



# Growing Wholesale Produce for Small and Mid Scale Farms

Presenter: Ariel Pressman



# Introductions

Ariel Pressman ran Seed to Seed Farm for the past 7 years. He grew 13 acres of certified organic produce and sold exclusively to larger wholesale markets like coops, grocery stores and school districts. Seed to Seed specialized in growing Brussels Sprouts, Cucumbers, Peppers and Kohlrabi

Ariel currently works as the Director of Certification at the Real Organic Project. The Real Organic Project is a farmer founded nonprofit fighting against the dilution of standards in the national organic program. We manage an add-on label to USDA Organic that certifies a farm is not hydroponic or a CAFO, and is otherwise following not just the letter, but the intent of the certified organic standards. The inspection and certification are completely free to farmers. More information at: [realorganicproject.org](http://realorganicproject.org)



# General Overview of Wholesale

- 1) What is wholesale?
- 2) Pros and cons of wholesale
- 3) Important concepts in wholesale
- 4) Types of wholesale



# What is Wholesale

In produce farming wholesale is selling a large quantity of produce to an individual buyer. The exact amount depends on scale. However, this means you will generally be growing less crops in larger quantities for a small number of accounts.



# Pros and Cons of Wholesale

Like with any farming or business model there are significant pluses and minuses to consider

**Pros:** Very high efficiency, potential for higher gross per acre, money for higher quality equipment, less customers to manage, ability to not grow crops you don't like/are inefficient

**Cons:** Higher risk, high infrastructure/equipment investment, more competition with big ag (local and national), limited/crowded market, higher paperwork/bureaucracy burden



# Important Concepts in Wholesale

- The point of wholesale is to be as efficient as possible. Good wholesale requires you to streamline your operation. This almost always means reducing your number of customers and your number of crops
- Efficiency in wholesale means leveraging your relative scale to save money and increase your margin
- Wholesale in vegetable growing is by definition higher risk than other models. You need to be aware of your risk tolerance and risk exposure at all times.



# Types of Wholesale

There are many different models of wholesale. Which is most appropriate for you will depend on your scale, resources, risk tolerance and crop diversity. Many farms can and do mix the different types of wholesale within their operation

- **Small scale**: This consists almost entirely of restaurant type accounts
- **Medium scale**: This consists of larger restaurants, coops and smaller food service accounts
- **Large scale**: This consists of food distributors and supermarket chains



# Considerations in Choosing a Wholesale Model

- What do you enjoy the most about farming?
- Are you/will you be certified organic?
- How much land, infrastructure and labor scale do you have available?
- What is your personal capacity for paperwork and general bureaucracy?
- How many crops do you want to grow?
- What is your ability and preference for grading produce?
- What is your risk tolerance?





# Small Scale Wholesale Accounts (pt 1)

This model consists almost entirely of restaurants of a small and medium size

- These accounts will require a larger diversity of produce
- They will also generally put in much smaller orders in the \$150-\$400 range
- Quality is important but grading often is not. The large majority of produce in a restaurant is processed. This means you can often sell a relatively large portion of what you harvest



## Small Scale Wholesale Accounts (pt 2)

- Paperwork, insurance and food safety certification requirements are minimal
- Accounts are generally inconsistent due to high turnover
- This is the only type of wholesale that is widely available to non certified organic farms
- These accounts will pay the highest prices: 50%-70% of retail



# Medium Scale Wholesale Accounts (pt 1)

This model consists of larger restaurants, coops and smaller food service companies/processors

- These accounts will generally require a moderate variety in produce offered
- These will need a large quantity of whatever you grow available throughout the season
  - Think: 200-400lbs of cucumbers per delivery instead of 40lbs of cucumbers per delivery with small scale
- Orders will be \$500 plus per delivery.
- Deliveries will be expected to be done in a professional manner. For example: correct case size and packing, order palletized and invoiced professionally



## Medium Scale Wholesale Accounts (pt 2)

- Some accounts will require proof of proper insurance and food safety certification.
- Due to multiple management layers these accounts are generally very consistent
- Grading becomes very important
- Almost all of these accounts will require you to be certified organic



