be able to stock fresher produce. Typically, a produce distributor will deliver loads between two and four times per week. This allows the store to better manage how much produce it needs in stock at a given time. Also, most stores have limited storage, so they do not want to store lots of extra boxes.

The frequency of your deliveries should depend on how much

the store needs each week and how often you can harvest the item. If a store is only buying a few boxes of produce per week, one weekly delivery may be enough. Some farmers are hesitant to sell produce that is more than one or two days old, but most items will stay fairly fresh stored in a store's cooler at optimal storage temperatures, depending on the item. Stores are willing to store items for a number of days if necessary. If a store is buying larger quantities, it may be worth your time to deliver multiple times per week. Non-produce items will have one or two deliveries each week depending on how much the store purchases.

Your available supply may also dictate the need for multiple deliveries. For example, if a store needs 30 boxes of tomatoes per week, you may not be able to harvest this much all at once. But because tomatoes can be picked every few days, you may be able to pick twice a week and meet the needed supply. If a store is ordering 30 boxes per week, it will not need that much all on the same day. By providing two deliveries, you may be helping yourself and the store.

It is also important to set order deadlines. You need time to harvest and prepare an order before you deliver. Set a firm deadline that orders need to be placed by a certain number of days before the day of delivery. Also consider setting a midday time so that if an order does come in by that time you can contact the store before the day is over. By organizing your orders in advance, you can work with the store if your supply is less than their needs or you can find a market for excess produce before it is harvested.

Considerations For Selling to Grocery Stores

- ___ Are you willing to dedicated time to going on sales calls?
- ___ Can you maintain a regular delivery schedule?
- ___ Do you have the equipment to make deliveries such as an enclosed truck regardless of the weather ?
- ___ Can you harvest, clean, and sort large quantities of produce and deliver quickly?
- ___ Will you need to add cold storage?
- ___ Can you manage crop care, harvest and delivery all at the same time?
- ___ Do you have the field or facility space to produce for a wholesale market?
- ___ Can you maintain your current markets in addition to selling to grocery stores?
- ___ Can you be prompt about filling orders through fax and phone?
- ___ Do you have enough finances to not receive payments for up to 30 days after delivery?
- ___ Is this the best way to market your products for you?
- ___ Will you need special insurance to sell to stores?

Packing and Labeling Product

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tect you as a grower too. For example, if a store calls and complains that you sent three boxes of bad tomatoes, the lot number could help identify if there was a problem or if the store simply stored the tomatoes too long. Also, with continued attention to food borne illnesses, it is a good practice to keep records of when and where groups of produce were harvested. Packaging also allows barcodes or Price Lookup System (PLU) numbers for store convenience. If you want include a barcode on packaged products that can be used in any store, visit www.gs1us.org to register for a merchant number.

Packaging can be costly. Bulk quantity packaging is typically less expensive than individual quantities. By working with the store, you can determine their needs and price accordingly. Communicate with the store to find its needs. It does not make sense to put a product in individual packages only to have the store redisplay them in a bulk selection bin. Also, consumers like to touch and feel local produce. When produce is put in a container, it takes on the same look as the produced shipped across the country. Every packaging need must be carefully selected. Careful research will help you find the right type of package for your product but a well displayed product may help to sell itself.

Wisconsin Local Food Marketing Guide: A producer's guide to marketing locally grown food

It is important to remember that there are many different ways to market your products besides through grocery stores. Roadside stands, CSA programs, farmer's markets, and agri-tourism are just a few ways to market your business. Each method provides its own challenges and rewards, and not every type is right for every farm.

If your farm is still finding its direction, it is highly recommended that you read the [Wisconsin Local Food Marketing Guide](#). This guide compares many different types of

operations to help you understand the challenges and benefits. This guide is a completely free resource sponsored by the Wisconsin Department of Agriculture, Trade, and Consumer Protection.

This book can be viewed on your computer as a PDF file at www.datcp.state.wi.us/mktg/business/business_resources/index.jsp. For a print copy of this resource, contact the Wisconsin Department of Agriculture, Trade, and Consumer Protection at 608-224-5100.

Finding stores that will sell local products

Approaching a grocery store can be a little intimidating for most people. It can be hard to enter a large store as a small producer trying to approach a large store. However, there are some resources that will help you have success.

Local Fare surveyed over 30 grocers in the Southwest Wisconsin area, and we have compiled a list of stores that have expressed interest in selling local products. These stores are a good starting place since

they have indicated a desire to buy and sell local. You can find this list as an insert in this publication. Most stores gave us a specific contact person for a farmer to approach about buying products. But remember, just because a store is not listed does not necessarily mean they will not buy local, so always leave your options open.

The Wisconsin Grocers Association also has a statewide listing of interested stores at www.grocersbuylocal.com.

What to know before you sell

When you sell to a store you need to be ready to be a salesperson. This means you need to be prepared and knowledgeable. Here are a few tips for being a salesperson:

- Know who you need to talk to before going into the store. If you do not have the name of the buyer, you could call the store ahead of time and just ask for the name of the store manager or your department manager.
- Have printed material. This could be a brochure, flier, or even a business card. This is important so the buyer will not forget you after you leave. This may also be a great way to advertise your product with pictures.
- If your product is in season, you may choose to bring a sample if you can use it to help your sales pitch.
- Be considerate of the buyer's time. Your sales pitch should not take more than a few minutes. If the buyer has questions, then they are the ones choosing to take time and you can feel free to discuss.
- If you want to show your dedication to service, give the buyer your personal cell phone number so they can reach you directly with any questions. Chances are that you use it for business anyways, but this will show the buyer your personal commitment to service.
- Be sure to follow up a few days later!

Green Leaf Market online store

Green Leaf Market is a unique website that provides a streamlined approach to selling to stores and restaurants for even the novice user. Green Leaf Market allows sellers to post locally produced products for sale to be delivered to stores or restaurants in a specific area. Farm owners post specific amounts of a product to be available on a certain day. Stores within the producer's delivery area can order products online, and the farmer will receive the order via email. This service also allows farms to take on new customers without even approaching stores. A store looking for local products can simply find the farm's available products through the website. Special features are built into the site to allow for minimum orders, special certifications, and limited delivery days. For more information on this site, visit www.greenleafmarket.com.

Success only comes through action

Hopefully this guide has helped you learn the basics of selling to grocery stores. Selling to stores is not easy. There will be a lot of challenges selling in this type of market. There will be frustrating times when you will be turned down by buyers, products will have problems, or deliveries will be late. You must be ready to handle these challenges and create a business that can survive throughout the challenges.

Planning is the most important part of your business. Carefully analyze your business before you enter the grocery market. If you are ready to do it, use the "Plan for Action" insert to help plan before you approach stores. If you are prepared from the beginning, you will have better chances for success.

This publication was written and produced by Local Fare. The Local Fare program was originally started with an Economic Development grant from the UW Extension. It is an initiative designed to improve regional economic and community well-being by increasing access to locally grown products in Southwest Wisconsin. By providing professional development and networking opportunities to local producers, it promotes the connection of regional producers and consumers through stores, schools, farmer's markets and community-supported agriculture relationships. Local Fare is housed in the Office of Continuing Education at the University of Wisconsin-Platteville.