**Section 1: Selling Into Wholesale Markets**

**Market Size and Opportunity**

The market for local and organic food has been growing quickly in the past two decades. In 1990, US organic food sales were $1 billion. By 2011, they had grown to $31 billion according to the Organic Trade Association. With annual growth averaging over 15% per year, organic has been the fastest growing sector in the food industry for the past two decades.

According to the USDA, local food sales were $4.8 billion in the US in 2008 and growing quickly. In recent years the demand for local food has become the hottest trend in the food industry. Supermarkets are adding major sections of locally produced food and showcasing it through in-store promotions that sometimes include the pictures of the farmer. Some consumers now shop at stores specifically because they know they can purchase products from their favorite family farm.

The local food trend is attracting major institutional purchasers such as schools, universities, hospitals, entertainment venues and more. This in turn is convincing major distributors to offer locally grown fruits and vegetables to their wholesale customers. The result is a tremendous opportunity for regional farmers that have the means to grow high quality products of sufficient quantity to sell into these markets.

**“Locally Grown Food is the latest**

**student cause. . . The new activist**

**phrase on campus is *Eat Local*.”**

*Time Magazine* “

**Selling into Wholesale Markets**

A primary goal of this manual is to help more farmers capitalize on the opportunity to sell local and or organic food into wholesale markets. Wholesale buyers of all size are interested in developing new relationships with fruit and vegetable growers that can meet the demand for high quality regionally grown produce.

For the producer, the decision to sell to wholesale accounts is a big decision. Many produce growers use direct marketing business models for their farm – farm stands, farmers’ markets, Community Supported Agriculture (CSA), or phone and internet sales. Wholesale markets present an entirely different set of obstacles and opportunities. For smaller producers who have primarily been selling into direct markets, the world of wholesale markets is very different. The price per pound for products sold wholesale is less than selling direct. You will have to make up for this drop in price with higher volume.

An increasing number of producers selling direct find the stability and high volume sales in wholesale markets attractive. In some cases farms diversify their sales by keeping their most profitable or convenient direct market sales and adding wholesale accounts once the farm hits a certain size or they feel that the farm has the sophistication to meet the demands of wholesale buyers. In other cases, farms completely move out of direct markets and strictly sell to wholesale buyers. There are advantages and disadvantages to both.

This manual also addresses mid and large-scale fruit and vegetable producers who have historically sold produce directly to food processors. Competition from low-cost, foreign or out-of-region industrial-scale producers is cutting prices, sales and revenue for many mid-scale, independent farmers in the Midwest who have traditionally sold their products as commodities to food processors and manufacturers.

Supermarkets, restaurants, distributors, universities, hospitals, and other institutions looking for a more differentiated product mix represent a major opportunity for these producers to diversify their revenue stream and customer base. These producers have a different opportunity and set of challenges to selling wholesale. For them, the volume of products sold to one wholesale buyer

will probably be far less than when selling to processors. As a result there will be more work in developing markets. Yet the price per pound will be much higher when selling into these markets rather than for processing. Prices are particularly higher when products are sold to those buyers seeking products that are local, organic, family farmed, ecological, etc. Wholesale buyers are now more willing to pay price premiums for those products that meet the values of their end customers, particularly if the name of the farm and the place of production can be used to promote the product at the point of sale.

Transportation costs are another opportunity for local growers. Buyers in the Midwest and on the East Coast now are faced with very high transportation costs to ship product from California or Mexico. Local product can cost much less and thus leave more profit margin for the growers and or buyers. **Use as pull quote if possible.**

**Characteristics of Wholesale Growers**

It is helpful to evaluate your own personality and farm systems to determine your compatibility with wholesale marketing. Gross income per acre is generally lower in wholesale production than direct-marketed, value-added retail. You will need to make up for lower prices with higher volume. This will require sufficient acreage of quality land for production. Do you have access to sufficient acreage of quality soil?

The increase in volume creates a stronger need for mechanization and scale of efficiency systems. If you are presently farming with labor-intensive hand systems, upscaling your volume without mechanizing your systems may prove to be excessively labor intensive and not economically viable. Do you have access to the necessary equipment and can you maintain it?

The increase in volume will also increase your need for hired help. Can you manage employees and delegate tasks?

Wholesale marketing requires a different set of personality strengths than direct marketing. You will be working with a few buyers for larger sales instead of many smaller sales with individuals. Crucial to success is your ability to be professional: good communication and timely delivery; accurate forecasting of crop maturity and volume; consistency in clean, uniform, and high-quality product; and reliable and consistent volume which matches market demands. If you are a beginning farmer it is advisable to gain experience and develop your growing systems with direct market sales before entering the wholesale market. Individual purchasers are more forgiving in your beginning learning years than a busy wholesaler.

For some farmers, direct contact with the consumer is rewarding and an important part of their personal wellness. Wholesale relationships can fail to fulfill their need for social contact. For others, the release from retail sales is a relief and frees up time they prefer to spend in the field.

**Advantages and Disadvantages of Selling Into Wholesale Markets**

**Advantages to wholesale**

Most farmers who transition to wholesale find that the first two or three years are the most difficult, but that it is ultimately very rewarding once systems are in place and best practices have been established.