# Large Scale Wholesale Accounts (pt 1)

This model consists entirely of food distributors and supermarket chains

- These accounts will want the least variety but the most quantity
- The distributor I sold to bought only 10 crops- but for example bought over 1000 lbs of cucumbers per week
- Orders will often be from \$2,000-\$5,000 per delivery
- All parts of the process must be highly professional



## Large Scale Wholesale Accounts (pt 2)

- Grading is very strict. Expect to compost up to 50% more than you would with CSA or farmers market
- All accounts will have their own food safety and insurance requirements you will need to meet.
- Paperwork burden is very high
- **Must be certified organic**
- These accounts will pay the lowest prices: around 30% of retail



# Seed to Seed Wholesale Customer Distribution

**Year 1:** \$40,000 @ 100% small scale wholesale

**Year 2:** \$80,000 @ 50% small scale and 50% large scale

**Year 3:** \$160,000 @ 20% small scale and 80% large scale

**Year 4:** \$320,000 @ 5% small scale, 10% medium scale and 85% large scale

**Year 5:** \$380,000 @ 20% medium scale and 80% large scale



# Wholesale Goals

- To figure out what model is the best fit for your farm we need to work from the top down
- Throughout this presentation always keep this in mind. A model that technically works but doesn't fulfill your goals is meaningless.
- Example of personal goals: More income, weekends off, no evening work
- Example of farm goals: Be the best known Brussel Sprouts grower, use your farm size to advance policy you care about





# Profit goals and profit margin

One of the main advantages of wholesale is that our gross and margin are fairly straightforward to calculate

- Calculating what your profit goals are and what your expected profit margin is are very straightforward steps to understanding if your wholesale model can help accomplish your personal and farm goals
- Your profit goals are the amount of personal money you need, after taxes, from your business
- Profit margin is the percentage of your gross sales that are profit



# Limiting and Advantageous Factors

- The most important factors to consider in setting your farm up for wholesale success are what factors create a ceiling on different aspects of your farm
  - For example if you only have a certain amount of acreage, access to labor or credit access this will limit how much you can gross and what accounts you can access
- In the same way knowing what advantageous factors you have can help grow your wholesale business quickly
  - For example: If you have industry contacts, an especially large amount of land or labor, specialized knowledge or growing expertise



# Limiting and Advantageous Factors Case Study

At Seed to Seed there were very specific limiting and advantageous factors that I took into account when deciding the long term trajectory of my farm

- There were only 15 tillable acres which meant if we were going to gross 350K-400K all crops had to gross an average 30K plus per acre
- There was only enough housing for 5 employees meaning with super intensive crops like salad greens on a large scale there wouldn't be enough labor
- To my advantage I have a very strong ability to deal with bureaucracy and paperwork so I often pursued accounts like Whole Foods that I knew many other farms my size wouldn't want to take on
- I happened to be one of the only larger Brussels Sprout growers in the region when they started becoming hip again. I leveraged this to get new accounts on board



# Infrastructure

- Because wholesale requires such streamlined activities it often requires much larger infrastructure investments than equivalent CSA or market farms
- Using your knowledge of your own operation you can figure out the capacity of your current infrastructure.
  - For example: How many produce boxes (and gross dollars) can your cooler on average hold at one time
  - You can then match these numbers to your expected wholesale output



# Infrastructure Advantages in Wholesale

One of the major reasons to take a wholesale approach is the equipment it can finance

- Because wholesale models are more streamlined and tend to gross a higher amount per acre you can afford to invest in better quality equipment
- This lowers your long term risk (can resale for higher amount)
- Depending on how you operate this can either be a major or minor advantage
  - For Seed to Seed: I am not very mechanically inclined so having newer equipment was a major benefit to the business as well as to my quality of life



# Infrastructure: Post Harvest

Because wholesale produce goes through multiple layers before arriving with the end user it needs to last longer than produce sold at market or for CSA. This means wholesale operations will often need different post harvest infrastructure.

