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# Scaling Up: Perspectives from Growers and Buyers on Barriers and Benefits to Wholesale Marketing of Local Fruits and Vegetables

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# Scaling Up: Perspectives from Growers and Buyers on Barriers and Benefits to Wholesale Marketing of Local Fruits and Vegetables

## **Abstract**

This report that explores the challenges and opportunities to increasing wholesale fruit and vegetable sales in Iowa and outlines strategies for the statewide Local Food and Farm Initiative coordinated by the Leopold Center. The report summarizes interviews with 15 Iowa growers and 12 wholesale buyers with experience in the local produce wholesale market.

## **Disciplines**

Agribusiness | Agriculture



**PRACTICAL** *farmers*  
*of Iowa*  
working together, always learning

# Scaling-Up:

**Perspectives from Growers and Buyers on Barriers and Benefits to Wholesale Marketing of Local Fruits and Vegetables**

**Prepared by:**

**Sally Worley and Marc Strobbe**

**September 20, 2012**



**FUNDS PROVIDED BY:**



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*Cover Photo:* Larry Cleverley displays a handful of robust garlic on his farm.  
*Left:* Guests view vegetable fields on Sara Hanson’s farm at a PFI field day.

## Report Overview

There is consensus among both growers and buyers that interest in buying and selling local fruits and vegetables through wholesale accounts is increasing. Currently, wholesale transactions of local fruits and vegetables are widespread across Iowa.

Despite this growing demand, interviewees identified several barriers to successfully maintaining and growing this wholesale market. Growers specified barriers including keeping production on par with demand and efficiency; adapting to wholesale prices and requirements; and business planning and management. Top bottlenecks for buyers include: product availability in-season; seasonal production in Iowa's climate; dependable wholesale volume; product sizing and

grading; food safety training for producers; access to "ready to use" processed local produce; producer liability insurance; and product packaging. Buyers desire a local food purchasing system that acts more like "the standard one."

Based on buyer and grower feedback, this report outlines strategies to overcome these barriers, including enhanced collaboration; efforts to help growers bridge the gap between retail and wholesale production abilities; eliminating variability for growers and buyers; better transportation and delivery systems; and more fruit and vegetable processing infrastructure.

## Introduction

Many fruit and vegetable producers across Iowa are considering scaling up in response to the expanding demand for locally grown food, in the hope of increasing their revenue. As they scale up production, they also need to increase and diversify marketing methods. Expanded marketing options include wholesale markets such as schools, institutions, restaurants and retail outlets. Producers want more information on the profit potential and functionality of these markets before making major changes to their operations.

Wholesale buyers have a similar perspective from the opposite side of the marketplace as they respond to consumer demand for local produce. Buyers committed to purchasing locally – who have sourced local products for years – are purchasing more local products, in higher volumes, from more farmers. At the same time, the percentage of buyers interested in local food has increased as more mainstream food buyers attempt to respond to consumer demand.

The purpose of this report is to provide perspective on how Iowa's current wholesale produce marketplace is working for buyers and growers; to articulate the barriers preventing both groups from fully capitalizing on this market; and to outline suggested improvements for this market.

Practical Farmers of Iowa surveyed and interviewed more than 40 farmers, buyers and food system experts for this report. Effort was made to gather diverse insight geographically as well as by size and type of enterprise in Iowa's wholesale marketplace. Information reported here comes from 15 growers and 12 buyers with experience in the local produce wholesale market.

Funding for the report was provided by The Ceres Foundation, the statewide Local Food and Farm Initiative and the Leopold Center for Sustainable Agriculture at Iowa State University.

## Perspectives from Experienced Growers

### 1. Genuine Faux Farm

Rob and Tammy Faux operate Genuine Faux Farm, a certified organic vegetable and poultry farm near Tripoli that has been operating since 2004. Rob and Tammy recently added wholesale accounts to their five acre vegetable farm. The bulk of their sales occur through community supported agriculture (CSA) and farmers markets; wholesale accounts comprise less than 10 percent of their total sales.

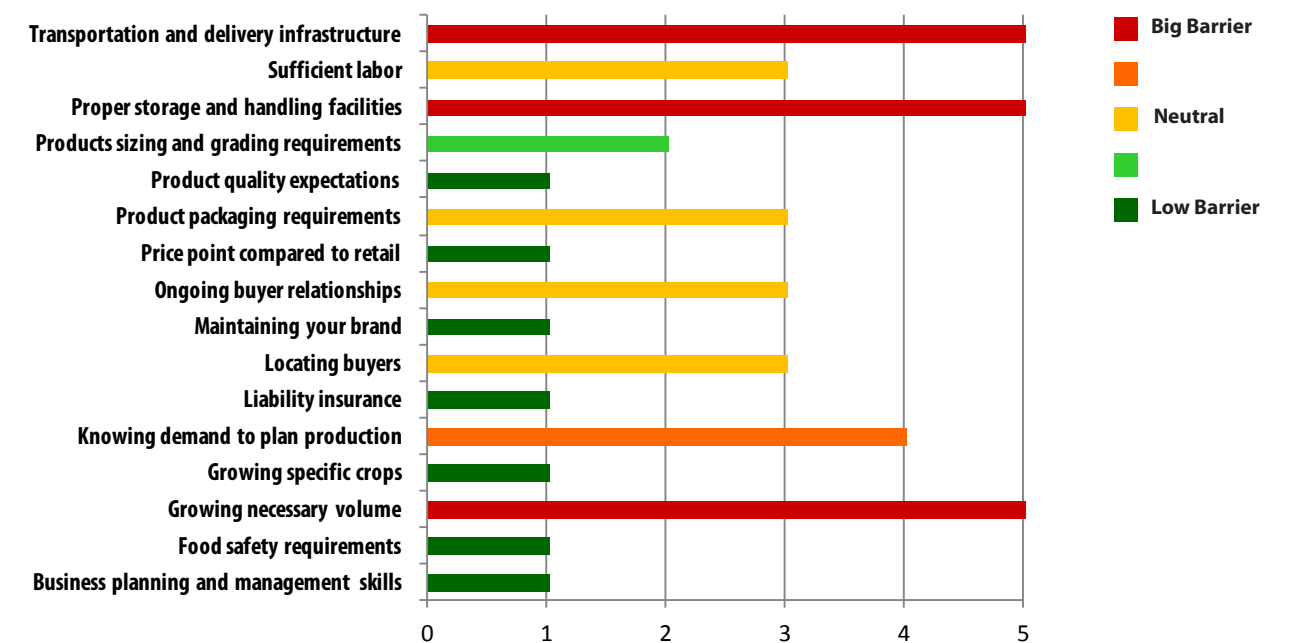
However, wholesale marketing is increasing for Rob and Tammy due to growing public interest in local produce as well as a supportive daycare interested in local food purchasing. Current Genuine Faux Farm wholesale accounts do not have particular purchasing requirements in place. The farm's wholesale marketing is limited by the time required to deliver to the market; as a result, it is too far to feasibly work into their schedule. In addition, the Faux's first priority for their products is their direct-to-consumer markets. Weather has also helped constrain yields that, if increased, would offer the potential for wholesale expansion.



Figure 1 below shows how the Fauxes ranked potential barriers to increasing wholesale marketing.

Rob and Tammy are interested in selling to individual accounts separately, and have no interest in other marketing models where another party is involved, such as an aggregator or distributor. Their main strategies for increasing wholesale marketing are season extension and adding product storage. Two secondary strategies they are considering include decreasing retail market outlets and investing in more labor.

Figure 1 – Tammy and Rob Faux's ratings of potential barriers to increasing wholesale marketing.



## 2. Growing Harmony Farm

Gary Guthrie has operated Growing Harmony Farm near Nevada for more than 15 years. He has gone into semi-retirement, but still produces carrots and some other crops on one acre. Before retirement Gary sold through a CSA as well as to restaurants and groceries. Since partially retiring, he has maintained his wholesale accounts but dropped his CSA.

Gary's wholesale accounts have been increasing due to demand for his product, consistent quality of his product, and the good price current wholesale accounts pay. The wholesale accounts he works with require him to carry liability insurance. Gary's wholesale marketing has been limited by lack of labor, margin and the price some wholesale accounts offer.

**Figure 2** shows how Gary ranked potential barriers to increasing wholesale marketing.



Gary is mainly interested in selling to individual accounts. His second preference would be either a farmer-operated aggregator and distributor, or a local distributor who sources and sells locally. Gary is less interested in working with a commercial regional distributor sourcing locally, and has no interest in working with a national distributor.

## 3. Scattergood Farm

Mark Quee has been managing the Scattergood Friends School and Farm for more than 10 years. The farm includes five acres in vegetable production, and has had wholesale accounts for almost a decade. Most of the food grown on the farm is consumed by the school. Of what they sell, between 10 and 25 percent goes to restaurants; the rest is sold retail through farmers markets.

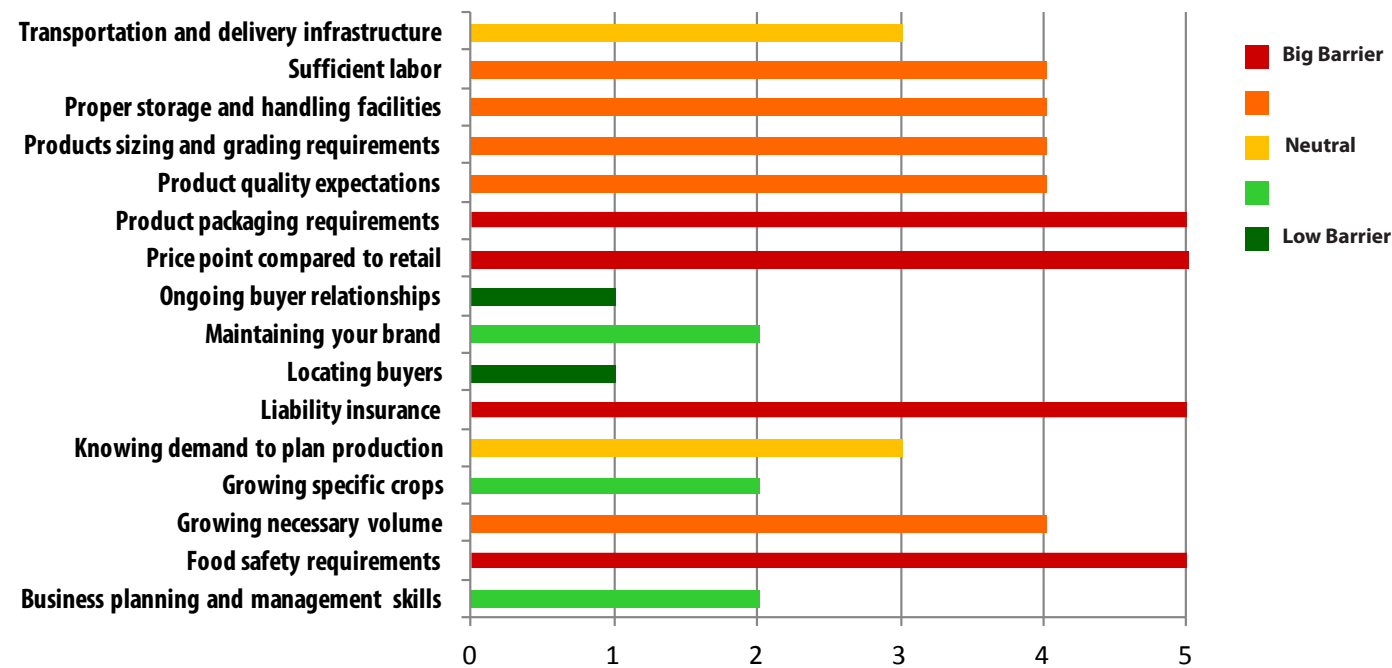


The farm's wholesale markets are staying at about the same percent of the farm's revenue. Mark discusses post-harvest handling and packaging with his accounts before making sales. Scattergood's wholesale marketing is supported by the farm's organic certification, the geographic proximity of its market and the large consumer base in Iowa City. Factors that limit wholesale success for the farm include time, labor and lean profit margins.