Some of the key benefits of wholesale include:

• Farmers have access to an established customer base in a market where there is strong and growing demand.

• Farmers that master the wholesale model for local and organic products can develop very profitable businesses with possibilities of seven-figure income streams.

• Farmers selling wholesale have streamlined storage and transportation needs.

There is reduced product quality risk to farmers—the wholesaler assumes some of the risk.

• Farmers need more crop specialization, thus reducing the number of crops that need to be grown.

• The sales process is simplified because farmers typically sell to only a few buyers, thus cutting down on the interaction with customers needed in direct markets. Phone calls, electronic orders and invoicing require very little time and may provide a more stable income, unlike a farmers’ market, for example, where daily demand is uncertain and dependent on factors such as the weather.

• Large wholesale accounts can purchase large quantities of product. This means the producer will receive large checks.

• Wholesale business can provide steady work for farm staff for the full season, particularly if cold storage crops are grown or seasonal extension is used.

• Farmers may have reduced labor, time, and fuel costs associated with driving into the city and managing one or more farmers’ market booths or CSA routes.

• Farmers can still sell direct through farmers’ markets and CSAs. With the increased revenue from wholesale markets, they can choose to limit direct sales to those venues which are most profitable and satisfying.

• Farmers still doing direct sales can in fact be more efficient since it is possible to consolidate delivery of CSAs, farmers’ market, and wholesale items with more efficient trucking logistics.

• Wholesale markets are more capable of absorbing peak production and excess volume than direct retail markets.

• Diversity of markets can be a valuable tool for balancing sales to match production. If one market is not doing well the other often is. For example: in summer many farmers’ markets’ and roadside stands’ sales increase, but when schools start back up in the fall, buyers switch from farmers’ markets to retail stores. By serving both markets you continue to serve the same customer but through different outlets.

**Farmers need to devote a significant amount of time to planning and communicating with wholesale buyers.**

**Challenges in wholesale**

Wholesale also presents its own challenges and obstacles. They include:

* Wholesale buyers usually only purchase a limited number of crops per farm and they demand a consistent supply.
* Many wholesale buyers prefer to purchase large quantities of product per farm. Many buyers want pallets—not boxes—of product.
* Wholesale buyers demand excellent postharvest handling and storage practices. This includes maintaining the “cold chain” from the field to their facility.
* Produce which may be suitable for farmers’ markets and immediate consumption may not last long enough or meet the appearance standards in a wholesale market.
* Proper postharvest handling requires a serious investment in on-farm cooling and storage infrastructure.
* Producers need to keep detailed records of temperature and storage conditions and other important measures.
* Wholesale buyers are increasingly demanding that farmers meet GAP and in some cases HACCP food safety protocols. There may be significant record-keeping requirements and time spent to meet these requirements.
* Producers do not receive immediate payment when product is delivered. In some cases invoices are paid a month or later after delivery. Some buyers pay more quickly. Check with them first to find out what their terms are. When payments are later, farms will need to create good cash-flow management systems or relationships with banks that can finance the receivables.
* Competition with larger-scale farms nationally and internationally can drive down prices.
* There is little direct consumer contact. If you enjoy regularly communicating directly with your buyers, as in a CSA or farmers’ market setup, you may want to evaluate whether wholesaling is the right choice for your farm business.
* A large portion of your production is dependent on your relationship with one buyer. This makes you more vulnerable in a situation of loss of relationship. Don’t put all your eggs in one basket. If a large portion of your product is going to one wholesaler be sure of the relationship commitment before overextending yourself.

**Building Relationships with Wholesale Buyers**

*Need a new photo. Caption: Buyers and sellers connecting at the Good Food Trade Show.*

Developing mutually beneficial relationships with your wholesale buyers is a crucial element for success. Wholesale buyers are busy people under a great deal of pressure. The easier you can make it for them to buy from you the more successful your relationship will be.

Generally it is best to contact wholesale buyers in the off-season. Beginning conversations can include who you are and a brief farm history. Sending a brief cover letter with contact information followed by a call can be a good way to start a relationship. Farm conference trade shows are a good opportunity to initiate a relationship.

Sometimes it is necessary to prove yourself to a buyer. They may have had negative experiences in the past working with local producers. If they seem to have an attitude, don’t take it personality. Offer to stop by at a time that is convenient for them. If it is in season, offer to drop off some samples with a price list and follow up with a phone call. Generally whole case samples are better than just one or two items. Whole cases allow you the opportunity to show them that you know how to present a well-packed case of quality, uniform product.

Try to understand what pressures they are under and how you can best fit into their existing system rather than trying to change their system to meet your needs. Find out:

* What products and volumes they need.
* What form of communication they prefer:

email, phone, or fax.

* The best time of the day and week for placing orders.
* Best time for deliveries.
* How much advance notice of availability

is needed.

* What type of packaging they prefer.
* Be sure to include price in your discussion. Knowing your cost of production will help you to determine a fair and economically viable price. Discuss in advance if you will be expected to match the volatile national market.

