

There is a second category of direct marketing in which a farmer sells directly to retail operations such as restaurants and grocery stores. While restaurants, and grocery stores are not considered “consumers,” information about sales directly to these types of venues are included in this handbook. These strategies describe marketing in which farmers personally sell their products to a retail operation, avoiding the use of a broker or a wholesaler and increasing their own revenue potential.

This fact covers:

- selling to restaurants; and
- selling to grocery stores.

Selling to Restaurants

Restaurants and caterers can be a great place to sell products that are high quality, interesting, or unusual. Washington State has many innovative chefs looking for unique products that they can incorporate into outstanding meals.

While many caterers offer only a limited number of pre-planned menu options, specialty caterers provide an excellent opportunity for farmers to sell products and form custom grower relationships. Many caterers will do forward contracting with producers for significant quantities of specialty crops and flowers at premium prices.

For restaurants, small, independent ones in your community are the best place to start. There are roughly 12,500 restaurants in Washington according to the Washington Restaurant Association. A good percentage of these are independently owned and operated. Seattle Chefs Collaborative members run numerous restaurants and food service operations and more than 100 buyers networked with small farms to purchase products at the 2009 Farmer Chef Connection Conference.

While most chain restaurants depend solely on large distributors and have standard menus that depend on regular deliveries of a limited number of fresh ingredients, the opportunity to provide for the needs of an independent restaurateur are much greater. Seek out those establishments that offer daily or weekly specials or seasonal menus to increase the likelihood of finding a good partner. A chef that values the benefits of local sourcing and is willing to take the extra steps to develop a relationship with the farmer is the best guarantee of success. However, the producer must understand their responsibilities in this association. Whether providing a single ingredient for a special event or supplying a vast array of produce for the menu, the grower needs to understand the interdependence of supply and expectations in the kitchen.

If there is a more challenging business than farming with the whims of weather, crop and market uncertainties, disease, and pests, then it is definitely the restaurant trade. A strong partnership is enhanced when the farmer tends toward “under promising and over delivering.” When a chef has certain expectations and a dining room filled with anxious diners, you do not want to be the cause for added stress. Quality and consistency are the keys to success.

Chefs are best approached in the morning by calling ahead and making an appointment. Do not call at meal times. At your appointment take samples for the chef and be sure to share what products you have available, how long you will have it, and the quantity, timing, and price. Developing a spreadsheet or list of the products you will have throughout a year and highlighting what you have fresh each week are also valuable communication tools.

Chefs will often be interested in your growing practices and the story of your farm and may highlight these on their menu. Growers that have unusual products and products that are available early or late in the season or through the winter may find restaurants a good, strong market. Restaurants typically utilize smaller quantities than a grocery store.

Farmers selling to restaurants will need to establish good bookkeeping systems that include clear invoicing and accounts receivable. Most restaurants will not pay on delivery and may pay monthly. It is important to keep track of deliveries and always be sure to get a signed invoice in duplicate. File one copy for yourself.

Benefits of Selling Directly to Restaurants

- Great market for smaller quantities of high quality items.
- Creates an opportunity to build a strong relationship between the farm and chef.
- Farm may be highlighted on the menu and in the media.
- Higher price point is often available.
- Can take non-standard sizes and products may not have to be graded.

Challenges of Selling Directly to Restaurants

- Farms need to be in constant communication with restaurants which can take a lot of time.
- It may be difficult to match delivery times with restaurant needs.
- Farm must deliver high quality product every time.
- Farm may not be able to sell enough quantity to make it work.
- Must be able to have clear invoicing and detailed accounting.

The annual Farmer Fisher-Chef Connection Conference hosted by the Seattle Chefs Collaborative brings together regional food producers and buyers for business-to-business networking, presentations and workshops. The conference is typically held in February or March in Seattle. Please see: www.seattle.chefscollaborative.org.