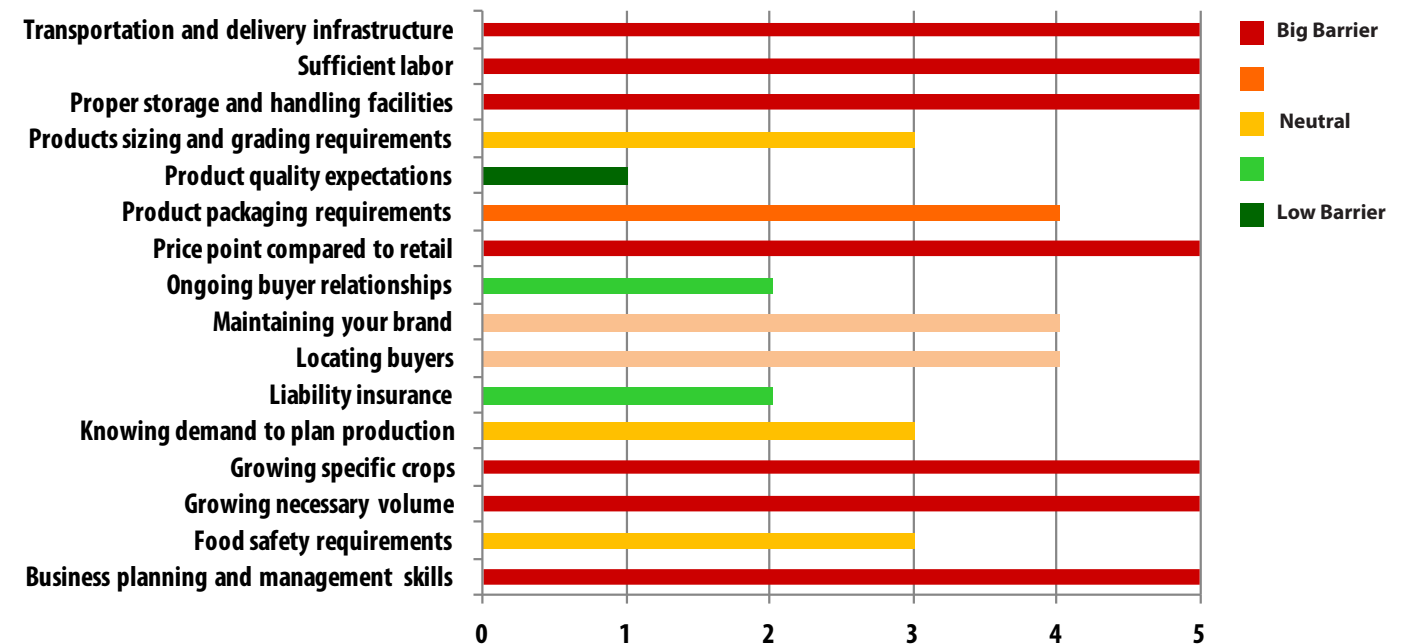
Mark prefers to sell wholesale to farmer-operated aggregators and distributors; local distributors sourcing and selling locally; and commercial regional distributors sourcing locally. His second preference is selling to individual accounts separately, and he has little interest in selling to a national distributor.

Primary strategies to increase wholesale revenue include investing in more equipment, investing in more labor and adding product storage. Secondary strategies include adding more acres and extending the season.

**Figure 2** – Gary Guthrie's rankings of potential barriers to increasing wholesale marketing.



**Figure 3** – Mark Quee's rankings of potential barriers to increasing wholesale marketing.



#### 4. Echollective Farm

Derek Roller of Echollective Farm has been farming for more than 10 years and has carried wholesale accounts throughout that time. He currently has 14 acres in vegetable production. He sells through farmers market, CSA, restaurants, groceries and provides products to his own food establishment. Echollective's wholesale markets have been increasing, and are supported by functional transportation, sufficient labor and sufficient precipitation. Echollective's wholesale success has been limited by rules and regulations for selling into wholesale, enough reliable labor and time.

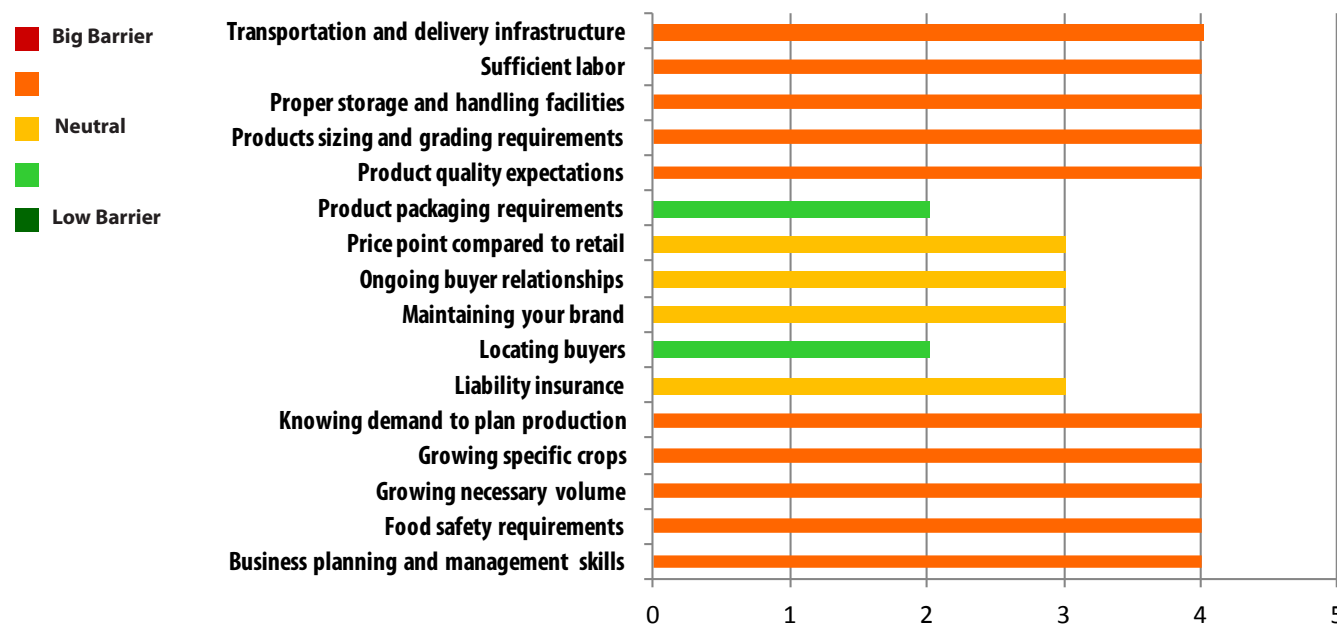


Figure 4 shows how Derek ranked potential barriers to increasing wholesale marketing.

Derek prefers to sell wholesale to individual wholesale accounts, farmer-operated aggregators and distributors, or a local distributor selling and sourcing locally. To increase wholesale, Echollective is investing in more equipment and labor; extending the season; and adding product storage and processing. Derek encourages those interested in selling wholesale to put good systems in place to get consistent supply:

*"I have a lot of tools to plan for wholesale demand. For instance, with red lettuce, I will use succession planting and seed 10 cases of red lettuce each week. I also use season extension to extend the season on some crops so we don't only have four weeks of availability. I have installed irrigation and water on a timely manner on successions. Wholesale produce can't wait on the rain, or you will not have a week or two of anticipated product, and then have three times the lettuce to sell."*

Figure 4 – Derek Roller's rankings of potential barriers to increasing wholesale marketing.



#### 5. Wilber's Northside Market

Julie and Scott Wilber have raised fruits and vegetables since 2003 near Boone and have about 20 acres in production. Wholesale grocery and school accounts make up 25 to 50 percent of their sales, and the rest of their produce is sold through farmers market, CSA and on-farm sales. The Wilbers' wholesale market has been decreasing over the years. Their wholesale accounts require liability insurance, a covered vehicle for delivery and clean boxes.



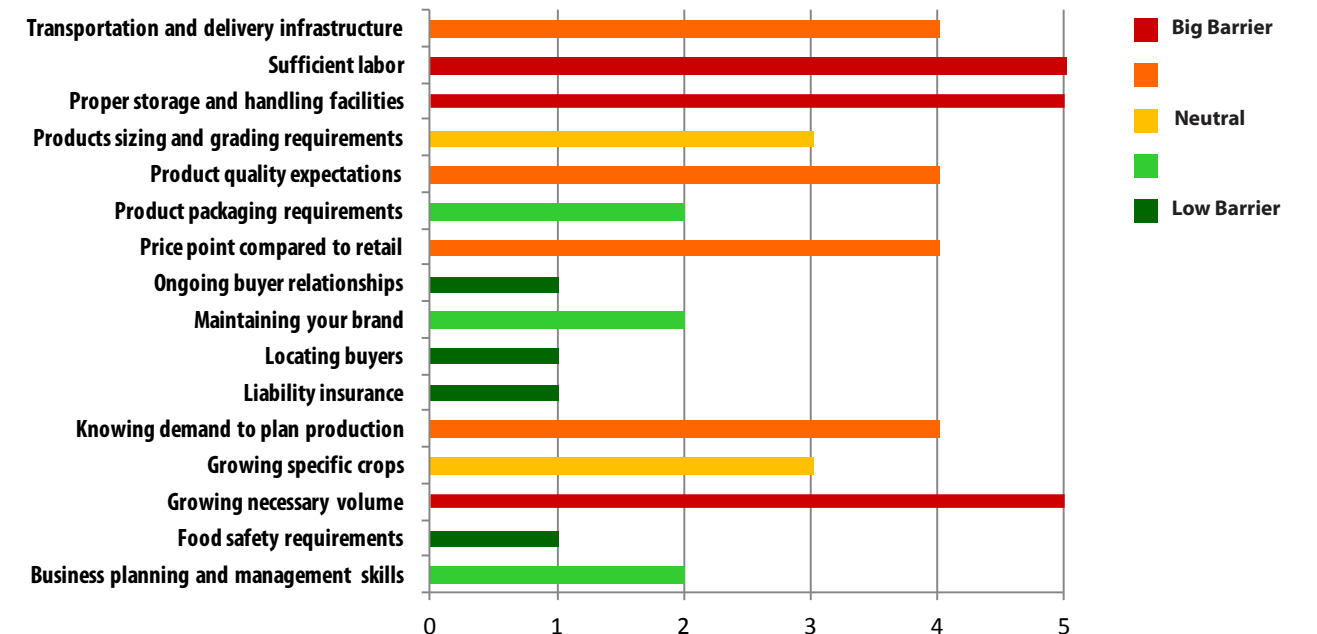
Their wholesale markets have been supported by close proximity of the accounts to the farm, the fact that their accounts don't require packaging, and that their wholesale accounts pay a premium for local produce. Limiting factors include low national market prices, lack of labor and stricter cleanliness requirements.

*can sell it to them for a really low price or be stuck with it because we can't sell wholesale quantities at farmer's market."*

*Julie: "The biggest issues are timing and pricing. They want the product when we don't have it or when we have a limited supply. When we have abundance they are having a huge sale, or national prices are down. We*

Figure 5 shows how Julie ranked potential barriers to increasing wholesale marketing. Julie prefers to sell to individual accounts separately. Her second choice would be to sell to a local distributor sourcing and selling locally. Her third wholesale marketing choice would be to sell through a farmer-operated aggregator and distributor or a commercial regional distributor sourcing locally.

Figure 5 – Julie and Scott Wilber's rankings of potential barriers to increasing wholesale marketing.



## 6. Cleverley Farms

Larry Cleverley has raised vegetable near Mingo for more than 15 years and has sold to wholesale accounts the entire time he has farmed. He produces fruits and vegetables on 8 acres, selling 50 to 75 percent wholesale to restaurants and groceries, and the rest through farmers market and CSA. Larry's wholesale markets continue to increase. His accounts require timeliness, quality and a constant supply for certain accounts.

**Larry: "I have a requirement for them as well: respect for the product."**

Larry's wholesale marketing is supported by the quality, uniqueness and shelf life of his products. He does not feel there are any limiting factors or barriers to selling into wholesale.

Figure 6 shows Larry's responses to limiting factors.



Larry is interested in selling to individual wholesale accounts. To increase his wholesale market, he is putting more acres into production, investing in more equipment and labor, and adding product storage.

Figure 6 – Larry Cleverley's rankings of potential barriers to wholesale marketing.



## 7. Rock Spring Farm

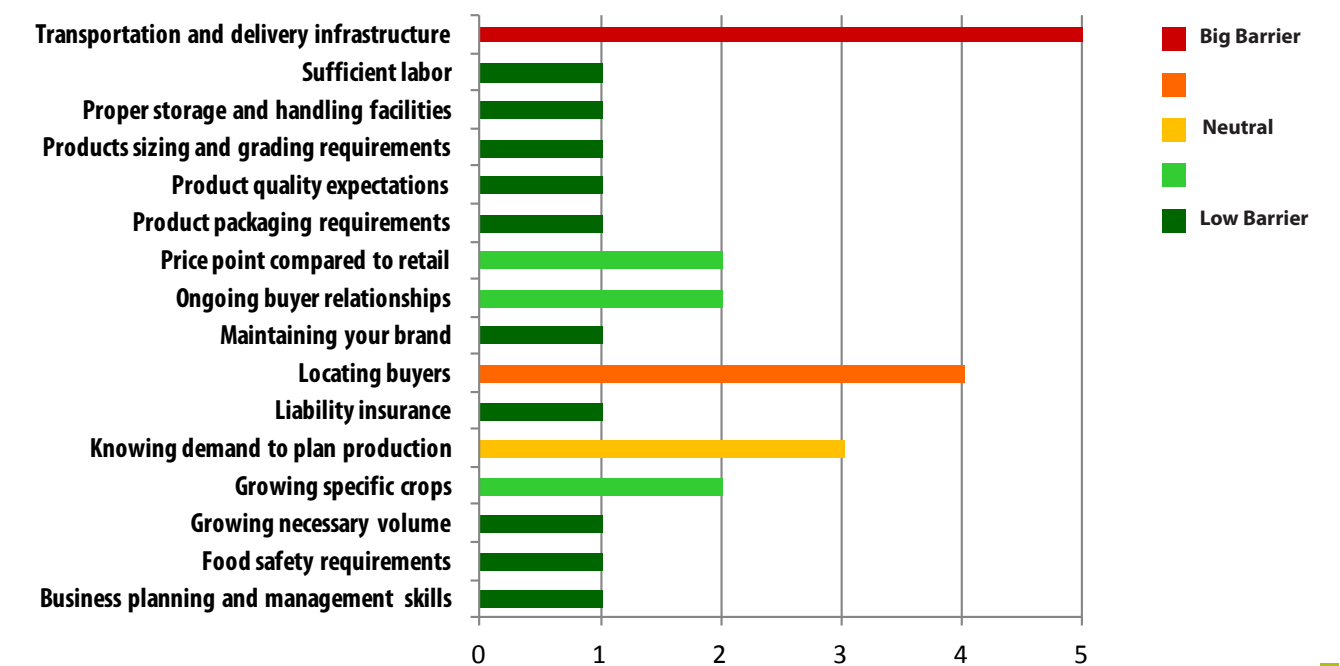
Chris Blanchard has run Rock Spring Farm near Decorah for 13 years and produces certified organic vegetables on 15 acres. He has carried wholesale accounts the entire time he has farmed. Chris' main markets are wholesale and include restaurants, groceries and an aggregator or distributor. Chris dropped farmers market a few years ago, has reduced retail accounts, and is stopping his CSA this season as his scale has increased and his focus has increasingly shifted to wholesale markets. Chris also consults through his business, Flying Rutabaga Works, and wholesale marketing makes the farm easier to manage efficiently, especially when he is traveling. Distribution partnerships are the key factor supporting his ability to sell into the marketplace, while distribution remains his main limiting factor.