Before committing to plant for a wholesaler, it is wise to talk with other growers who have had experience with them. Do they have a history of following through on their agreements? Are they price pickers and box kickers? Can you count on them to purchase what they have asked you to grow? Do they have a reliable outlet? Be realistic. Don’t promise more than you can deliver. It can be difficult to convince a buyer to try your product once you have failed to deliver quality product.

Set standards of reliability. Make sure that you deliver what and when you said you would. Meeting with your buyer every year in the off-season is an important relationship-building tool. Provide a spreadsheet for the discussion showing multiple-year sales.

Ask how the season went, if there are changes they would like to see in the future, what you can do to improve your quality or service, and what volume to expect in the coming season.

Encourage them to communicate problems or concerns with you. Be willing to learn from their constructive criticism. You may find that a product which satisfied your farmers’ market customers is not right for wholesale and adjustments need to be made. A good relationship can be educational both ways when trust is built.

Visit wholesale warehouses to see the business practices of distributors and also how other growers prepare product for markets. Wholesale buyers deal with large quantities of produce coming from areas all over the country and world. As a grower, these visits give you first-hand knowledge of real-world practice.

**Crop Planning**

Growing a smaller number of crops allows you to focus on streamlining your operation, producing high volumes of product at an acceptable cost, and ensures that you take advantage of the local soil and climate in the most effective way possible. There are a number of factors any farmer must consider when deciding which crops to grow.

Evaluate your soil and climate to determine what crops will do well on your farm. You will have a difficult time achieving success if you try to grow crops that are not suitable for your farm. For example, potatoes don’t do well in clay soils; quality broccoli requires higher fertility, water, and organic matter than sand provides; and sweet corn has a low gross income per acre and requires mechanization and access to land. Be sure you understand the cultural needs of your crops and match your crop plan to your farm soil types and mechanization.

Consistent supply is part of a healthy wholesaler-producer relationship. Coming in and out of the market is difficult to impossible for the buyer. If you don’t have the product they will have to find it from another shipper. When you come back, you may find they are filled up with product from elsewhere and can’t buy yours.

Evaluating the potential season of your crop is crucial for developing your planting sequencing plan. Know how long your crop can be harvested and how frequently you need to plant to ensure a steady supply. For example, a planting of sweet corn is generally harvestable for 3-5 days depending on temperature, moisture, variety and wind. Providing consistent supply requires sequencing of numerous plantings. Every crop will have a different period of quality harvest. There are many variables to consider in planning the frequency needed for planting. How quickly did the seed germinate or was the transplant able to establish itself? What will the temperature likely be at time of maturity? Crops ripening in fall coolness usually take longer to ripen than in summer heat. You can adjust the planting dates or the amount planted. Some crops like cucumbers and zucchini have a tendency to have inconsistent yields, starting out with small yields and peaking at a mid-point in their harvest period. Consistency in this case can be achieved by overlapping plantings, having one just coming in with low volume and another at peak production.

It is important to include market sales variables in your sequence planning. Examples: people eat more watermelon in hot weather than cool, broccoli sales soar in fall with cooler weather. Study each crop’s market demand. If you don’t have experience, you can obtain this type of information from your experienced buyer.

Acquiring an in-depth understanding of your crops’ cultural needs and keeping accurate and detailed yield and weather condition records will help you fine-tune your sequence planting in the future.

When you are planning sequences, set a goal of a continuous steady stream of product from earliest possible to latest possible. Consider using season extension methods to achieve the earliest possible product and extend as late as possible in fall. Having a consistent and long season will firmly place you in your buyer’s market as a reliable and valuable producer.

Establish your strategy. Are you comfortable with some surplus product in order to not lose an opportunity to satisfy your market? You may consider overplanting 5-20%. This will make it easier to provide a steady supply in less than ideal conditions and meet your buyer’s needs more consistently. Do you prefer to plan tight for no waste? With this philosophy you could maximize gross income per acre and have little or no waste. You will also find yourself more likely to be in the position of having to apologize for having no product when the season is slow or cool and you are short.

While wholesale contracts can help insulate you from market price swings, there are several practical limitations that need to be considered when negotiating these contracts. One issue is what you are able to plant, in terms of labor availability, finances, and technology. Do not promise to deliver new crops in an attempt to capitalize on higher prices for particular products, particularly in the first couple of years. Once you have established yourself as a reliable supplier, then it may be prudent to set aside small parcels of land to experiment with alternative crops. Also, be very careful about promising yields which are dependent on new technology or equipment – it may indeed be worthwhile, but be sure that it is.

**Pricing**

One key element for producers making the transition to wholesale selling is price. In some cases farmers used to selling into direct markets have unrealistic expectations about what price they can receive selling to restaurants, distributors, or supermarkets. Farmers should not expect to sell their products at retail or even near retail prices. The key to profitability in wholesale markets is volume and consistent sales. This is an important point to remember.

You should not presume that you can “grow what you want” and charge whatever prices are necessary to cover your margins. As a participant in the wholesale market, you are competing with national and international suppliers, and properly managing your operation will allow you to compete in that context. While local and certified organic production do give you a market advantage, they alone will not compete with cheaper prices for produce coming from California, Mexico, or other well-established produce- growing regions.