- **Post harvest infrastructure needs to be focused on bringing produce temps down as quickly as possible**
  - This means you will need properly sized coolers and compressors (no coolbots)
  - Harvest aids like a veggie veyor or even just a covered hay wagon can reduce the in field temp of produce limiting the burden on your cooler
- **Post harvest infrastructure also needs to clean produce better**
  - For example: for cucumbers a brush washer is needed as just a water tank will leave a dry film on the cucumber
- **Post harvest infrastructure needs to provide additional opportunities for grading**
  - That means brush washers need round tables, packsheds need ample light ect.



# Seed to Seed Infrastructure

The below infrastructure is to give an example of what we had for major infrastructure (along with the price paid) in our last year where we grossed between 350K and 400K

(3) 30X150 High Tunnels- 36K Total

(1) 45HP Tractor - 5K, (1) 65HP Tractor- 28K, (1)- 100HP Tractor - 13K

(1) Kress Kult Cultivator - 12K

(1) Raised Bed Plastic Layer6K

(1) 24'' Brush Washer- 5.5K , (1)- 14X36 Walk in Cooler - 15K



# Labor on the farm

- **Labor on wholesale operations differ in a number of key ways compared to CSA and market farms**
- Farm employees often need to spend large portions of the day, if not all day, harvesting the same crop.
- Farm employees need to have a very high attention to detailed grading standards
- Wholesale operations will generally require a larger amount of labor per acre compared to other models
- Generally wholesales farms do not work with an intern or education model. This often results in higher labor costs.





# Labor on the Farm: Employee Time

- Because the nature of wholesale involves growing more of less crops that changes how a typical farm day looks for an employee
  - While a CSA or market farm might necessitate employees changing tasks every hour or two, wholesale farms are often defined by their labor pinch points where an individual crop might require anywhere between a half and whole day of labor.
  - This can be a major issue for employees used to a more diverse day
  - On my farm this was often one of the major reasons given for why experienced employees did not want to work there
  - Our solution was to move to hiring employees through H2A visas. Generally people applying for these visas are used to working on farms with similar models



# Typical Labor Week at Seed to Seed

Below is an example of typical summer week that I would plot out for our 5 employees:

**Monday:** Zucchini (3 hours), Cucumbers (3 hours), Kale (3 hours)

**Tuesday:** Tomatoes (3 hours), Peppers (3 hours), Celery (3 hours)

**Wednesday:** Zucchini (3 hours), Radishes (3 hours)

**Thursday:** Cucumbers (3 hours), Tomatoes (3 hours), Kale (2 hours)

**Friday:** Zucchini (3 hours), Peppers (3 hours), Celery (3 hours)



# Labor on the farm: Grading

Attention to grading is the most important factor in wholesale success

- In CSA or market models an employee having an off day might lead to losing some money at market or a CSA customer being irritated. In wholesale it can lead to thousands of dollars of rejected produce. In extreme situations it can lead to losing an entire account
- Employees must be willing and able to take specific, and ever changing, grading instructions and follow them over the course of hundreds or thousands of produce units
- This is especially important for crops that are field packed like zucchini
- For crops that are not field packed, but are bunched, like kale, radishes ect. Needing to remake bunches when processing will guarantee that the crop is not profitable



# Labor on the Farm: Labor Production

Most small and medium sized farms will need to concentrate on high labor crops to be profitable in wholesale markets. That means there will generally be a high ratio of labor per acre.

- Seed to Seed required 6 people (including the owner) to harvest around 10 acres and produce \$400,000 in gross
- For comparison the CSA I used to work on harvested 18 acres and used 8 people
- The key is you must figure out what your labor needs are at their highest (pinch points) not what they are on average
  - The best wholesale models will be fairly flat as far as labor needs. Having huge spikes in labor needs will create a number of issues



# Average Employee Production

Below are some examples of how much, on average, Seed to Seed employees were able to harvest per hour of key crops. This does not include processing. Keep in mind a number of factors will influence whether these are good guides for your farm:

-**Kale:** 96 bunches/hour    **Cucumbers:** 150lbs/hours

**Zuchinni:** 100lbs/hour

- **Peppers:** 75lbs/hours    **Brussels:** 75lbs/hours

**Radishes:** 96 bunches/hour



# Labor on the farm: Models

There are a number of different labor models a farm can use. They all have different pros and cons

Intern/Educational: **Pros:** Wide pool of employees, low barrier to entry, less expensive labor

**Cons:** Many intern models/wages are illegal, less skilled labor, less likely to come back long term

Hourly/Standard Work: **Pros:** More likely to come back long term, more focus on farm work.