For Rock Spring Farm, efficiencies are key to turning a profit. The farm uses machinery extensively. Belt seeders create uniform spacing. Chris: "It is fun to thin carrots, but I would rather make a profit on them." Strategies Chris plans to use to increase wholesale include adding more production acres and investing in more equipment and labor. Uniformity is important for wholesale accounts. **"When I had a CSA, it was okay to give a two-inch carrot along with a six-inch carrot to customers," Chris says. "With wholesale, they all need to be the same size."**

Figure 7 shows how Chris ranked potential barriers to wholesale marketing. Chris prefers to sell to individual accounts separately. Other outlets of interest include local distributors sourcing and selling locally, national distributors with local sources or branding, and commercial regional distributors sourcing locally.

Figure 7 – Chris Blanchard's rankings of potential barriers to wholesale marketing.



# Beginning Farmer Wholesale Perspectives

## 1. Mogo Organics

Morgan Hoenig has operated Mogo Organic near Mt. Pleasant since 2007. She raises fruits and vegetables on three acres. Morgan sells 10 to 25 percent of her products wholesale through restaurants and grocers, and the rest retail through farmers market and CSA. She plans to increase her wholesale accounts. Currently, her accounts do not have requirements in place for local produce purchasing. Her ability to sell wholesale is supported by high quality, unique products.



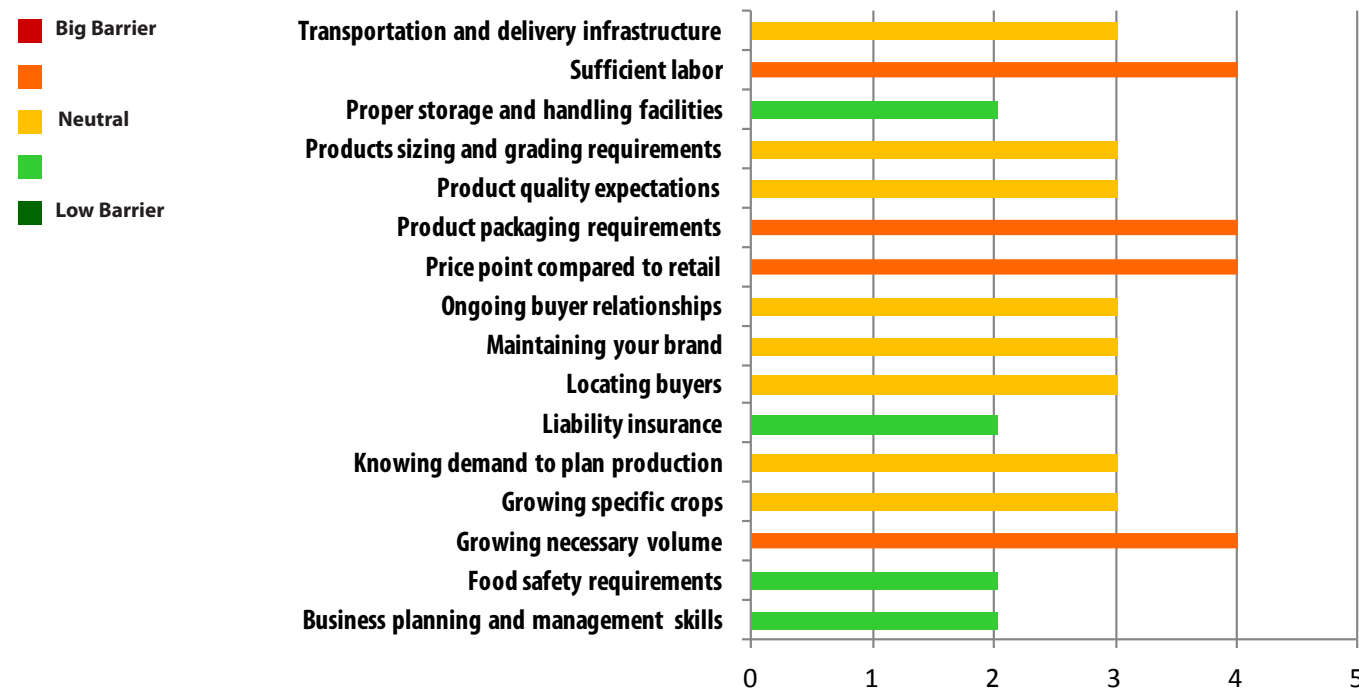
Morgan's wholesale expansion is limited by transportation logistics, packaging requirements and faith that the buyer will store and treat her product well.

Figure 8 shows how Morgan ranked potential barriers to wholesale marketing.

Morgan's first preference is to sell to individual accounts, and second preference is to sell to a local distributor sourcing and selling locally.

To increase wholesale revenue, Morgan would like to put more acres into production, invest in more labor and add product storage. A second priority strategy of hers is to implement more season extension.

Figure 8 – Morgan Hoenig's rankings of potential barriers to wholesale marketing.



## 2. G It's Fresh

Glen Elsbernd has operated G It's Fresh since 2008, near Cresco. He has 12 acres in production and sells more than 75 percent of his products wholesale to restaurants, grocers and an aggregator. Glen's wholesale market continues to increase. One of his buyers requires that products be certified organic.



Glen's wholesale abilities are supported by access to equipment, a good work force and a supportive family. Factors that limit Glen's wholesale markets are capital, cheap food and cash flow.

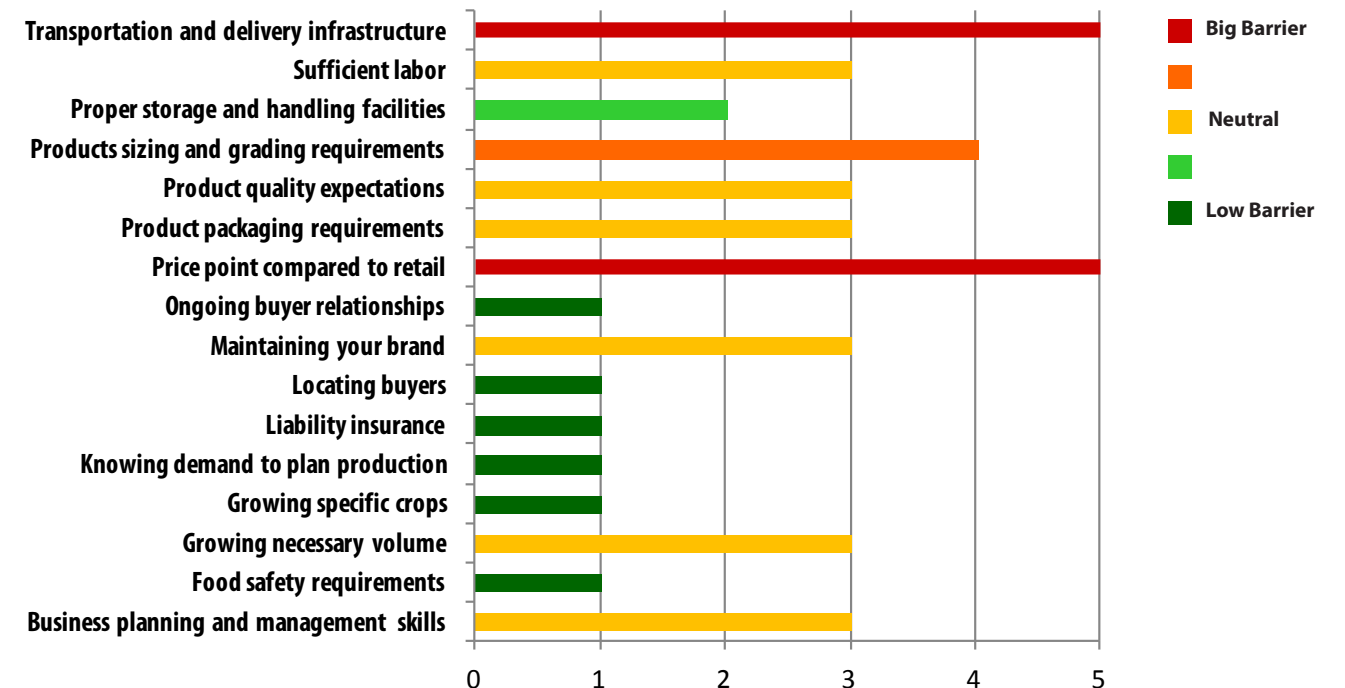
Figure 9 shows how Glen ranked potential barriers to wholesale marketing.

Glen would prefer to sell products through a farmer-operated aggregator and distributor, a local distributor sourcing and selling locally, or a commercial regional

distributor sourcing locally rather than selling separately to individual accounts.

Glen plans to use season extension to increase scale. He also plans to add more acres and product storage.

Figure 9 – Glen Elsbernd's rankings of potential barriers to wholesale marketing.



### 3. TableTop Farm

TableTop Farm is in its second year of production near Nevada. The farm grows vegetables on 15 acres, with 10 to 25 percent of sales going to wholesale restaurant and grocery accounts. Its retail markets include farmers market and CSA. "Some require GAPs (Good Agricultural Practices) training, others organic practices, but mostly just local and high quality," says co-owner Sally Gran on requirements their wholesale accounts have in place. The farm plans to increase its wholesale accounts.



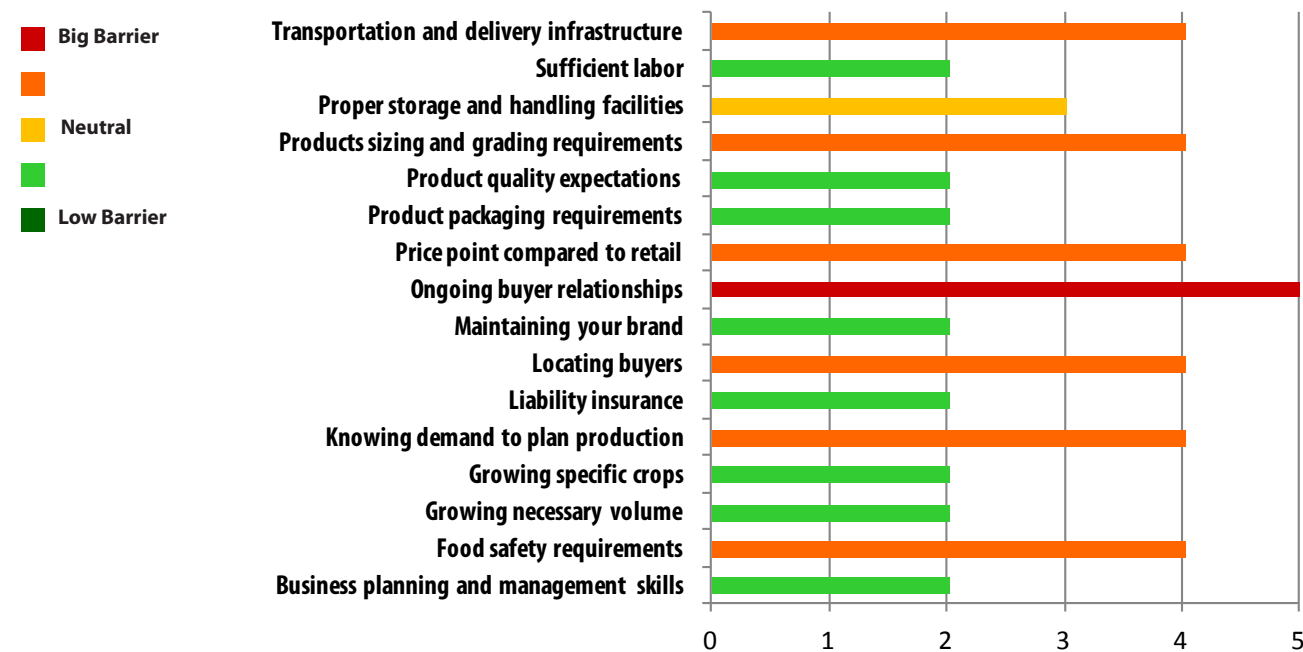
TableTop Farm's wholesale marketing efforts have been bolstered by an increased scale of production, season extension and connections with chefs. Wholesale marketing has been limited by distance to accounts. "It only makes sense to deliver to restaurants if we're doing a CSA delivery in Des Moines any way," Sally says. Wholesale has also been limited by the farm's difficulty coordinating supply and demand and connecting with chefs.