National pricing can be volatile. The Midwest season can be too short to rely
on a high price period to make up for a low price period. It is crucial that you know what your cost of production is. You cannot stay in business if you are selling below it. Communicate with your buyer as to your pricing agreement and their pricing policy. Will they only buy from you when you are the cheapest available product? You may not want this relationship. Are they able
to recognize and market the added value of your quality, local product and pay a consistent price that is a fair local price? This is the type of relationship that will be mutually beneficial and upon which you can build your wholesale business.

For an overview of common wholesale market prices, including organic products, farmers can look at terminal market price reports. The USDA Agricultural Marketing Service publishes daily market price reports, which are freely available online at **www.ams.usda.gov/fv/mncs/fvwires.htm.** Reports are sorted by crop type and terminal market location.

**Negotiating Contracts/Grower Agreements**

Consider whether or not you want to have a written agreement. It can be valuable to have written expectations and agreements on paper to prevent future misunderstandings. A written agreement also provides continuity if the buyer and you have a relationship which leaves the business and you need to reestablish a relationship with a new buyer. If you are new to wholesale you may want to acquire some years of experience before agreeing to the commitment that a written agreement creates. You also may want to have more flexibility in markets and not commit to a set volume and relationship with your wholesale buyer.

Some buyers may be uncomfortable signing written agreements, especially if they do not have an established relationship with you and do not know from experience if you can deliver the goods. Your agreement can and should include benefits for the buyer as well as yourself.

Important details to include in agreement:

* Names of parties and business names
* Date agreement was written
* Crops and amounts, which will be produced and purchased.
	+ Which specific variety you will be growing
	+ Sizing of the variety
* Whether or not you are required to provide product in the event of the loss of your own.
* For organic farms: a commitment to maintain organic certification.
* Expected delivery schedule.
* Amount of advance product availability notice.
* Pricing agreement and policy
* Pack sizes, count and weight
* Payment schedule (by law growers must be paid within 21 days, although through the agreement you can accept later payments; 30 days is standard).
* Product Standards
* Signatures

Additional issues you may wish to discuss and include:

* General liability insurance carried by the farmer (generally for at least $1,000,000.

Sometimes the wholesaler will ask to be named on the policy as additionally insured).

* Postharvest requirements of the buyer.
* Product exclusivity agreements.
* Reassurance that you will plant and deliver a specific amount of product for buyer.

An example of a grower agreement is included in the appendix. Please consult an attorney before execution.

**Calculating Return on Investment**

In planning production, it is important to look at the profitability of selected crops
and crop sizes. A number of factors must be considered including current production profitability, production inputs and other miscellaneous costs, and the projected income from the crop. This can be done by hand using spreadsheet tools, or using an online calculator such as the Iowa State University “Produce Profitability Calculator” created by the Leopold Center for Sustainable Agriculture. This can be accessed at **http://www.extension.iastate.edu/hrim/localfoods/calculator/index.cfm?fa=c.formLogin,** with a detailed instruction manual at **http://www.leopold.iastate.edu/pubs-and-papers/2008-01-produce-profitability-calculator-users-manual.**

Regardless of the method used to calculate profitability for a particular crop, profitability of both the current crop production and of the anticipated future crop production should be calculated in order to compare the returns on investment.

The calculations should include the following steps:

Step 1 – Levels of Production: Record the current and future crop production level, including number of units produced, acreage produced on, and the percentage of acreage in relation to the entire farm’s production area. These baseline figures will be used throughout the rest of the calculations.

Step 2 – Income: For each sales method you plan to use (farmer’s markets, wholesale, etc.), determine what portion of the crop will be sold using this method, and expected price per unit. This can then be used to calculate the total income for the crop.

Step 3 – Costs: There are many costs that need to be accounted for in growing, harvesting, and selling a crop:

* *Production costs:* These include seed, fertilizer, labor, etc. The number of units and the price per unit should be entered for each input. The total production cost can then be calculated.
* *Harvest costs:* These include bags/ boxes, labor, etc. These should be calculated as with production costs.
* *Postharvest costs:* These include fuel, labor, and all other transaction costs needed to market and sell the crop. These should be calculated as with production costs.
* *General costs:* These include costs related to machinery, land rental, facilities, insurance, or any other costs that apply to the farm as a whole. The portion of these costs attributed to a particular crop can be calculated by multiplying the percentage of acreage of the crop by each of the general costs.

Step 4 – Calculating return on investment: By subtracting the total costs from the total income, the profitability of the crop can be determined. Similarly, the profit per unit of the crop can also be computed. The profitability of the current crop level can now be compared to a future desired level, and this can ultimately help you make the decision of what and how much to plant depending on your markets.

**Timing**

In direct marketing, farmers often grow a wide variety of crops and sell each crop in a relatively short period of time. In wholesale, you will grow fewer crops
that will need to be available for a longer period of time. Harvesting all of one crop at once is undesirable for the wholesaler, who can only move a certain quantity in any given period of time, but also negatively influences farmers throughout the region, who are forced to deal with a sudden glut of supply and rapid drop in price. Wholesalers will turn down produce they do not have the capacity to sell.