**Cons:** Higher wages, more competition from other employers

H2A/Worker Visa: **Pros:** Very likely to come back long term, familiar with farm work/culture

**Cons:** High paperwork burden, high wages/fees



# Labor Costs at Seed to Seed

At Seed to Seed we followed an H2A model for our last 3 seasons. Below are approximations of the labor costs on our farm while it grossed between 350K and 400K

- 4.5 employees (not including owner) at 95K
- H2A fees of approx \$5,000
- Trucking and accounting were outsourced
- The target owner pay for these years was 40K



# Final Labor Thoughts

- Your number one consideration as an ethical person and farmer needs to be the safety and happiness of your employees
- Beyond the many rote economic reasons for this it is simply the right thing to do
- When developing your labor models I cannot recommend strongly enough: Pay employees well, follow all state and federal laws and make sure your employees are working in a safe and respectful workplace





# Marketing

Often one of the most looked down upon activities on a farm. The ability to do marketing well and consistently will make or break you.

- Despite common misconceptions there are many ways to market yourself in a way that is authentic to you and your vision and also respectful to your customers
- The key to any good marketing plan is creating one you feel comfortable and confident with
- I have always had 2 key mantras in marketing. They have helped me more than anything else:



## Marketing

If you don't advocate for  
yourself, no one will

Don't create customers, create  
evangelists



# Verbal and Written Marketing pitches

- The first and most important step in marketing yourself is figuring out what your pitch is
- Before you make any sales calls you should have a written and verbal version of your pitch
- Both of these materials need to answer the central question: “Why would someone work with me?”
- Your verbal pitch should be no more than 4 sentences that quickly describe who you are, what you do, why you stand out and how you can help a customer.
  - If you can't get out the pitch in less than 30 seconds you will start to sound like a door to door salesperson
- Your written pitch should include all of the relevant information a customer needs to know about you
  - This MUST BE ACCURATE. You will only hurt yourself offering prices, crops ect that you later can't provide



# Seed to Seed Verbal Pitch

This would be my go to when I was either making a sales call or meeting up with a customer for the first time.

“My name is Ariel and I run Seed to Seed Farm, we grow 13 acres of certified organic vegetables entirely for wholesale account. We grow a ton of Brussels Sprouts for pretty much everywhere in the Twin Cities and I would love to be able to work with you on them or any other crop you need”



# Record Keeping

It may seem simple but it is essential. You need to keep good records as part of your marketing and sales effort

- Record who you spoke to and when along with what their response was
- Without records you will end up inadvertently calling the same people over and over
- In addition, you will not have good records of whether to call a customer back next season or the reason they gave for not buying from you.



# How to Identify Markets: Leads

There are many ways to identify markets. Make sure you keep track of all your market research

- Your most successful potential markets will be “warm leads” meaning either places you have some sort of association with, or where you have someone who is referring you
  - Ask family, friends and customers who they know: this is the easiest and best way to build a network of market contacts
- Simple internet research will help you figure out what supermarkets, coops and organic based restaurants exist in your area
- Simply paying attention throughout your day yields a surprisingly large number of potential markets. Make a note to yourself when a new restaurant opens or your local coop can't seem to find local Brussels Sprouts
- Shop where you want to sell. You need to understand things from your potential customers viewpoint. You can't do this unless you shop there.



# How to Identify Markets: Detective Work

Remember: You need to advocate for yourself this means don't settle for the first layer of information. Some simple detective work yields excellent information.

- Go to your local coop and note who the primary growers are and of what crops. Take note of quality, price and availability
- Before making a sales call figure out who does the purchasing, even having a person's name ahead of time is hugely helpful



# How to Identify Markets: Utilizing Good Luck

Almost all good customer accounts result from a combination of hard work and good luck. You must know when good luck is in front of you.