**Sally: "We don't know for sure what we'll have each week, chefs don't know for sure what they want each week – everything is last minute, which makes it complicated and sometimes a little stressful."**

Figure 10 shows how Sally ranked potential barriers to wholesale expansion.

TableTop Farm would prefer to sell wholesale through a farmer-operated aggregator and distributor or a local distributor sourcing and selling locally. The farm plans to increase its wholesale revenue by adding more acres, investing in more equipment and labor, extending its season, and adding product storage.

Figure 10 – Sally Gran's rankings of potential barriers to wholesale marketing.



### 4. Northwest Greenhouse and Floral

Mike Salama returned to his family's Boone-based greenhouse two years ago and has been adding produce to its offerings. He has grown fruits and vegetables in some of the family's greenhouses, and sold most of the produce (more than 75 percent) wholesale through restaurants, institutions and a distributor. The rest of his produce sales occur at farmers market. Mike plans to continue increasing wholesale accounts as he expands greenhouse fruit and vegetable production. Mike's wholesale accounts require food safety plans.



Wholesale marketing has been supported by the greenhouses capacity, location and availability of product in the off-season. Wholesale marketing for Mike has been limited by inconsistent volume throughout the year, heat bills and labor.

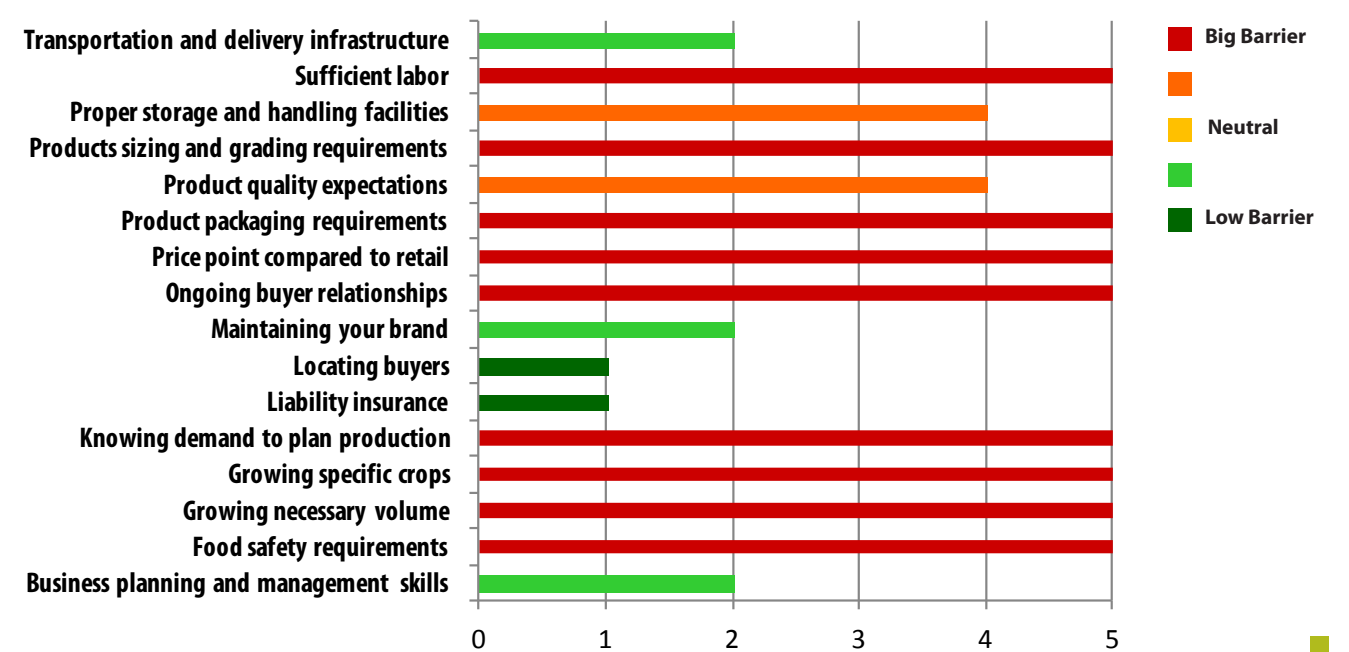
Figure 11 shows how Mike ranked potential barriers to wholesale marketing.

Mike prefers to sell to individual wholesale accounts. He would perhaps consider selling to a local distributor

sourcing and selling locally, or a national distributor with local sources or branding.

To increase wholesale revenue, Mike plans to increase production, invest in more equipment and labor, continue to extend the growing season, and add product storage and processing.

Figure 11 – Mike Salama's rankings of potential barriers to wholesale marketing.



## 5. Prairie Sky Farm

Sara Hanson has operated Prairie Sky Farm near Wesley for two years, and has one acre in production, five acres in alfalfa/hay and two acres in the Conservation Reserve Program (CRP). She has carried wholesale accounts from the beginning, with restaurant and grocery sales currently comprising 25 to 50 percent of her revenue. Her wholesale accounts continue to increase. Buyers require that she provide her farm description, growing practices and typical product available.



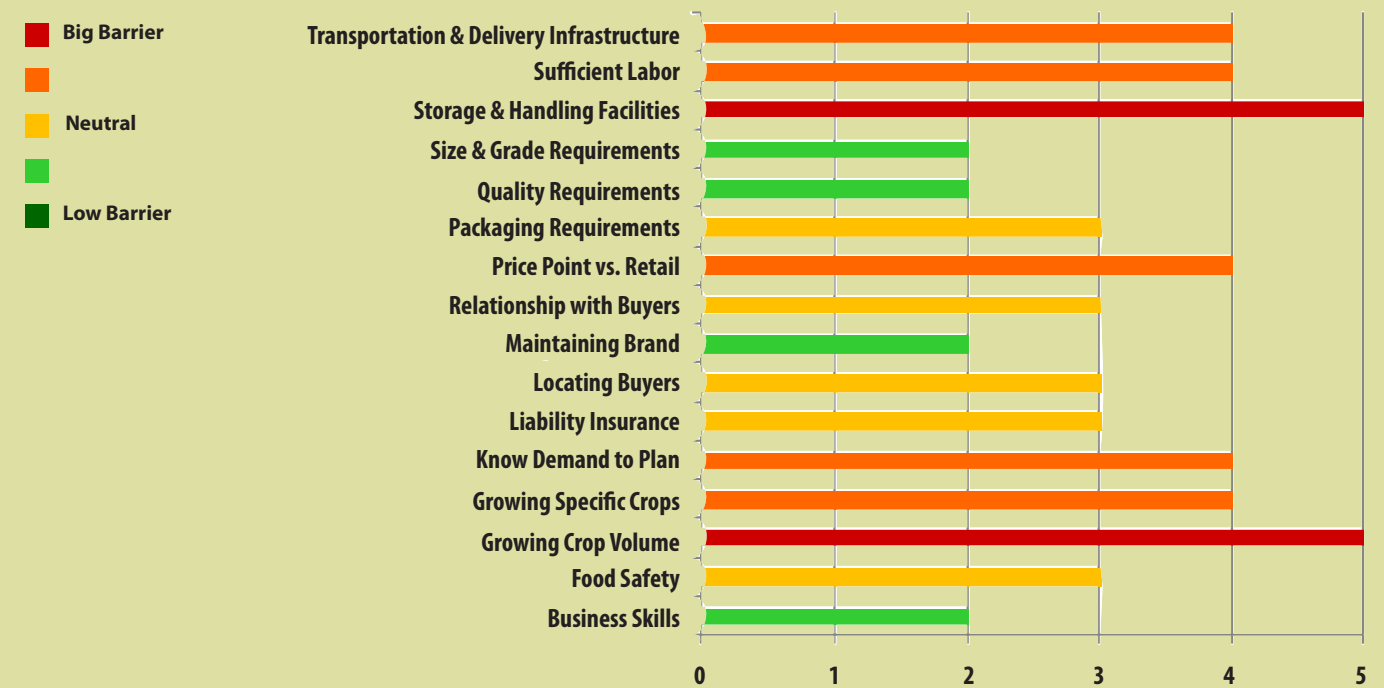
Sara's wholesale markets are supported by local interest and demand, support from Healthy Harvest of North Iowa, and her interest in selling into wholesale. Sara says that "getting to the proper scale for particular crops to really make a profit" limits her success in the wholesale marketplace. In addition, Sara needs to further investigate the profitability of selling to the wholesale market versus selling into local retail outlets. She also needs to upgrade her on-farm handling facility in order to provide more wholesale products.

To increase wholesale revenue, Sara's primary strategies will be to invest in more equipment and add product storage. Secondary strategies include adding more acres, extending the season and investing in more labor.

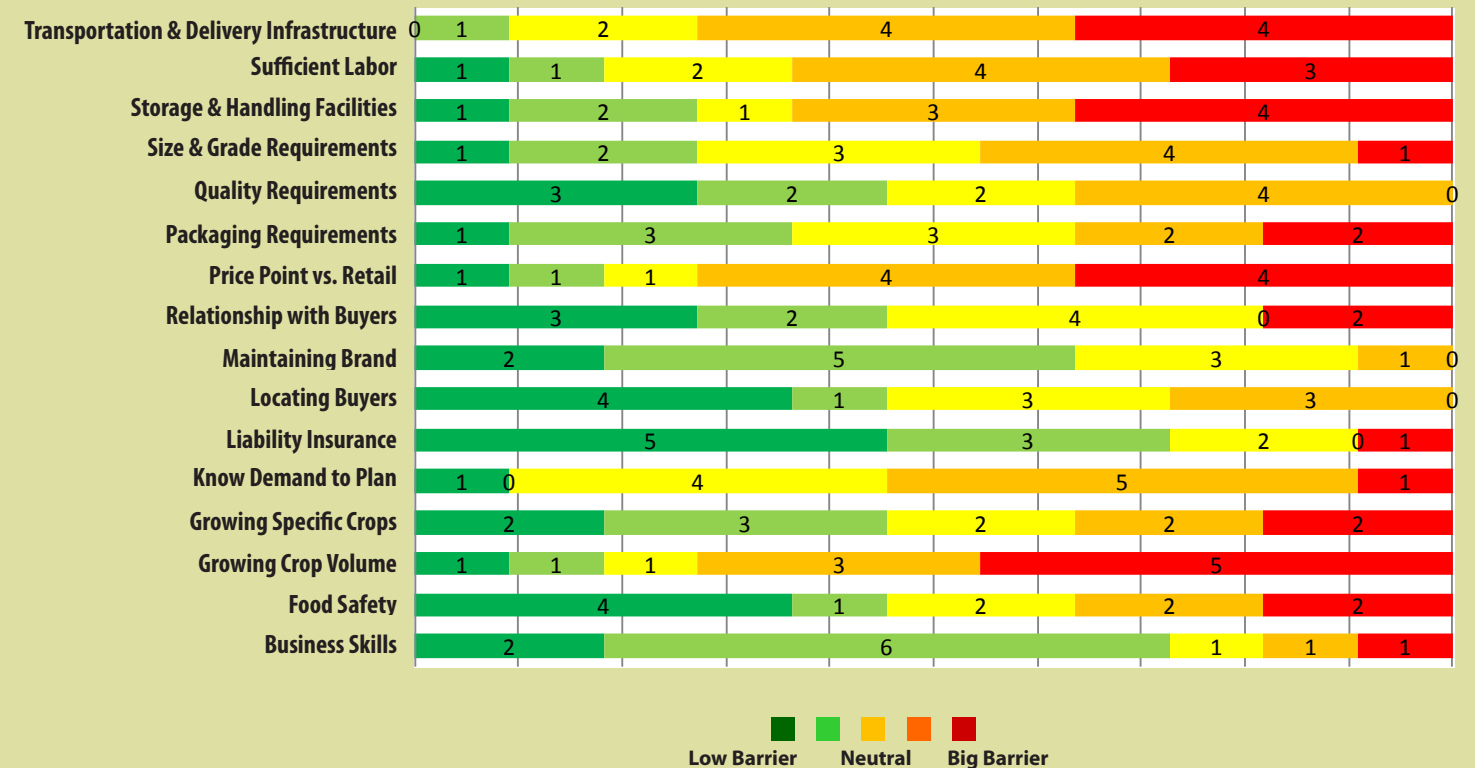
**Figure 12** (opposite page) shows how Sara ranked potential barriers to selling into the wholesale marketplace.

Sara would prefer to sell to individual accounts separately, but would also consider selling to a farmer-operated aggregator and distributor.

**Figure 12** – Sarah Hanson's rankings to potential barriers to selling into the wholesale marketplace.



**Figure 13** – How each farm interviewed in this report ranked potential barriers to wholesale marketing or expansion. Total responses for each difficulty rating are indicated in the respective color segments.



## Farmer Profiles on Wholesale Marketing

### 1. Pheasant Run Farm

Eric and Ann Franzenburg farm near Van Horne and have been farming for 20 years. This year they are growing 90 acres of herbs, 1 acre of flowers, 2 acres of strawberries, and 1.5 acres of blueberries. In addition, they are growing grape tomatoes, slicing tomatoes, mini peppers, strawberries, ginger and flowers in high tunnels or greenhouses.