In addition, you need to provide advance notice of when you have a certain quantity of produce available. Wholesalers will be ill-prepared to deal with a sudden increase in supply with no notice. Orders from California or Mexico, which make up the bulk of most produce orders, require approximately a week to reach the Midwest. This means that the wholesale buyer is often booked for supply at least a week in advance, and you will need to give them a week or more of advance notice that you are expecting a certain amount of product to be available. Many wholesalers will prefer local suppliers, but only with adequate notice so that they can hold off on making orders to traditional suppliers on the west coast.

Sequencing your crops has two major benefits: you will have a continuous supply, which helps the wholesaler secure shelf space for your product in the stores, and you will be able to capitalize on price premiums for early and/or late season availability. For example, the market price for zucchini usually falls dramatically in mid-July. By sequencing your crop, you will be able to sell it for a higher price later in the season, starting around mid-August. Season extension practices such as greenhouse production can add even more value to the product.

Accurate forecasting of crop maturation is challenging but critical. Heating degree days, amount of sunshine, and amount of moisture are variables which affect maturity date but are beyond the producer’s control. Keeping detailed yield and weather conditions records will help you learn forecasting. Recording photographs of crops in various stages of maturity along with records detailing weather and days from maturity are very valuable in the future for accurate forecasting.

Wholesale buyers do not have an unlimited capacity to absorb and re-sell produce, and as a farmer you must plan your growing practices accordingly. Keep an eye on your crops and how quickly they are maturing. Let your wholesaler know as soon as possible when the crop will be ready for harvest and pick-up; they will be able to set aside space for your produce and ensure that there are enough secured buyers to purchase all of it.

**Shipping**

Product shelf life is dependent on maintaining proper temperatures and protecting product from bruising during shipping. If you do your own trucking, be sure you are able to protect your product. Alternative options to running your own truck can include paying for pallet space on courier trucks. You can also ask your buyer if they already have trucks delivering anywhere near your farm. You may be able to arrange on-farm pick-ups to back haul your product back to the shipper. Generally on-farm pick-ups will require a loading dock or a forklift. Some buyers like Whole Foods Market or Goodness Greeness may arrange to pick up a product on a farm on the way back to their warehouse if they have an empty truck. This back hauling can be part of up front pricing and shipping discussions to see if it is feasible.

**Shipments Refused for Quality Problems**

Good quality product is a key to success in selling into wholesale markets. In the unfortunate event that your buyer is claiming poor quality and does not want to accept your product there are USDA regulations and inspectors who can be brought in to evaluate the product.

**PROCESS:**

* The buyer notifies shipper of quality problems.
* The shipper can request a USDA federal inspection.
* An inspector examines the product and evaluates it to USDA quality standards. These standards are the same for organic and conventional produce.
* If the outcome favors the shipper, the buyer pays the inspection fee and is required to pay the shipper for the product.
* If the outcome favors the buyer, the shipper pays the inspection fee. The buyer can refuse the product or work out a price reduction.

**Fulfilling Orders and Record Keeping**

One very simple step which can help improve the relationship with your buyer is establishing a clear protocol for handling orders, shipments, and invoices. Discuss with your wholesale buyer whether email, fax, or phone works best, and feel free to specify which is best for you personally. Anytime the wholesale buyer places an order, respond to confirm; many farmers overlook this key step, and the wholesaler is left not knowing whether the order will be completed or not.

Keep records of invoices, receipts, and order confirmations. This way, if there is any miscommunication, you can clearly show that all of the proper steps were taken, and you can identify where the problem occurred (e.g., if the wholesaler misplaced the order form).

It is a good idea in general to keep a daily log. Not only can this be helpful for keeping the records needed for selling to a wholesaler, it is an essential part of good farm management. It can make organic certification and other certifications easier, and can be used to help plan production. Simple spreadsheets can help track seed orders, production methods, and harvest amounts. Increasingly buyers are demanding that producers follow food safety protocols such as GAPs and HACCP. Make sure you check.

**Billing**

You should invoice as close to shipment as possible, preferably with shipment.
Two copies should be made, one for you and one for the shipper, and both of them signed by the receiver. Develop a regular invoice/payment/delivery schedule. Pick a regular time interval to send in invoices that are due. Follow-up on those if you don’t receive a response within a reasonable amount of time. It is always prudent to keep a SIGNED copy of accepted invoices.

For any delivery of produce to a buyer, there are 4 steps involved in the billing process:

**1. Confirmation of the buyer’s order.**It is important to respond to the buyer by email, phone, or fax, and let them know that you will or will not be able to fill the order they requested. Without
this essential step, many buyers are left wondering whether or not you will deliver.

**2. Pending invoice.**

A day or so before shipping, it is good practice to send the buyer a copy of what you expect the invoice to look like.

**3. Packing slip with shipment.** A packing slip should be attached to the shipment. It should include the number of boxes of product, and the number of pallets they go on. It should also explicitly state if the produce is organic.