- This means always being prepared to self advocate and talk about your farm
- I have found new customers in very traditional setting, but have also gotten multiple customers out of making small talk at a farmers market





## Utilizing Luck: Case study

- My 1st year growing wholesale I had a hail storm that damaged my tomato crop
- I approach a farmers market volunteer whom I knew worked for **Lucia's** restaurant.
- She bought some and then referred me to the **MPLS** farm to school program she worked with - who at the time were looking for 2nds produce
- **MPLS** contracted for my produce that year - buying much more than tomatoes
- The next year I called the **MPLS** distributor that I was already selling produce to, **Russ Davis** I pitched them on buying my produce directly and I became their first local and organic grower
- The next year while attending a food show put on by **Russ Davis** for their vendors I met the **Lakewinds** Team and immediately became their Tomato and Brussels vendor
- Advocating for myself one time, by asking the market volunteer for help with my tomatoes, led directly to over \$250K of sales per year



# Identifying Good Customers

The number one mistake growers make when going into wholesale is not being able to turn down bad markets. It doesn't matter how much you gross from a new customer, how prestigious they are, etc. if you are losing money working with them or the retailer is giving your farm brand a poor image

- Good customers have to align with your current infrastructure and wholesale program
  - You cannot be successful if you need to buy a refrigerated truck for just one customer, or grade out 50% of cucumbers for only 20% of your customers
- Good customers must be profitable or reasonably become profitable in the near future
- Good customers must be partners with you farm
  - A true customer is only working with you as long as they are making the maximum amount of money.
  - A partner is in a relationship with you and your farm to both of your benefit
- **Small and medium sized farms are not at a scale where they can afford true customers. They need relationships**
- Good customers should play to your strength as a grower and business owner



# The Concept of Ethical Sales

The number one reason I hear for farmers not wanting to engage fully in marketing or sales of their products is they don't want to appear scummy or feel like they are bothering someone.

- It is important to distinguish between traditional sales and ethical sale
  - **Traditional sales** is the process of forming a relationship with someone for the explicit purpose of making you money - regardless of whether or not the sales help the other person.
  - **Ethical sales** is the process of forming a relationship with someone to both of your mutual benefit - in the process making both of you money
- To be conducting ethical sales you need to be thinking about a sales relationship in the same way as you would any other relationship. You should be willing to give and take to make the relationship mutual and successful
- Selling an ethical, high quality product and being easy to work with adds value to your end of the relationship
- Lying, exaggerating, and pressuring are by definition **not** part of ethical sales



# Making a Cold Call/Approach: General Info

Making a cold call can seem more like art than science but in reality there are a number of steps you can take to make cold calling successful. This skill is essential in wholesale farming models.

- Remember that in cold calling you will get turned down A LOT. Getting a 20% success rate is considered to be pretty good
- Never be rude or pushy during a cold call. If someone is uninterested simply thank them for their time. Trust a potential customer to know if you are the right fit for them.
- Never leave a message simply call back at another time.
- Always try to set up an in person meeting as soon as possible
- **Know your customer** - before cold calling make sure you do your research to understand your potential customer and their needs
- Your best chance to get a hold of someone is Tuesdays-Thursday from 1PM-3PM. For produce buyers at coops ect try calling closer to 10AM
- It is always better to call then stop in unannounced at a store/location



# Making a Cold Call/Approach: The Gatekeeper

Contrary to what you might think - the most important piece of a cold call is not normally talking to the buyer - but merely getting a hold of the buyer. 90% of the time when you cold call a customer you will talk to some sort of “Gatekeeper”. This is a secretary, office manager or host/hostess who is in charge of filtering out the calls for the buyer.

- Know what you are going to say before you call. For example, know to ask for the chef, or the person who buys produce.
- Always repeat the gatekeeper’s name back to them. For example: Hi Allison, can I speak to the chef please
- Try to speak as definitively as possible. Avoid using words like: hoping, wondering ect.
- If you can’t get through to the buyer try to get the buyers name and when a good time to call back would be. Do not leave a message.