All herbs are sold wholesale through brokers. The farm sells 25 to 30 percent of its flowers wholesale to local florists and 60 percent at farmers markets, while the rest are sold for special events such as weddings. Seventy percent of the farm's tomatoes are sold wholesale to grocery stores and institutions. Berries are sold exclusively retail. Ann: "They're not big enough for wholesale yet. These enterprises complement the farm's corn and bean operations."

The farm has been growing flowers for five years and produce for five. The Franzenburgs are continuing to scale up their specialty crop enterprises and increase their wholesale markets. "We are just getting established," Ann says, "and more buyers are seeing us as reliable growers."

#### Family & Community Support

The Franzenburgs are fully supported by their family in their efforts to scale up their diversified crops. "That's the biggest blessing we've had," Ann says. Eric and Ann's previous business experiences help them make sound business decisions. Eric's mechanical savviness "makes it feasible for us to use old equipment for our alternative enterprises," Ann says.

The community of growers they have been part of through Practical Farmers of Iowa (PFI) also supports their scaling-up efforts. Ann: "We are both fortunate to have Practical Farmers of Iowa. The passing-on of practical knowledge is indispensable. The Association of Specialty Cut Flowers is a PFI of the flower world. Both organizations have made many impacts on decisions we've made through the years. Plus, they help us not to feel weird and lonely as diversified farmers."



#### Challenges to Scaling Up

Ann and Eric find one barrier to scaling up is workload. "We are maxed out at the amount of management work we can do per day," Ann says. "The level of management we are doing is a little more than we want it to be." Labor is a minor limitation, though finding labor is not a problem. Ann: "Hiring large amounts of labor can be less profitable, so we need to balance productivity and profit."

The Franzenburgs grow certain crops exclusively in the greenhouse, and greenhouse "real estate" is high-value and in demand. "We are expanding our greenhouse space, so that will fix that barrier," Ann says. "It will be nice to have the extra space. Though, when you don't have enough, you become judicious about decisions. It makes us very deliberate about what marketing angle to take."

#### Managing Time & Resources

As they continue to scale up, Eric and Ann will continue to use mechanization to achieve efficiency. "We have always been lucky with our labor – we have good crews of high school and college kids each season," Ann says. "The shoulder seasons before kids get out of school and after they start again in the fall are tough, but labor has not been a limiting factor yet." Eric and Ann switch work schedules and crops to accommodate school schedules, and eventually would like to employ year-round, full-time employees.

### 2. Grinnell Heritage Farm

Andrew and Melissa Dunham produce fruits and vegetables on 18 acres near Grinnell. About half their crop is sold retail through CSA and farmers market, and half wholesale.

Grinnell Heritage Farm's increased scale and mechanization has allowed it to increase its wholesale markets. The farm sticks to a rigorous mechanized weeding schedule. Andrew: "We have about 10 percent of the weed pressure than if we didn't [rigorously weed], so it's much, much nicer."

#### Balancing Desire with Knowledge

Good relationships with grocers like New Pioneer Coop and Whole Foods Market have supported the Dunhams' wholesale market increase. Andrew says he is glad there are many new farmers entering fruit and vegetable production, and but that he thinks "there is a chicken and egg syndrome right now – we need to get beginning farmers' knowledge balanced with the scale at which they want to produce." As new growers get established, Andrew encourages them to focus their business around their strengths: "If your strength is marketing, sell directly to your customers. If it is production, focus on wholesale."

#### Limited Support for Specialty Crop Farmers

Andrew and Melissa have spent substantial time working with Farm Services Agency and have not found this to be a viable option. Because they both work full-time on the farm, they depend on the farm to support their family – so the lack of a substantive insurance safety net is a major source of volatility to the farm's livelihood. Melissa: "There is no insurance in the state of Iowa for fruit and vegetable growers. When Grinnell Heritage Farm suffers crop losses due to severe weather, like the drought and floods observed in the past few years, the farm suffers significant income loss as well. In the 2008 flood, the Dunhams lost \$100,000 in crop revenue. This year that



figure could double if the weather does not change soon," Melissa says.

#### Opportunities in Wholesale Demand

Andrew feels processing options for seconds and crop by-products will help support farms that scale up to meet wholesale demand. The packing shed the Dunhams built last year is plumbed for possible processing additions in the future. Andrew is excited about work being done in this area by Linda Gobberdale of Iowa Food Systems Council.

***"There is no insurance in the state of Iowa for fruit and vegetable growers. When Grinnell Heritage Farm suffers crop losses due to severe weather, like the drought and floods observed in the past few years, the farm suffers significant income loss as well. In the 2008 flood, the Dunhams lost \$100,000 in crop revenue. This year that figure could double if the weather does not change soon." – Melissa Dunham***

### 3. Kymar Acres – On Working with GROWN Locally

Practical Farmers of Iowa and GROWN Locally members Kyle and Mari Holthaus operate Kymar Acres in northeast Iowa, with five acres in production at their home farm and three more at another location. More than half their receipts are from wholesale, which is all transacted through GROWN Locally. The rest is retail at the Allamakee Farmers Market in Waukon, the two Winneshiek Farmers Markets in Decorah, and the Holthaus' new on-farm store. They like the stability marketing diversity offers, and production between the two systems varies little for them.

Kyle: "Wholesale has more handling and volume, but is less finicky and hands-on, so the two tend to balance out. Not much changes beyond that as far as our on-farm methods." Kymar Acres has been able to expand sales without increasing acreage by focusing on enhancing fertility and improving yields.

#### Collaborative Marketing Helps Meet Demand

"GROWN Locally helps bring together a number of similar farmers interested in collaboration to supply demand to a sizeable customer near our location," Kyle says. "If we were working solely on our own I'm not sure how we could do it. When farmers do all the marketing themselves, they end up robbing their fields."

As founding members of GROWN Locally, the benefits of collaborative marketing are not lost on Kyle and Mari after seeing the distributor improve over time. "After the coop hired staff the farmers could focus on farming. Early on the farmers took turns managing and marketing," Kyle says. "A farm is a business like others but production, managing and marketing skill sets are so different that it can be hard- some farmers may not speak consumer."



#### Challenge: Buyers Unsure of Long-Range Needs

The biggest barrier to success working with GROWN Locally is learning to accommodate buyers' needs.

Kyle: "Despite planning, getting buyers to say an actual number can be a challenge because they aren't used to forecasting out that far in advance. Also, buyers want to treat GROWN Locally like any other customer." Luckily, GROWN Locally advocates for the growers and explains they have price guarantees because of the added value of freshness and taste.

*"GROWN Locally helps bring together a number of similar farmers interested in collaboration to supply demand to a sizeable customer near our location. If we were working solely on our own I'm not sure how we could do it. When farmers do all the marketing themselves, they end up robbing their fields." – Kyle Holthaus*

### 4. The Homestead / Wilted Leaf Farm

The Homestead near Pleasant Hill produces crops on about 6 acres. The farm has been selling into wholesale markets for four seasons; wholesale makes up about 10 percent of the farm revenue, with the rest coming from CSA. Most of the wholesale business has been selling broccoli and potatoes to grocery stores.

#### Equipment as the Pathway to Scaling Up

Jason Jones, farm manager, is working to start his own farm that will sell largely to wholesale accounts. His primary strategy to do so is to scale up the farming operation by adding equipment. Jason: "I have the quixotic idea that I could do more myself if I had the equipment, which may be a trap. I would like to avoid a personnel-heavy operation, and plan to focus the farm's budget and scaling-up effort on equipment."

#### Corporate Local Foods Programs Offer New Outlets

Jason is drawn to selling produce wholesale due to the current market opportunity created by consumer demand. "I am seeing changes developing that make wholesale marketing seem more feasible," he says. Jason points to local corporation shifts that promote health: "Grinnell Health Systems is offering employees discounted Grinnell Heritage Farm CSA shares as part of its wellness program. Raccoon Forks Farm has a Meredith-sponsored CSA drop point and markets the CSA to employees to attempt to increase fresh produce consumption among employees. Healthways Insurance Company has cleaned up the cafeteria offerings and is interested in sourcing local produce."

#### Challenges to Increasing Wholesale

- Jason says one main barrier to increasing wholesale accounts is experience: "Getting land and equipment, and finding the market – I know it's there, but actually going out and securing it – are both things many farmers don't have experience with."



- Another barrier, he adds, is labor: "Not only finding people to do the job, but those who have experience. Vegetable farm work is not intuitive to most people."
- A third major barrier is infrastructure to wash, store and pack higher volumes of produce. "Potatoes take over 25 percent of The Homestead's storage space," Jason says, "and their storage temperatures are different than my other crops."

*"I have the quixotic idea that I could do more myself if I had the equipment, which may be a trap. I would like to avoid a personnel-heavy operation, and plan to focus the farm's budget and scaling-up effort on equipment." – Jason Jones*

## Buyer Perspectives: Restaurants

### 1. Rudy's Tacos

Barry Eastman of Rudy's Tacos in Cedar Falls has been a long-time supporter of local farms. His local food journey started in 1996, when a local producer brought him a couple chickens to sample. "Their taste blew me away," Barry says. "I just went crazy from there, switching everything to local." Barry did go crazy. His Mexican restaurant features typical Mexican food, with the exception that more than 75 percent of total food purchases occur locally. Fifty to 75 percent of the restaurant's produce purchases are local. Rudy's Tacos has regularly increased its local food purchasing accounts since 1996, and continues the effort to increase local purchases.

#### Local Foods Add Unique Appeal

Barry feels that his local purchasing efforts are supported by better products that his customers appreciate; he and his customers both like to know where their food comes from. He also feels that his local food gives him an edge: "As a restaurant, we're trying to put out the best product we can. Using fresh, local ingredients really gives you an advantage. It helps us compete in the world of chain restaurants."

Barry urges other restaurants to purchase from local growers. "A family restaurant with breakfast, lunch and dinner could go crazy with it. If a restaurant served local eggs and bacon, it would blow everyone away and would be so easy to do."

#### Producer Requirements

Barry requires that his producers agree to deliver during his delivery hours. Barry currently purchases from each local producer, and is not interested in purchasing through other modes such as aggregators or distributors. Sometimes he seeks out produce, and sometimes growers come to him.

#### Challenges to Buying Local

Barry's local food purchasing prices have increased, but "the quality more than makes up for it." However, the



cost of local produce is nonetheless a factor limiting local food purchases for buyers.

Availability is also a limiting factor for local fruit and vegetable purchases. However, Barry does not experience unexpected supply holes in his menu during the growing season: "My growers are good about giving me a heads-up when they are going to be done with tomatoes, or when frost is coming and supply is going to run out."

Other factors Barry perceives as limiting successful wholesale transactions of local fruits and vegetables can be seen in **Figure 18** (pages 40-41).

*"As a restaurant, we're trying to put out the best product we can. Using fresh, local ingredients really gives you an advantage. It helps us compete in the world of chain restaurants." – Barry Eastman*

### 2. Lincoln Café

The Lincoln Café in Mt. Vernon has been purchasing food from local farmers since its beginning; last year, it purchased more than 75 percent of the fruits and vegetables served from local sources. Owner Matt Steigerwald reports the café's local sales have been increasing. The restaurant's motto is "Food is important," and it lives by that motto by supporting local farmers and serving high quality food to patrons.

Matt seeks out local suppliers to meet the needs of the restaurant. He would prefer to purchase food from a local producer-operated aggregator and distributor or local distributor sourcing from local producers.



**Figure 18** (pages 40-41) shows how Matt ranked potential barriers limiting his restaurant's ability to source local food.



## Buyer Perspectives: Aggregator

### GROWN Locally

GROWN (Goods Raised Only With Nature) Locally is a grower cooperative in northeast Iowa now in its twelfth year. Its system, created by farmers to service farmers, is an example of a functioning aggregator that can help transact sales between buyers and growers.

#### Local Sourcing

All products, roughly 65 percent produce, are sourced from more than 30 member producers within a 60-mile radius. GROWN Locally handles marketing, aggregation and distribution to wholesale buyers in its home region. The staff recruits, trains and organizes growers and buyers alike to make the system work. GROWN Locally posts an updated availability and price list weekly, and delivers products every Tuesday and Friday through the summer season.

#### Challenges of Aggregator Model

GROWN Locally is constantly looking for more growers and buyers. "Supply is our number one limitation; there are never enough growers," says manager Johnice Cross. "Our demand goes up double digits each year, and increased 30 percent last year alone. We look for diversity and volume; we just added mushrooms and honey but still can't get enough carrots and other root crops." Marketing coordinator Kate Scott adds it is the same for buyers. "The goal is diversity in types and sizes of buyers; we want to keep expanding market access for our members."

Johnice: "It is initially a struggle to show the value of growing for GROWN Locally to growers. Sometimes, after a short time with GROWN Locally, a grower will go off on their own to capture all the revenue. Then they realize the services GROWN Locally provides are a great deal. They find out more money can be made if they



focus on growing, and we deal with the marketing and distribution." GROWN Locally is seeing an increase in "business savvy" growers who realize this value from the get-go.

#### Operational Practices

In winter, GROWN Locally's growers set prices per crop, allowing them to plan seasonal production. The cooperative has three pricing structures for buyers based on volume and delivery costs, and adds 20 percent to the set prices to cover co-op operating costs.

GROWN Locally also assists with Good Agricultural Practices (GAP) certification and food safety guidelines, when necessary. It created a grower manual and organizes certification trips so multiple growers can split the cost. GROWN Locally is in the process of looking for ways to use seconds – especially from new growers – that might not make quality requirements.