**4. Final invoice.** The final invoice should be sent to the buyer, with a copy to your bookkeeper.

**Postharvest Crop Planning**

The postharvest months are ideal for planning next year’s crop with your wholesale buyer. The buyer will still have a clear sense of the year’s sales figures, and will be able to tell you how certain crops performed in the marketplace, and how you as a grower might maximize your profit by slightly shifting your production to a higher portion of certain crops, and a smaller portion of others.

Another reason to engage in postharvest planning is the availability of seed. While seeds do remain available into the early portion of the year, they often become noticeably more expensive as supplies dwindle. For organic growers who purchase seed, seed is usually sold out by February or even mid-January. Though it is common to take a break in November after all of the harvest work is complete, you should begin planning as soon as possible, ideally immediately after harvest, so that you can prepare for next year based on current sales conditions, which are still fresh in your and your buyers’ minds.

**Organic Certification**

Organic agriculture and organically grown or raised products have rapidly grown in popularity over the past several years, in part due to a growing consumer awareness of the environmental, health, economic, and social benefits of sustainable farm practices. Market surveys indicate that over two-thirds of consumers have purchased organic produce. Certified organic cropland has expanded as well, from less than 1 million acres in 1992 to over 4.8 million in 2008. Farmers are taking advantage of the price premiums for crops and livestock raised without synthetic chemicals, antibiotics, or synthetic fertilizers, as well as the savings by not purchasing as many inputs. Organic farming has been shown to provide comparable or superior yields to conventionally managed fields, particularly in drought years, increase soil fertility and reduce soil erosion, and encourage biodiversity.

While several certifying agencies were operating as early as the 1970s, the variety of standards led to a number of problems. Agencies would not always recognize other agencies’ certification, which was highly problematic for processors and livestock producers sourcing ingredients or feed from several sources. Furthermore, the integrity of the organic certification process was undermined by several cases of fraud in the 1980s. The Organic Foods Production Act of 1990 set out to create national standards and create a uniform system for verifying that farm products met these standards. The final regulations have been in place since 2002, and this section will discuss the why and how of organic certification, from selecting a certification agency to record-keeping practices. Many farmers, including those who are not certified organic, can benefit from some of the practices outlined below.

**What is organic?**

According to IFOAM, the International Federation of
Organic Agriculture Movements, “the role of organic agriculture, whether
in farming, processing, distribution, or consumption, is to sustain and enhance the health of ecosystems and organisms from the smallest in the soil to human beings.”7 In the United States, organic production standards are regulated by the National Organic Program (NOP) Final Rule: **ams.usda.gov/nop/NOP/standards.html** The USDA NOP recognizes nearly 100 organic certification agencies. **ams.usda.gov/nop/CertifyingAgents/ Accredited.html**.

Organic agriculture is much more than what inputs you cannot use. While
many materials are prohibited in organic production, organic production practices
are often designed to reduce or eliminate the need for many of those materials in
the first place. Examples of preventive measures include planting wildflowers on the periphery to support populations of beneficial insects that prey upon crop pests. Livestock can provide a steady source of nutrient-rich fertilizer for crops, and livestock raised on a more natural diet will remain healthier for longer periods of time, reducing the need for medical intervention. Organic agriculture is not merely input substitution, but a systematic approach to farm management, in which all aspects of the farm interact with one another.

**Transition to organic**

Transitioning to organic production is often a daunting prospect for farmers, but it does not need to be especially difficult. There is a growing body of knowledge and research about how to transition farmland to organic production without losing productivity and money. Often, the largest perceived obstacles to transitioning are the financial hit associated with the decline in crop yields as the soil returns to a healthy state; implementing new pest and weed controls; and the learning curve involved with a new farming system. However, recent studies have taken advantage of the increasing number of farmers who have switched to organic production and are discovering that yields do not necessarily decline during the three year transition\*. The increase in costs is furthermore offset by the price premiums for certified organic crops.

For farmers transitioning to organic, you must make sure that the land in question has not had prohibited substances on it for at least three years prior to the harvest of the crop to be sold as organic. This requires specific documentation certifying the last date of prohibited substance applications closely as possible. For example, if you know that you last applied pesticides sometime in the spring of 2005, the earliest you can harvest certified organic crops is June 21, 2008 (the beginning of the summer season). However, if you know that the last pesticide application was on April 15, 2005, you can harvest organic crops starting April 16, 2008.

As a general rule, organic production regulates natural and synthetic substances in the following manner: natural substances are allowed unless explicitly prohibited and synthetic substances are prohibited unless explicitly allowed. Genetically modified seeds and treated seeds are not allowed under any circumstances. Both during transition and certified organic production, you will need to document that the inputs are allowed under organic regulations. Keep all relevant seed tags and purchase receipts as proof.

You may register with a certification agency at any time during these three years, but allow at least six months for application paperwork, initial inspections, the time required for the agency to process that information, and an opportunity to ask any questions about the process. Some farmers register early on so that they have a clearer sense of what to expect from the certification and audit process, but this is not necessary. During transitional years, you must adhere to all organic regulations and must keep records like any organic farm operation.