# Making a Cold Call/Approach: The Buyer

Once you get to the buyer you can now start relying on the marketing pitch we spoke about earlier

- Always assume your next sentence will be the last the buyer listens to. This means get out the most important information first
- The point of the cold call is not to get a new customer on board it is to set up an in person meeting
  - This means as soon as you have established some interest from the customer you should arrange a meeting
  - Make sure to establish what information the buyer will want from you at this meeting
- Remember: be firm and advocate for yourself, but always remain polite and respectful



# Making a warm call/approach

A warm lead is one where you already have some information or connection to the person.

- Warm leads are far more likely to be successful than cold leads so they will always be the better use of your time
- When making a warm call remember that the whole point is that you have information to use so you have to leverage it during the call
  - This means referencing the mutual contact you have, asking for the buyer by name, etc.
  - Always lead the call with your “warm” information - this lets them know immediately why your call is important to them and worth taking



# Crop Selection

Crop selection is a very important factor in a wholesale produce model. When we talk about crop selection we are speaking about both crops and varieties. What you should grow is affected by a number of factors

- Your available infrastructure
- What you can reasonably sell and market
- What varieties will yield and grade out well for different wholesale markets





# Seed to Seed Crop Selection

Cucumbers - 10%

Peppers - 5%

Zuchinni - 10%

Tomatoes - 10%

Kale - 5%

Brussels Sprouts - 15%

Celery - 5%

Radishes - 5%

Cilantro - 5%

Other - 10%

Onions - 5%

Plant Starts - 15%



# Crop Selection: Infrastructure

Before deciding what crops you will want to grow for wholesale accounts you need to determine what those crops specific infrastructure needs are for your scale

- At a wholesale level almost all crops will require some variety of specialty infrastructure
- As a general rule of thumb: small and medium sized farms should stay away from crops that require large amounts of specialty equipment such as Salad Greens, Sweet Potatoes, etc.
- Remember that infrastructure needs include the equipment needed to process the crop along with that needed to refrigerate and transport it
  - Especially when looking at storage and transportation pay special attention to crops that require an outsized amount of space compared to their gross. For example a whole pallet space of Winter Squash is worth \$300 , while a whole pallet space of Brussels is worth \$5500
- When deciding if it is worth buying new equipment or infrastructure to grow a crop compare the 5 year cost of the equipment versus your presumed profit.



# Crop Selection: Sales and Marketing

Remember: there is no point in growing something unless you can sell it to someone

- Often when selecting crops it makes sense to take a top down approach
- Look at your market and see what and how much you can grow of certain crops
- “Specialty” crops will almost always be very limited in the amount you can sell
- “Core” crops are the most likely to already have established growers and stiff competition
- The safest approach is to always use a ~~2~~ year test period for a new crop
  - **Seed to Seed example:**
  - **Brussels Sprouts: Year 1: 4K, Year 2: 16K, Year 3: 40K, Year 4: 58K**



# Crop Selection: Yield and Grading

Yield and grading needs are very different in wholesale markets compared to farmers market and CSA

- To be profitable you need to focus largely on high yield varieties that have a concentrated production window for the most efficient harvest
  - For example: Marketmore cucumbers have a very long harvest window but that creates a relatively inefficient weekly harvest. A cucumber like Turbo or Dasher II is much better for wholesale
- Different varieties will create different amounts of high grade produce. Wholesale markets generally have a very low tolerance for small, large or misshapen vegetables
  - For example: Waltham is an excellent butternut variety but is far too large to sell in a retail environment in other words it does not meet grade. JWS or other 3lb varieties are more appropriate
  - Another example: Black Krim is an amazing tasting Heirloom Tomato but is too soft when semi ripe to display properly
- While you are getting familiar with good varieties try to buy whichever ones the seed catalog lists as standard for commercial production



# Grading Examples: Zucchini

Grading is the most important factor in wholesale success. As the accounts get bigger they generally pay less for product that is graded stricter. This can squeeze your margin it is very important to know what grading your customer expects before you agree to grow for them.