Selling to Grocery Stores

Grocery stores come in all sizes: from the very small with one store or co-op, to regional chains with a few stores, to the national chains with hundreds of stores. Specialty food stores, natural food stores, co-ops, or full service grocers on a neighborhood scale are often independent and will have more flexibility to work directly with farms.

Small stores can be a great place to start with grocery sales. As they work with you, they may offer feedback and support. Larger grocery retail may be a better fit for medium sized farms and orchards.

Washington has twenty-one food co-ops according to the National Co-op Directory at www.coopdirectory.org and more than 500 independent grocers according to the Washington Food Industry. In fact, Washington ranks # 2 in the United States for the greatest number of independent grocers. These stores may buy anywhere from one case to multiple pallets of product from farmers.

To find a buyer in a grocery store, you can call ahead or visit the department and ask for a buyer. Setting up an appointment is recommended.

As with restaurants, having high quality products and delivering what you said you would when you said you would are imperative for a successful relationship with a grocery buyer.

Be sure to share your product samples, a product list for the full season, and pricing with the grocery store. It is also good to bring your business license, and any other certifications you might have such as Organic Certification or Good Agricultural Practices (GAP) certificate.

Grocery stores can offer you higher volume sales, and generally require deliveries in boxes that are labeled with your farm name, and product description. The product description should include the product's quantity if bunched and sold by the each, or weight if bulk and sold by the pound. Ask the buyer what sort of packaging or labeling requirements they prefer before you deliver.

Products may also need to be sized or graded to industry standards and may require a UPC or PLU code.

To set your prices, consider subtracting 35-45% from your retail or farmers market price to create a wholesale price for a grocery store. It is vital to be able to explain your prices to the grocer so that they are more likely to pay what you need and can explain it to the end customer. Grocers may pay more if there is a good reason such as a special flavor, variety, or something else that makes your product special.

It is also critical to have a clear system for invoicing grocery stores. They are used to working with distributors and often do not have time to dedicate to handling individual farmer invoices. A good, clear, or professional invoicing system could set you apart from other vendors.

Farmers may increase sales at the store by creating point of sale signage that highlights your farm and growing practices with pictures. Be sure to talk to the grocer about what size of signage would work best in the store. Sampling by the producer has been found to significantly increase sales.

Grocery store point of sale (POS) technology at the cash register may require a PLU (product lookup number) or UPC code (Universal Product Code that is represented by a barcode) on products.

Most grocers use the universal PLU numbers to identify bulk produce, herbs and nuts. Growers, packers and shippers are reminded to check before ordering PLU labels to ensure PLU information for their use is current. A complete list of Global PLUs is available on the Web at www.plucodes.com. Look under Produce Coding.

UPC codes are used to identify primarily packaged products. A UPC code is a unique 8 or 12 digit number accompanied by a barcode that identifies a manufacturer and their product. A UPC code can be purchased from a UPC generating business. UPC codes can be expensive, so check with the grocery store to make sure they are required. Be sure to plan ahead that there is plenty of a supply of the sizes of packaging and flavors you want to use in order to minimize the long term costs. For example, if you were to have a UPC code for jam you produce, the product number would vary to represent each different size of the same flavor and to distinguish flavors of the same size.

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Benefits of Selling to Grocery Stores

- Great market for larger quantities of quality items.
- Opportunity to reach a larger customer base and educate consumers about your products.
- Can be a strong outlet when harvest is more abundant than planned.
- Possibility for long term relationship and feedback for new products.
- Opportunity for custom growing.

Challenges of Selling to Grocery Stores

- Communication with buyer needs to be constant, and may need to be daily.
- Must meet orders and deliver deadlines.
- May not be able to sell enough quantity for profitability.
- May need standard sizes; labeling and packaging.
- May need to get a PLU or UPC code on your product.

Recommended Fact Sheets: Food Processing, Insurance, Licensing

For further assistance or to make suggestions on how to improve this fact sheet, please email smallfarms@agr.wa.gov or call (360) 902-2057 or (360) 676-2059.