**Record-keeping**

Many farmers looking into organic production are worried that they will be required to keep extremely detailed records and fill out large amounts of paperwork, cutting into time that could otherwise be spent working on the farm itself. While organic producers are required to keep records, they are by no means unmanageable and in fact turn into an invaluable resource for the farmer. Records allow farmers to plan for future years and improve their farm practices. By knowing when the first cucumber beetles appear, for example, farmers can plant different crops at that time of year to avoid infestation. Also, and perhaps more importantly, farmers can track how the market responds at different times of year to various types of produce. Zucchini, for example, is available in the mid-summer months and prices are generally low. If you are good at producing a certain crop outside of its common season, you can often receive a high price premium on the market.

While organizations like ATTRA, Extension offices, and certification agencies may offer sample record-keeping forms, often the best way to keep records is a simple daily journal. By entering the day’s activities – inputs, crops that were planted, harvested, stored, or sold, which fields are having problems with insects or disease – you begin creating a long-term historical record of your farm ecosystem. Also, you have all of the information in a form that is both comprehensive and understandable for you and the inspector.

**Application & Selecting a Certification Agency**The application typically takes several hours to complete, and may cover everything from water conservation to biodiversity. A central portion of any application is a comprehensive farm management plan including pest control, crop planning, and natural resource management. Make sure that you have developed such a plan, and use the application form to help ensure that you have all of the necessary aspects planned out.

The entire application often costs between $400 and $800, though costs can range up to $1000 in some circumstances, such as if yours is the only farm in the area visited by the inspector, or if you fail to furnish the complete set of required documentation in a timely fashion.

The Midwest Organic and Sustainable Education Service (MOSES) has a great fact sheet on how to choose an organic certifier at: **http://www.mosesorganic.org/attachments/productioninfo/fsagency.html.**

MOSES also has a program to support conventional farmers to transition to organic. For more information check www.mosesorganic.org or call Harriet Behar at 608-872-2164.

**Cost-Share**

Several states have cost-share programs to help defray the costs of organic certification fees. The USDA allows producers to receive the lesser amount of either $500 or 70% of certification fees. Check with your state Department of Agriculture for more information.

**Branding**

Locally grown produce has an advantage in the marketplace – consumers generally prefer it to produce grown in far away locations, and restaurants and foodservice organizations are looking to improve their “green” image. A few private label brands have started to include farm names and contact information on the product packaging or price labels. Whole Foods Market, for example, often has posters of farmers who supply produce to their company. Hy-Vee grocery stores include farm logos and other information on some of their private label items.

Packaging is an unknown for many small farmers, particularly those who have historically dealt directly with consumers willing to buy variable amounts in bulk, unpackaged. Retailers and wholesalers are increasingly requiring labels and ID tags in the interest of fast, convenient, and efficient inventory control. By applying appropriate labels on your packaging, you will help wholesalers get a better sense of how well or poorly certain products are selling, which they can relay to you when you are making crop decisions for the following year.

**Local Labels**

**Food Alliance**

The Food Alliance offers several different certification programs, one of which is the Farm & Ranch Certification Program.

**Farm & Ranch Certification Program**

The Food Alliance offers Midwest farmers and ranchers a certification and labeling program to differentiate sustainably produced food from conventional products. Their standards use a rating system to encourage the following:

* Safe and fair working conditions
* Healthy and humane treatment of animals
* Raising animals without added hormones and antibiotics
* Crop production without genetically modified organisms
* Reduced pesticides usage and toxicity
* Conservation of soil and water resources
* Preservation and protection of wildlife habitat
* Commitment to continuous improvement of these practices.

For more information on the program go to: **www.foodalliance.org** or call (651)265- 3682.

**Price Look Up (PLU) and Universal Product Codes (UPC)**

Check with your buyer as to whether PLU numbers are required. PLU stickers can be purchased preprinted or a price gun can be used as a changeable number labeler. If PLU stickers are required, include sheets or strips of stickers in the boxes of produce.

Increasingly, wholesale buyers and retailers are taking advantage of PLU and UPC labels to manage their inventory, track purchases, identify sales trends, and increase the overall efficiency of their operation. As a grower, using PLU and UPC codes gives you more credibility and legitimacy in the wholesale market. A buyer will choose the labeled items when faced with a choice between labeled and unlabeled produce of similar quality.

PLU codes are 4 or 5-digit numbers printed on produce labels which were first used in the 1990s to make grocery store check- out and inventory control easier, faster, and more accurate. PLUs allow cashiers to quickly obtain the price of produce, nuts, spices, and other bulk goods. They also help differentiate between produce that appears similar or identical, but has different prices, such organic and non- organic items or different varieties of apples.

**Printing PLU Codes** 9
Make sure to only use PLU codes on bulk (loose) products, not products which will be sold in pre-weighed containers or bags. If you are designing and printing your own PLU stickers, there are a few guidelines for doing so.

PLU codes consist of 4 digits, typically in the 3000-4000 range. Visit **www.plucodes.com** to ensure that you have the most up-to-date codes. The numbers 8 and 9 are currently the only approved prefix numbers for PLU codes. ‘8’ designates genetically modified produce, and ‘9’ designates organic produce. For example, organic bananas carry the number 94011, with ‘9’ for organic, and ‘4011’ for the standard PLU code for bananas.