**Farmers Market** - Large variety of sizes including some oversized for zucchini bread customers

**Restaurant** - Between 4” and 12”, no bruises or bad spots - must last 3-4 days

**Coop** - Between 4” and 8” - thin with no break in skin, no bad spots, all must be of very similar size. Must last 7-10 days

**Warehouse** - Between 4” and 8” - thin with no break in skin, no bad spots, all must be of very similar size. Must last 10-14 days



# Seed to Seed Wholesale Variety Selection

Below are some varieties I grew for wholesale along with the specific reasons they were ideal for my wholesale production:

**Zucchini:** Dunadoo (old) **Raven** - concentrated fruit set, thicker skin leads to longer storage

**Cucumbers:** Marketmore (old) **Dasher II** - concentrated fruit set - holds size for a long time

**Green Bell Pepper:** Ace (old) **Red Knight** - medium large size - thick walls

**Winter Squash:** Waltham (old) **JWS** - almost all within the 2-4lb range



# Crop Selection: Specialty Varieties

Growing specialty varieties can make a lot of sense but only in certain markets and for certain reasons

- For the purposes of wholesale, “specialty varieties” represents anything outside of what you would normally see in a supermarket
- If selling to restaurants specialty varieties can be directly profitable and can help you stand out
  - Use extreme caution though- since specialty varieties are not in high demand if a commitment isn't kept by a restaurant you may have nowhere else to sell your crop
- Specialty varieties are also a great way to get shelf space inside of a coop or supermarket as part of a larger product mix
  - The key is to realize on your end that you are essentially growing these varieties for marketing purposes not for profit



# Crop Selection: Large Scale Market Forces

When selecting which crops to grow you need to understand how larger market forces affect what you should be growing. There are three big picture market forces you need to be aware of:

- California/Big Ag
  - This puts a lot of pressure on both the pricing and grading of your product. California OG salad mix companies make it very hard to profitably sell a local/organic packaged salad mix
- Conventional produce pricing
  - The conventional price for a product will always determine the ceiling for how much you can charge for an organic product. It is best to avoid “bulk” products that have rock bottom pricing in the conventional world
- Food Trends
  - Food trends have a major effect on what people buy. Over the past 6 years my Kale sales went down by 75%
    - at the same time my Zucchini sales went up 3X due to juicing being less popular and paleo exploding
  - Taste trends also led Brussels to go from a specialty crop to a core crop within 3 years
  - Meanwhile Kallettes went from a huge fad to a total bust in 1 year





# Crop Selection: Local Market Forces

National scale market forces are not the only ones that will affect which crops you should be growing

- On a local and regional scale large locally based farms can have a disproportionate impact on what crops you can choose to grow especially in retail locations
- For example: in the MPLS area Featherstone Farm and Driftless Farm have dominated much of the wholesale bagged carrot market- leaving very little room for new farms
- Even relatively small farms can have this effect
  - For 5 years- Seed to Seed at only 13 acres effectively limited any other farm from growing Brussels Sprouts for wholesale in the MPLS area since we sold them to virtually all of the larger OG retailers
- As a general rule of thumb: The more post harvest processing and packaging something takes the more likely it is to be locked down by a farm currently growing the crop
- Don't be afraid to do your market research: It is telling if the same farm is growing a major crop for virtually every market. If the crop is split between many farms there is likely room in the market.



# Managing Your Accounts: Sales Meetings

Plan to come to sales meetings with as much of your business's logistics figured out as possible. The better you can articulate your business plan at this meeting, the better poised you'll be for success because points of possible contention (price, volumes, expectations, etc.) can be dealt with before money is spent and feelings are hurt.

Be ready to discuss your needs pertaining to:

- Commitments or contracts
- Order schedule and type
- Delivery schedule and type
- Quality/grading expectations
- Pricing and sales projections



# Managing Your Accounts: Commitments and Contracts

Most people assume that wholesale accounts tend to work on contracts this is not true.