#### Improving the Wholesale Marketplace

To improve the local wholesale marketplace, Johnice says increasing supply is the top need. In addition, cash flow can be problematic at times. Wholesale buyers, accustomed to the billing cycles of the conventional system, may not pay GROWN Locally for one or two months, or even more. Because GROWN Locally prefers

to pay its growers within two weeks of delivery, it may start using a line of credit, based on those accounts receivable, in the near future.

Educating growers, buyers and the public is key for improving local wholesale transactions. Johnice: "Distributors are starting to get into local food purchasing and need to understand that these products are different and need to be treated as such."

For example, locally-produced fruits and vegetables typically arrive unprocessed, full of flavor, and extremely fresh. The freshness may increase shelf life, but the products have not been bred to endure shipping and rough handling. In addition, Johnice reports: "There is a learning curve for growers who are increasing in scale. Many growers think expanding will be easy, that they can move from a garden to selling wholesale, then they find out all that is involved and back out."

The time is right for increasing local produce available in the marketplace, according to Johnice: "As the health benefits of fresh, local food is being understood, end users of all types want local, from students and schools to restaurants. Local transactions are an economic engine for rural communities, keeping the money local, so it is a win-win for all."

***"There is a learning curve for growers who are increasing in scale. Many growers think expanding will be easy, that they can move from a garden to selling wholesale, then they find out all that is involved and back out."***

**– Johnice Cross**

*GROWN Locally Manager*



## Buyer Perspectives: Institutions

### 1. Luther College

Luther College sells prepared meals in its cafeteria as well as deli meals and retail sales of produce on its campus near Decorah. Luther has a plan to purchase 35 percent of its food from local farmers. Wayne Tudor, general manager of Sodexo Luther, the college's dining service, says Luther will reach that goal by June 1, 2013.

So far, the 35 percent has largely comprised local meat and dairy purchases, but Luther College's wholesale fruit and vegetable purchases, totaling roughly 10 percent last year, are increasing as well. Maren Strumme-Diers, Luther College's sustainable foods educator, says that "President Torgerson has challenged the campus to be a model and not a mirror in the area of sustainable practices, and we're working hard to exceed his expectations in the area of local foods."

#### Student Demand, College Commitment

Maren reports that Luther's local food purchasing efforts are supported by student demand; the fact that the college values sustainability and supporting the local community and economy; and strong administrative support. In fact, Luther has a substantial sustainability program: It is one of only eight colleges across the country that scored an "A" on the College Sustainability Report Card in 2011. A large component of Luther's sustainability plan encompasses food on various levels. In addition to local food purchases, the college works to further food literacy, regional food systems and college gardens.

Wayne reports that Luther's local food purchasing is supported by GROWN Locally, a local grower cooperative; fruit and vegetable producers in the area; and the college.

The college is interested in purchasing from any model of aggregator or distributor. With a food budget of more than \$1 million, it is too difficult for the college to deal with producers one-on-one.



#### Active Local Foods Sourcing

Luther Dining sets targets to actively expand local purchasing. Current purchasing requirements include Good Agricultural Practices certification, \$5 million liability insurance coverage, and a third-party audit. Luther seeks out new farmers, and farmers solicit Luther for business.

#### Challenges to Local Foods Purchasing

Maren reports that Luther's local purchases are limited by a lack of processing, aggregation and refrigerated delivery. Wayne adds that local fruit and vegetable purchases are limited by seasonal availability, lack of a food hub and price. **Figure 18** (pages 40-41) shows how Luther College ranked potential barriers to wholesale purchasing.

*"President Torgerson has challenged the campus to be a model and not a mirror in the area of sustainable practices, and we're working hard to exceed his expectations in the area of local foods."*

*– Maren Strumme-Diers,  
Luther College sustainable foods educator*

### 2. Iowa State University Dining

Iowa State University Dining has a five-year food plan in place with the goal of having 35 percent of food dollars spent locally by 2012. ISU Dining has been sourcing locally-produced fruits and vegetables for more than 10 years. Its fruit and vegetable purchases this year are less than 10 percent, but this number increases each year.

#### Customer Demand, Local Commitment

According to Karen Rodenkamp, ISU Dining's Produce Manager, local fruit and vegetable purchases are supported by customer demand, ISU Dining's commitment to supporting the local economy, and overall university/food service trends toward increasing local purchases.

ISU Dining has producer guidelines and a vendor application on its website detailing requirements that farms need to meet to be able to sell to the university. Some of these guidelines include vehicle insurance, packaging requirements and GAP training (not certification).

Karen is seeking out more local produce growers: "We are applying for grants to assist in getting more growers, as well as creating local contracts to assist in securing additional producers."

Karen is interested in purchasing from either individual producers or local or regional distributors and aggregators, but has less interest in purchasing from a national distributor with local sources.

#### Local Purchasing Limitations

ISU Dining's local produce purchases are limited by seasonality and availability, cost and lack of customer



demand (some customers are requesting local produce, others don't care where it comes from and want cheap food). **Figure 18** (pages 40-41) shows how Karen ranked potential limitations to purchasing local produce.

*"We are applying for grants to assist in getting more growers, as well as creating local contracts to assist in securing additional producers."*

*– Karen Rodenkamp,  
ISU Dining purchase manager*

### 3. Cass County Memorial Hospital

#### Dedication to Local Foods

Cass County Memorial Hospital in Atlantic has been striving to increase local food purchases since 2005, under the direction of Emily Kregel, food and nutrition director. Between 25 and 50 percent of Cass County Memorial's produce purchases are local, and this amount is increasing. The philosophy of buying local has been written into the Food Service Department's policies. Emily's advocacy has helped advance Cass County's move toward local purchases, along with regional work on local foods. For example, the Cass County Food Policy Council was formed in 2009 with the goal of increasing consumption of healthy, locally produced food while fostering more direct purchase among local farms, businesses and institutions.

"Purchasing local produce promotes more vegetable intake," Emily says. The hospital also gets good publicity and helps the local economy when its purchases fruits and vegetables from local farmers.

Cass County both seeks out producers and accepts product from those who approach it. The county requires that producers sign a contract and bring their fruits and vegetables clean and in clean containers. Emily would prefer to purchase local produce from individual producers, but is also open to purchasing from a producer-operated or local distributor.

#### Challenges: Insufficient Local Produce & Local Foods Champions

"There is not enough produce, and supply does not meet demand," Emily explains of one big barrier to the hospital's ability to purchase local produce. Right now the hospital purchases all the produce it can given the supply available in its area.

Emily labels herself as an "obnoxious supporter of buying local." But while her enthusiasm is crucial, it also points to a problem: Local food purchasing programs are not resilient if they depend on one cheerleader. And these strong proponents of the food system have limited impact: "The committed people are keeping the whole thing going while the system remains stagnant," Emily says. "Supply and the purchasing system need to



improve for more mainstream buyers to get in, or for everyone to really expand. Our very committed staff means we make situations work that wouldn't ordinarily pan out."

#### Local Foods Take Longer to Prepare

Another reality – and potential barrier – with local foods is the added preparation time when using local fruits and vegetables: All meals are prepared from scratch, unlike with processed products. There has been a learning curve, but the hospital staff has been supportive. Emily recalls one time "when the dirty potatoes came into the kitchen at noon, covered in mud," and she was "the person who got to wash those."

Another limiting factor is the ability to use purchased produce at its freshest. Fresh, local strawberries, for instance, are bred for flavor rather than transportation and should be used within a day or two of purchase for best quality. In comparison, lightly processed frozen strawberries not sourced locally could be served any time.

Figure 18 (pages 40-41) shows how Emily ranked other potential limitations to purchasing more local produce.

*"The committed people are keeping the whole thing going while the system remains stagnant. Supply and the purchasing system need to improve for more mainstream buyers to get in, or for everyone to really expand."*

*– Emily Kregel*

*Hospital Food and Nutrition Director*

## Buyer Perspectives: Grocers

### 1. Gateway Market

Gateway Market in Des Moines has been sourcing fruits and vegetables since opening in 2007. The store's local fruit and vegetable purchasing has increased, with 10 to 25 percent of its produce sales currently sourced locally.

Local producers are both sought out by Gateway Market, while others approach the market looking to become clients. Produce manager Jordan Clasen says that "after four-and-a-half years as produce manager, I feel I have a strong team of local farmers to fill my needs."

Jordan reports that local purchasing is supported by fresher products that are higher in nutrients, and the market's interest in supporting the local economy.

Gateway Market's first preference is to purchase product from individual producers, but would also be willing to purchase from a producer- or locally-operated aggregator or distributor.

The market does not have particular requirements in place before buying from local producers. "As long as their product looks great at a fair price for both myself and the producer, I try to give anyone a shot," Jordan says. "I have to take the producer's word on whether their product is truly chemical-free."

Gateway Market's wholesale purchasing is limited by logistics of dealing with multiple vendors, inconsistent



quality and marketing by farms, and high costs coupled with potentially high levels of shrink. Figure 18 (pages 40-41) shows how Jordan ranked potential limitations in the wholesale marketplace.

*"After four-and-a-half years as produce manager, I feel I have a strong team of local farmers to fill my needs."*

*– Jordan Clasen*

*Gateway Market Produce Manager*

## 2. New Pioneer Cooperative

### Long History of Local Sourcing

New Pioneer Cooperative, located in Iowa City and Coralville, has been sourcing local produce since it opened 40 years ago. Currently, 16 percent of its producer purchases are local, though that percentage is significantly greater during the growing season. New Pioneer works with 20 to 30 growers each year, and strives to have as much local produce on the shelves as possible. Only 1 percent of fruit sales are sourced locally. “Fruit production could be a good opportunity for a local grower,” says Mike Krogh, produce manager for the co-op.

New Pioneer’s mission is to “stimulate the local agricultural production of natural and organic foods by providing a market for such foods.” Its efforts are supported by educated staff, consumers and strategized pricing. The co-op promotes local farmers through marketing efforts, and has an educator on staff who talks about how local purchases are beneficial on multiple levels.

New Pioneer primarily sources from individual producers, but would be willing to source from local or regional distributors who source local food.

### Dependable Farmers; Good Communication

Patrick Brickel, New Pioneer Cooperative purchaser, says: “We have a consistent, dependable group of growers, and intentionally expand by asking our pre-existing growers to bring on new crops.” The cooperative sits down with growers each winter to look ahead to the next year.

Derek Roller, farmer with Echollective, which sells to New Pioneer Co-op, says: “We review how things went the last year and talk about new local items we would like to see on New Pi’s shelves the following year.”



### Year-Long Contracts = Reliable Two-Way Market

New Pioneer signs a purchase agreement with 12 to 14 growers for the next growing season each winter. The agreements are not legally binding, but provide a two-way commitment between the grower and New Pioneer Cooperative. “For the grower, this means a guaranteed market,” Mike says, “and for New Pi, this means less searching for local product plus a steady supply during the growing season.”

New Pioneer typically assigns one primary grower per each crop, but does sign agreements with more than one grower for staple crops like broccoli. “Broccoli is our best-selling vegetable year round,” Mike says. The agreement outlines crop description; pricing; ordering and delivery schedule; estimated weekly demand; and quality, packing and sizing requirements.

New Pioneer has a list of standards and expectations for operating procedures, handling and communication. Patrick: “It is very important that we have a professionalized growing community so that we can have operational consistency and adhere to strong internal standards.” Quality is the most important factor for local purchases. Mike: “Appearance of product is number one in retail: If it’s not pretty, it won’t sell.”

### Barriers to Local Foods Purchases

New Pioneer Cooperative expects its growers to be educated on grading, product sizing, bunch size,

packing, delivery box size, packaging and labeling. “The percent of local produce we purchase is limited by crop limitations for the climate,” Mike says. “Our customers want bananas, and those don’t grow in Iowa. The seasonality of Iowa’s climate also limits our purchases. We don’t sell Iowa lettuce in July – Iowa lettuce is tough and bitter in July.”

According to Patrick, local purchases are also limited by “the public’s fear of paying actual value for food pricing,” because he says, the people are “used to paying prices made possible by industrial agriculture. We see much less of that at New Pioneer than we would at conventional stores, though it is a factor in any environment.” Patrick feels disorganization on the grower’s end is also a factor limiting how much local food New Pioneer is able to purchase. Patrick: “We do make efforts to purchase from those growers who are more challenged in this regard, and we work with them to help improve their systems.”

**Figure 18** (pages 40-41) shows how Patrick ranked additional factors limiting New Pioneer’s local produce purchasing.

*“We have a consistent, dependable group of growers, and intentionally expand by asking our pre-existing growers to bring on new crops.”*

*– Patrick Brickel  
New Pioneer Co-op Purchaser*

## 3. Hy-Vee Council Bluffs

Hy-Vee in Council Bluffs has been sourcing local fruits and vegetables for more than 10 years, and reports that 10 to 25 percent of its produce sold is from local producers. Its local wholesale accounts are increasing, and produce manager Mike Rollins sets targets to expand the purchase of local fruits and vegetables.

Mike reports that local purchasing is supported by community and economic ties, and the freshness of local products. As for finding producers, Mike says that “some seek me out, and some names I get from other produce managers and call them.” Mike is willing to buy produce from individual producers, an aggregator or a distributor. Hy-Vee in Council Bluffs requires its growers to cooperate with its delivery, ordering and invoice systems. In addition, growers need to be GAP certified, turn in a form detailing their operation, and stand behind their commitment and product.