* Make the 4 digits of the code as legible as possible; use at least a 14-point font. There is no upper limit on font size. Do not make the label width less than 1/3 of the height, and print the number in high contrast to the background (e.g. black text on white, or yellow text on blue).

Keep in mind that the cashier should be able to clearly read the label through a semi-transparent plastic bag. Large and bold fonts help make the label more legible.

* While you may include auxiliary information on the PLU label, such as the name of your farm or logos, the main purpose of the label is identification, and auxiliary information should not detract from the PLU number itself.
* When using a prefix number, particularly for organic produce, keep in mind the fact that many cashiers overlook the prefix number. You should clearly identify the product as organic in order to make sure that the product is sold at the correct price.
* While English is generally accepted as a marketplace standard, be aware of any regional market requirements. Quebec, Canada, for example, requires the addition of information in French if there are translations for the English words.
* The label adhesive should not cause the fruit or vegetable skin to come off, nor should it be located on a non-obvious part of the produce.
* Label adhesive should be food grade.
* While PLU codes are often applied by wholesalers or retailers, farmers who grow less common crops or varietals may find it beneficial to adhere PLU labels to their produce to encourage wholesale buyers to purchase it.
* PLU codes can be obtained from the Produce Marketing Association online at **www.pma.com.**

**Wholesale Markets for Produce**

**Food Hubs**

The USDA defines a food hub as “a business or organization that is actively coordinating the aggregation, distribution, and marketing of source- identified locally or regionally grown food products from primarily small to mid-sized producers.” A food hub may provide the core services of a packing house which handles raw produce immediately after harvest and prepares it for delivery
to customers. The core services of a packing house include cooling, washing, grading, packing, and storage. Packinghouses may offer additional services including harvesting, farm pickup, customer delivery, sales, and marketing.

Food Hubs are an important emerging element of the local food movement. This is because they can provide many services to make farms and regional food systems more efficient. For some farmers, it makes sense to primarily grow the food and outsource packing, sales, and shipping to a food hub that is better skilled at those functions.

Some food hubs are privately owned, in essence serving as a distributor for regional farms. They can also be farmer owned or operated by a non-profit organization or Co-op. In some communities, food hubs are a critical element to expanding the supply chain of local food. In essence they connect local growers to buyers and ensure that the food meets the quality and food safety standards of these wholesale customers.

**Cooperatives**

Co-ops are farmer owned businesses that purchase product from farmers, process it if necessary, and then sell and transport to end users. They often provide many of the services described above in the food hub section.

**Produce Auctions**

Produce auctions are popular in Amish communities with a large enough group of fruit and vegetable growers to support this type of sales system. Farmers sell a wide range of fruits and vegetables through a system in which customers bid on product in a traditional auction manner.

**Restaurants**

Increasingly restaurants are purchasing food from local farmers. They range from large chains like Chipotle Mexican Grill to white table cloth restaurants seeking to differentiate themselves by featuring on their menu the farms they buy from. Larger chains usually have definitive standards for food safety, packing and quality. Smaller restaurants usually don’t require food safety certification and can be more flexible with volumes, sizing, and packing standards. Many restaurants take delivery directly from farms, but some prefer to work through distributors or local food jobbers that forage food for the restaurants from multiple farms and then deliver and bill the restaurants directly. Depending on the size of the restaurants, the amount of product they need will vary. Smaller restaurants sometimes will need to purchase less than full boxes of produce.

**Supermarkets**

Supermarkets are a rapidly growing market for local food. The trend began with Whole Foods Market and has expanded to all sizes of retailers including Walmart, which has created the largest local food procurement program in the US. Most supermarkets require that produce farms are food safety certified. Some supermarket chains allow direct store sales, while others only allow sales through regional distribution centers. If sales go through a distribution center, it is likely they want large quantities, preferably pallets. Smaller markets will take smaller quantities.

**Distributors**

Due to the high demand for local for, many distributors are now actively seeking produce from regional farmers. With large scale distributors such as Sysco and US Foods, sales opportunities are dependant upon the local distribution centers. Both of these companies have regional offices with very strong local procurement programs and other offices that purchase very little local food. Mid to large-size cities usually now have at least one or more distributors that actively buy local food for resale to wholesale customers. Most distributors require food safety certification from farmers and also seek larger volumes of produce to resell.

**Schools, Hospitals, and Other Foodservice Customers**

There is a rapidly growing demand for local produce in the foodservice sector. Foodservice buyers include commissary kitchens, schools, universities, and hotels. Their needs differ from retailers in that they may require or prefer minimal processing of fruits and vegetables. While a grocery store will accept carrots or beets with stems and greens still attached, foodservice companies may prefer pre-cut produce. Often, any postharvest practices beyond simply cooling and washing produce counts as processing. In many cases, foodservice customers will only purchase food from approved distributors who can deliver the product to their location(s). Like many larger buyers, most foodservice companies will only buy produce that is food safety certified.