- Very few if any customers will sign formal contracts- even if they do they are essentially unenforcable unless you have the resources to hire a lawyer
  - Because of this- it is essential to never work with customers you do not trust. Never do so much business with a new customer that if they broke a commitment you could be out of business
- Most customers work with formal/informal commitments. You should always get these commitments in written form - so both parties can reference them when needed
  - A written commitment should list the crops the customer is buying, at what price and for how long
  - It should also include the customers projections, grading expectations and delivery schedule
- You should always assume/plan for a customers buying projections to fall 10%25% short
- Even well intentioned customers often overpredict what they can sell. Regardless of what you are promised I have never heard of a customer buying more produce than they can sell/use just to keep up with a projection. If someone promises you otherwise treat it with extreme caution



## Managing Your Accounts: Quality & Grading Expectations

These need to be stated very clearly in your sales meetings, but can be very difficult to articulate

- Look with the buyer at similar products in the department or online and discuss where you might diverge
- When in doubt and especially with new customers have written grading standards
- What's the plan when expectations aren't met?
  - Handling customer issues well can be as important to a relationship as providing good quality produce in the first place.
  - Getting ahead of issues by checking in with customers can be a great way to get consensus around potential grading and quality issues



# Managing Your Accounts: Pricing and Projections

Once you have agreed upon pricing and product expectations, it is reasonable to ask for sales projections.

- A good retailer knows her price threshold for any product within a range of quality standards. The question for you to sort out is if there is a price point you both can be profitable with.
- There are a lot of ways to look at sales projections. I prefer predicting by week while assuming peak production. For example: “at peak availability I believe I can sell 8 or 9 cases per week with about 10% shrink, so let’s say 10 cases per week”.
- As a producer you need to be accountable to figuring out how accurate a retailer seems like they will be with their projections
  - If something seems off or outlandish with the projections they probably are.
  - Projections vary week to week: state fair



# Managing Your Accounts: Issues & Problem Solving

How you manage issues with customers is one of the most important factors in forming a strong relationship with buyers

- Credits on quality issues and shorts
- Supply issues
- Meeting projection issues
- Interpersonal issues



# Forming Real Relationships with Customers

As we spoke about earlier: small and medium scale farms can not afford to have pure customer relationships. They need to pursue real relationships

- Think of your customer relationships as you would of any other relationship in your life
- This means you need to be OK with give and take that may not immediately benefit you
- Over the long run pursue relationships with people and organization you value and care about
- Over the long run make an effort to eliminate relationships that are purely about money. These are not only unfulfilling but are also the highest risk to your business
- Take the time to form real and personal relationships with the people you are working with
  - You will be spending an enormous amount of time with the people who buy your product why not actually enjoy being around them



# Real Customer Relationships Case Study

While running Seed to Seed I formed a very close relationship with the Lakewinds Coops. At the end of the year I would have over a dozen people I sent thank you emails to just in that organization.

- On my end that meant I often volunteered to help on grant committees or to come in to town to talk with staff or do a media appearance for the coop
- On the coop's end that meant my crops were often given an extra push turning some of my "specialty" items like Celery, Brussels or Carmen Peppers into staple items
- At one point the coop made me a \$15,000 loan so I could buy high tunnels to grow them Tomatoes
  - The coop accepted payment in the form of reduced price Tomatoes
- Relationships like this were essential for both the financial success of the farm but also my personal happiness





# Managing Relationships for the Long Term

One of the biggest mistakes any business can make is managing its relationships with only short term goals or profits in mind. I know of many farms that have lost customers because of very short sighted decisions with their customer relationships

- Every time you make a decision that could affect your customer relationship you should be thinking about the short term gain vs. the potential long term loss
  - For example: If a customer makes a good faith credit request you disagree with and you refuse to give credit. You may have made \$200 in the short term and lost \$50,000 over the medium term when the customer goes elsewhere the next season
- This is most prevalent in 2 areas: quality control and being polite
  - **Always** error on the side of excessive QC. Anything less than excellent quality will always lose you money in the long term
  - Just because you are grumpy doesn't mean other people have to be. No matter how good your product is no one wants to work long term with a difficult or rude person.



**Questions?**