Mike reports that the three main factors limiting Hy-Vee’s ability to purchase local produce are cost, consistent quality and availability. **Figure 18** (pages 40-41) shows how Mike ranked potential barriers to purchasing local produce.



#### 4. Wheatsfield Cooperative

Wheatsfield Cooperative in Ames has been sourcing local fruits and vegetables throughout the cooperative's history. The store recently released a map illustrating where its 84 identified local producers are based. About 20 local fruit and vegetable producers are displayed on this list (see **Figure 14**, opposite). Wheatsfield purchases between 10 and 25 percent of its produce from local producers each year, and this number is increasing.

Adam Calder, produce manager, reports that Wheatsfield's local purchasing is supported by farmers with organic certification, farmers who provide quality products, and farmers with a consistent level of quality and availability.

Adam lets growers make initial contact with him for sales, but commits to those growers from that point: "I let local growers come to me, but after that I seek them out if I want to do business with them again." New producer receive a packet of forms they are required to fill out before Wheatsfield will purchase produce from them.

Adam's first preference is to purchase local produce from a locally operated aggregator or distributor, but he is also interested in purchasing directly from farmers, which is currently his main mode of local purchasing.

Adam says a big factor limiting the success of wholesale purchasing for Wheatsfield is "finding producers that can offer a competitive wholesale cost and yet run an efficient enough operation to make a living themselves."

— Adam Calder

Wheatsfield Co-op Produce Manager

He adds that farmers who are not certified organic, and those who supply low-quality produce or prove



inconsistent in quality and availability, present additional barriers to local produce purchasing.

**Figure 18** (pages 40-41) shows how Adam ranked other potential factors limiting Wheatsfield's ability to purchase local produce.

#### 5. Hy-Vee Mt. Pleasant

Hy-Vee in Mt. Pleasant has sourced local fruits and vegetables for more than 10 years. Produce manager Jay Kempker reports that the amount of produce sourced from local growers is less than 10 percent, and that the amount of local produce purchased is increasing.

Hy-Vee purchases from local growers to help their businesses succeed and because the growers provide personal customer assistance. "Customers think local tastes better," Jay says.

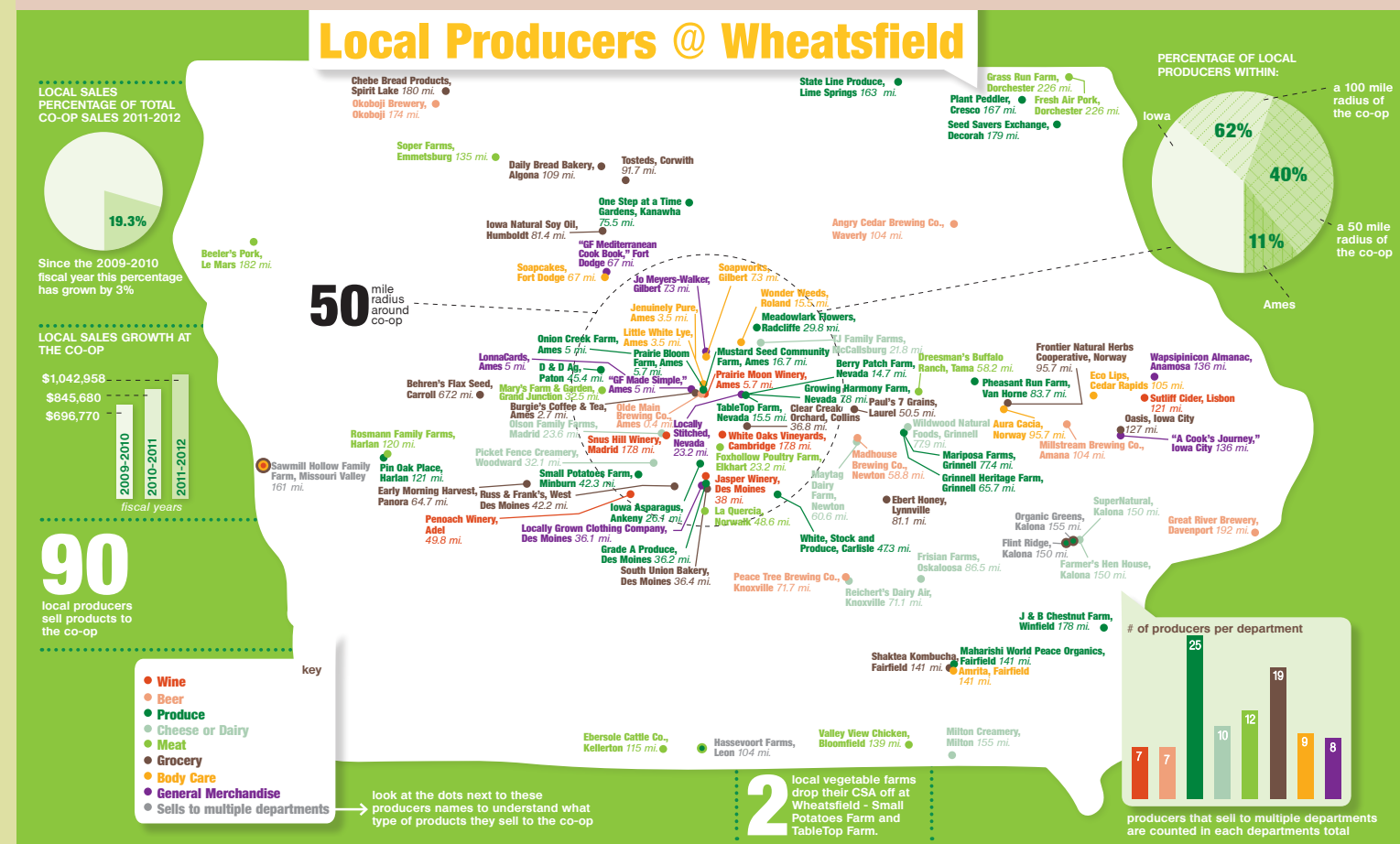
Jay says local growers approach him to begin a business relationship: "If they have it I'll buy it." Local producers

are required to fill out a questionnaire provided by the corporate office. Jay's prefers to purchase local products from a local distributor, but is willing to purchase from individual farmers as well as regional or national distributors sourcing locally as well.

Jay says product consistency, price and quality are the three main limiting factors for purchasing local produce.

**Figure 18** (pages 40-41) shows how Jay ranked potential factors limiting local produce purchasing.

**Figure 14** – Map showing local Iowa producers from whom Wheatsfield Cooperative sources some of the vegetables, fruits, meat and value-added products that it sells.



## Discussion

Fruit and vegetable production in Iowa used to be more prevalent: Iowa was once ranked sixth in the nation for both grape and apple production. Due to increased row crop production in the state, Iowa now ranks 42 out of 50 for vegetable production and 38 out of 50 for fruit production in the U.S.<sup>1</sup>

### High Demand

Currently, local fruits and vegetables are in high demand, and there is a growing sector of fruit and vegetable farmers interested in meeting this demand. Farmers markets and CSAs are increasing, offering more opportunities for people to purchase local fruits and vegetables.

At the same time, wholesale purchasers understand the benefits local produce provides their businesses by way of quality, freshness, taste and the farmers' stories, and these purchasers are showing increased interest and commitment to sourcing local produce. With Iowa's climate and rich soils, consumer demand and the surge of interest in the local foods movement, great potential exists to expand vegetable production in the state again. High-value fruit and vegetable crops have the potential to improve rural economies along with the health of Iowans.

### New Industry, Many Challenges

- **Learning from scratch.** However, fruit and vegetable production is a nascent industry in Iowa. Most existing fruit and vegetable growers did not obtain their knowledge of fruit and vegetable production from their parents; rather, they are learning the industry from scratch. Because fruit and vegetable acres are so low in Iowa, there is little existing transportation, storage or processing infrastructure for this industry.
- **Small scale.** The smaller scale of many existing Iowa fruit and vegetable operations prevents these farms from offering a sufficient supply to wholesale accounts on an ongoing basis. For instance, *Scott Coldiron of Vesuvius Wood-Fired Pizza in Ames, says: "I'd love to have local garlic, but I haven't yet found a producer who can supply me with 20 pounds of garlic each week year-round."* Many fruit and vegetable



farms are not currently set up to operate at a primarily wholesale scale. This equates to less consistent supply at higher prices.

- **Differing price perceptions.** When selling into retail, farmers can collect premiums for their products and have more flexibility in packaging, food safety plans, sizing and grading. Producers and purchasers repeatedly identified pricing as a barrier to increasing their wholesale relationships: Purchasers perceived prices to be too high, and producers perceived prices to be too low.
- **Lack of standardized local foods system.** Growers have less consistent experience with wholesale food purchasing systems, whereas buyers are used to purchasing from the industrialized food system, which focuses on efficiency and uniformity. Buyers repeatedly commented on the lack of a system, food hub, standard procedures and more. Many also noted that they would prefer a local aggregator to individual accounts, and would increase local purchases if a system "like the standard one" was available for purchasing local foods. *Mike Krogh at New Pioneer Coop said: "A more organized system would be great on our end; we could get more products and fill in the gaps when problems do arise."*

1. (USDA NASS 2007 Census of Agriculture).

## Strategies: Farmers

As Figure 13, on page 17, illustrates, barriers are not consistent among farmers interviewed for this report, but all were identified as problematic related to wholesale marketing. This illustrates that farmers need significant help in getting better prepared to sell to wholesale markets. **Figure 15** (next page) illustrates the strategies farmers want to employ to increase wholesale revenue. Decreasing retail was the only strategy not chosen as a main strategy. Increasing acres, equipment, labor, season extension, storage and processing were all identified multiple times.

Farms with track records of successful wholesale marketing, both inside and outside Iowa, can help educate farmers striving to succeed at selling into wholesale on how they have increased efficiency, infrastructure and scale to serve the wholesale market. Organizations working to advance local food systems in Iowa can address needs based on their farmer contingent. Because needs vary based on farmers' experience and markets, particular attention to current needs will help make programming relevant

### Production

**Challenge: Scale, Selection:** Many Iowa fruit and vegetable farmers grow a wide variety of crops on just a few acres. It is difficult to serve the wholesale market when farms are managing 40 crops and weekly availability includes a dozen tomatoes, 10 pounds of green beans and a case of lettuce.

**Solutions: 1). Planning, Pre-Season Commitment:** New Pioneer Cooperative helps its wholesale farmers plan for the next season by estimating their demand, and farmers can use this technique with their purchasers to grow enough to supply an account consistently for a longer part of the season. Farms interested in increasing scale to serve wholesale can be more effective by identifying what high-quality crop they can produce efficiently and getting pre-season commitment from a buyer to help plan the amount of crop they produce.



Profit is key to perpetuating a fruit and vegetable farm regardless of scale or market.

**2). Better Recordkeeping:** Detailed recordkeeping can help a farm determine if crops are profitable, and can reveal strategies on how to improve profitability. For example, if records indicate potatoes are losing money because of the labor required to harvest the crop, investing in a \$1,500 potato harvester may be an easy strategy to help improve profitability.

**3). Season extension** – which is increasing on Iowa fruit and vegetable farms – was identified by multiple producers as a strategy to increase wholesale. Because more farmers are employing season extension, there are now more opportunities to learn how to successfully extend the season to increase wholesale revenue.

**4). Wholesale Pricing:** Pricing for wholesale needs to be lower than retail pricing in order to create long-term wholesale relationships. Increased scales and efficiencies have the potential to reduce the cost per unit of production.

**5). Strategic Investments:** Successful scaling-up requires strategic investment in machinery and labor, which requires good knowledge of current profit and loss paired with sound business development skills.

## Strategies: Buyers

As identified in this report, many wholesalers who successfully source local food do so because of a local food champion on staff. These food champions are integral to advancing local food purchases. At the same time, if the success of local food purchasing is tied to one person in a company, there is the threat that local food purchasing will cease if this person leaves the company. Creating internal infrastructure to solidify local food purchases – such as having it be part of a buyer’s purchasing goal, or having multiple staff involved in the details of the process – can strengthen the long-term resilience of that company’s local food purchasing.

Buyers are experts at working with the functionality of the food system, locally sourced and otherwise – the very issues discussed in this report. This makes buyers “experts” on system logistics compared to growers. Since infrastructure is not currently in place for a completely efficient local food purchasing system, buyers can continue to help improve the process with their knowledge on its mechanics. While the system works toward functionality, dedicated buyers can continue to lead the way in local food purchasing by steering both growers and other interested buyers toward cooperation that is beneficial to growers in revenue and to buyers in high-quality local product.

### Collaboration

Most growers and buyers contacted were interested in further discussion to improve the wholesale local produce marketplace. Communication between buyers and growers can help provide education and understanding to advance this industry. Communication can take place in-person, online or in print. Examples include:

- Published data sheets outlining growers’ historical availability and buyers’ historical demand
- Buyers and growers talking about issues and possible solutions
- Open houses to introduce growers and buyers interested in creating business relationships



- Conversation on why pricing demands vary between buyers and growers, and solutions to bridge the difference
- Buyers with local vendors discussing how they incorporate local accounts successfully into their business

**Price being paid for local produce** was identified as too low by growers and too high by buyers. Continued collaboration on and efforts to understand the actual cost of production versus the food budget of the food purchasing company can hopefully lead to better mutual understanding of both parties’ needs, as well as common ground prices that satisfy the needs of each.

**Transportation and delivery** is the top concern for growers and a low concern for buyers. Because the burden of getting produce to the buyer is typically on the grower, educating buyers on the lack of good transportation and delivery systems will help them better understand the growers’ perspective. Transportation and delivery cost growers significant time, fuel and money.

As **Figure 16** (next page) illustrates, most growers are currently interested in handling transportation and delivery themselves, but are willing to consider other

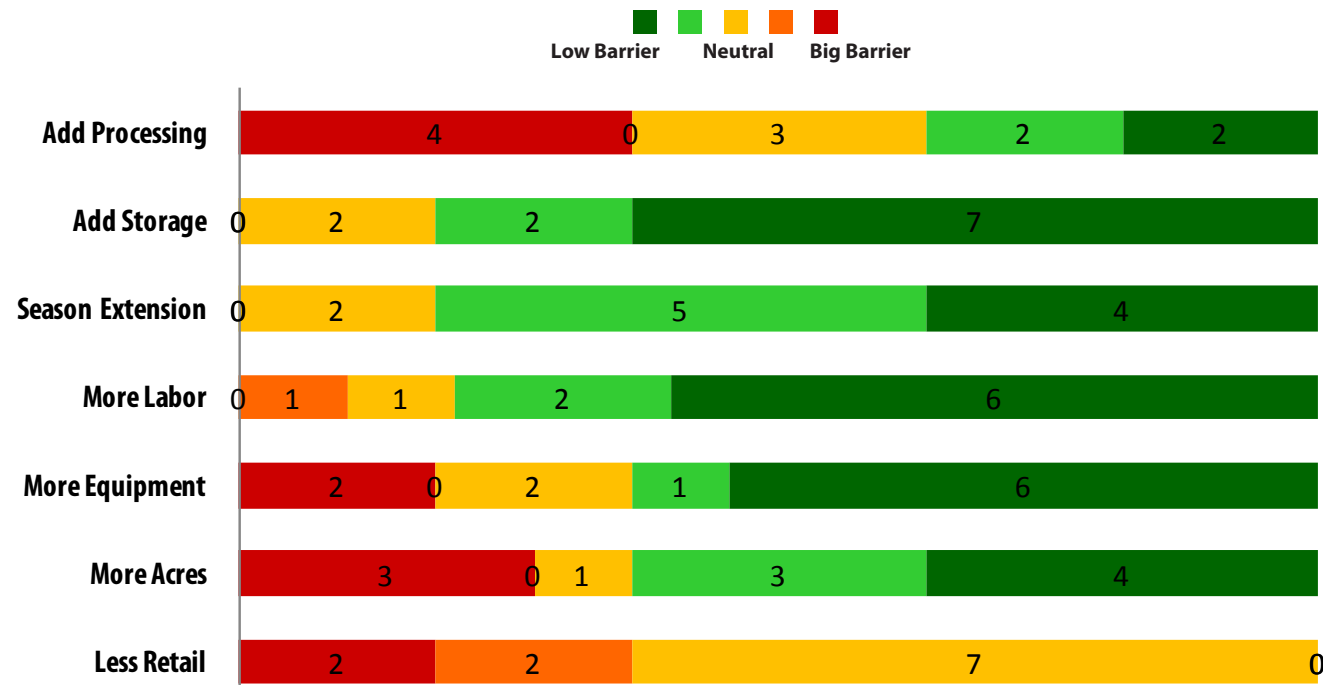


Figure 15 – How growers scored strategies to increase wholesale revenues.

### Business development

**Cost-Benefit-Based Expansion.** Scaling-up typically requires an increase in all aspects of the farming operation, from planting and weeding equipment to post-harvest handling, storage, transportation and labor. If farms have a crop they are interested in scaling up, calculating the cost-benefit of investing in proper farm infrastructure will be beneficial in deciding if the scale increase is justified and feasible.

**Consistency, Professionalism.** Buyers cite grower product variability, disorganization, lack of professionalism and inconsistency as problems. Business training that promotes salesmanship, professionalism and reliability will improve farmers’ relationships with their accounts. Farmers frequently wear all the hats of their business, making it hard to appear business-like when coming in from the

field. “I put my clean shirt on before making sales,” says Sioux Center vegetable farmer John Wesselius.

**Strong Business Plan, Lender Relationships.** Farmers may need capital to add farm infrastructure in order to produce at a scale sufficient to sell into wholesale accounts. Completed business plans and strong relationships with lenders, both traditional and innovative, can help farmers access this capital.

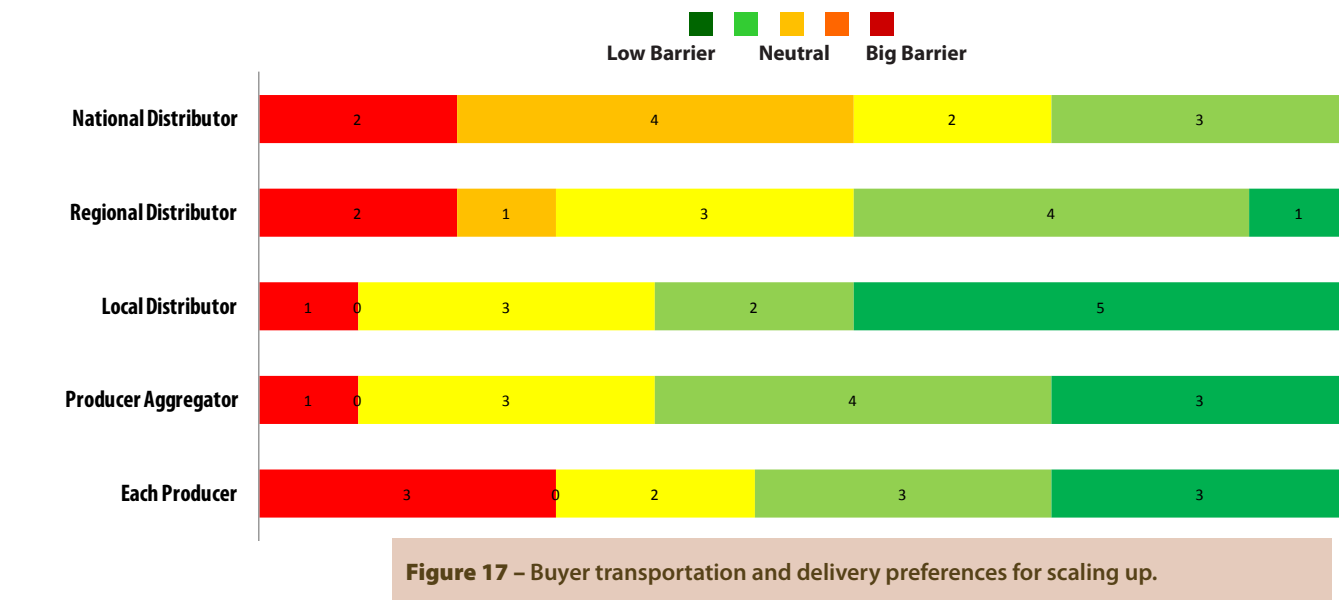
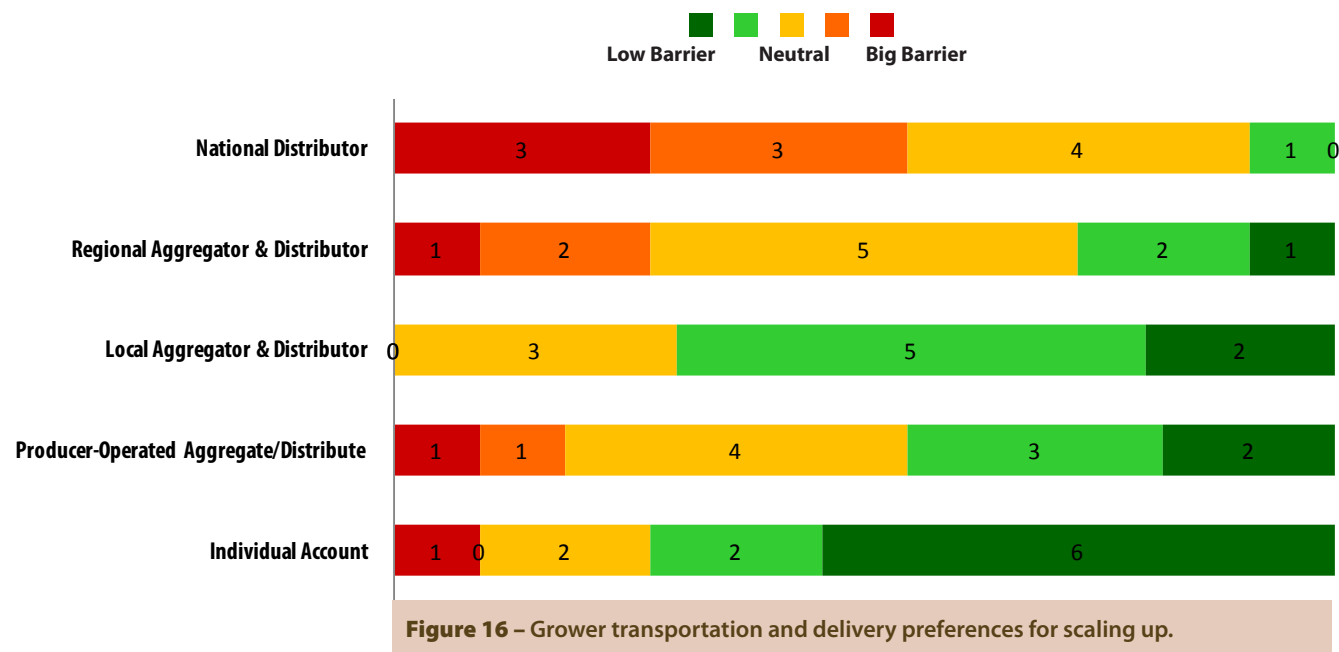
**Wholesale readiness.** Education on aspects such as food safety, sizing, grading, labeling and packaging would benefit farmers’ preparedness to sell wholesale.

In addition, collaboration among farmers could help provide enough products to pique a wholesaler’s interest, and may result in more commitment from the buyer.

*“I put my clean shirt on before making sales,”*

*– John Wesselius*

*Farmer, Sioux Center*



options. Buyers, on the other hand, are willing to work with multiple transportation and delivery structures, as illustrated in **Figure 17** (opposite page).

**To cope with these costs, growers learn to:**

- create minimum order guidelines
- add delivery stops to a route to justify the costs
- deliver multiple farms' products in one trip
- add an aggregator to handle transportation, and consult with the "commodity food system" or a proven delivery system, such as a package delivery company, to implement some of their efficiencies.

Established aggregation systems that exist in the local food system, like GROWN Locally, could educate interested groups. More functional aggregators and distributors have the potential to change growers' perceptions that they want to handle this transaction. Business development professionals can consult on methods to empower entrepreneurs interested in handling food system delivery as a business opportunity.

**Product processing** provides an infrastructure opportunity. Buyers identified lack of access to locally processed products as a concern, while adding it is of some interest to growers as a strategy to increase wholesale revenue.

Methods similar to those outlined above in transportation and delivery could result in a collaboration among growers, buyers and food system entrepreneurs to create local-sourcing produce processors. Unique benefits to a scaling-up food system would be many. Any number of problems in several parts of the system could result in produce unfit for retail sales, exacerbated by the high number of inexperienced growers and buyers.

Through processing, shrink and loss can typically be converted to income-generating products for growers, and could also support sales of local produce for buyers.

For beginners and those new to sourcing locally, this can be an essential safety net.

**Funding on-farm infrastructure to scale up** is a large barrier. Organizations working to help farmers scale up can help by identifying funding assistance programs available, and help farmers access these funds. For example, the Value-Added Producer Grant, Business and Industry Loan Guarantee Program, Beginning Farmer Loan Program, Farm Storage Facility Loan Program, and Environmental Quality Incentives Program high tunnel cost-share have all been used in Iowa in the past few years to fund fruit and vegetable farms.

Crop insurance available in Iowa does not sufficiently protect fruit and vegetable crop losses and premiums. Collaborative work on solutions to provide crop insurance will help farms be able to scale up with less risk.

## Conclusion

Despite functional shortcomings, Iowa's local wholesale marketplace is vigorous, has matured beyond start-up status, and is trying to expand. There is vested interest from buyers, growers and consumers to increase the amount of produce moved through wholesale accounts. Continued systemic changes for improved functionality will help buyers and producers reach their comfort zones on each end of the food system.

# Appendix: Buyers' Perceived Barriers Chart

Figure 18 –

## Buyers' Perceived Barriers to Scaling Up

Buyer responses are tracked by color across columns that represent a potential barrier, with internal numbers indicating how barriers were ranked on a scale of 1 to 5. The number "1" indicates the buyer ranked the item as "not a barrier"; the number "5" indicates the buyer reported the item "was a barrier."

- Rudy's Tacos
- Lincoln Café
- Luther College\* (Maren Strumme-Diers)
- Sodexo Luther Dining\* (Wayne Tudor)
- ISU Dining
- Cass County Hospital
- Gateway Market
- New Pioneer Co-op
- Wheatsfield Co-op
- Hy-Vee Council Bluffs
- Hy-Vee Mt. Pleasant

\*Note: Two people from Luther College responded to the survey administered for this study.

