

TIPS FOR FARMERS WHO WANT TO SELL TO INSTITUTIONS

UNDERSTANDING INSTITUTIONAL FOOD SERVICE

Each day a corporation, college, hospital or school system could be serving thousands of meals and snacks out of several kitchens and in several different dining facilities while providing food for dozens of catered events for visitors, staff and faculty on and off campus. Feeding people on this scale is often more about logistics, consistency and efficiency than food quality.

There are two types of institutional food service structures, Self-Operated Dining Services that are managed by employees of the institution itself, and Contracted Dining Services where the institution brings in an outside company to manage all the dining operations. There are huge food service corporations such as Aramark, Sodexo and Compass and smaller, regional companies such as Sage Dining and Culinart that will contract with an institution to provide all their dining services at a prearranged cost.

In most cases the institutions with self-operated dining services, while they may have "prime vendors" who supply most of their needs, have more flexibility in their buying practices. Big food service providers are usually tied into region-wide or nationwide contracts with suppliers and the chain of command is much longer. However, due to consumer and staff concerns about food quality, customer health and environmental issues, demand is growing exponentially for fresh local and sustainable food. Food buyers from many different institutions, both self operated and contracted, are looking for sources of locally grown food to incorporate into their daily food service operations.

Institutions such as universities, hospitals, schools and eldercare facilities are appealing customers for farmers that produce at a higher volume. The institutional food service industry is a very demanding market but it can provide long term, steady and loyal customers.

REWARDS

Higher volume: more products going to fewer destinations.

Reliable market: While restaurants and chefs may come and go, institutions are here to stay and their buyers are looking for long-term relationships with suppliers they trust.

Distributor connections: If an institution prefers to buy through their existing suppliers this can lead to a beneficial relationship with a distributor who is selling to multiple customers and may even be willing to pick up from the farm. Financial return for products may be lower but distribution expenses are reduced or even eliminated.

A market for seconds: products you can't sell retail: Schools may be thrilled with smaller than usual apples or hospitals can use tomato seconds that are quite usable but do not fulfill the requirements of retailers - too ripe, too small, inconsistent in size, etc.

Education: Institutions offer opportunities to educate many consumers about your product and may even help to develop educational materials about you and your farm.

BARRIERS

A fixed budget: in some cases, especially at government-funded institutions, a fixed budget for food purchasing can limit their flexibility on pricing.

Purchasing contracts with large suppliers: these may limit their power to purchase direct and local.

Approved vendor requirements: these can include food safety and food handling certification and liability coverage. A food service contractor may want a third party auditor to inspect your facilities. In some cases it can be sufficient to invite the buyers out to your farm for a visit

Payment terms: in some cases it may be as long as 60-90 days.

Inadequate facilities: small or no kitchen, limited storage, and staff not trained to cook from scratch.

School schedule: schools and colleges are closed or only require low volume at the height of the growing season.

Animal foods: need for a large volume of a limited variety of animal cuts. Prefer dairy and meats in bulk packs. Accustomed to low prices from large processors.

Consolidation: prefer to buy from fewer vendors - may not be interested in buying small amounts from several different farmers.

Distribution complexity: in some cases large orders may get broken into many smaller lots delivered to multiple sites on each campus.

GETTING STARTED

While the barriers may seem daunting on both sides don't be discouraged. There are farmers throughout the U.S. successfully doing business with institutions of all kinds. If you want to sell to institutions you need to consider their specific needs as you develop your business plan. The key to success is to build a good relationship with a food service director or purchaser who truly wants to support local farmers and make it as easy and efficient as possible for them to buy from you.

Easy-to-work-with farmers: Obvious but a major key to success. All buyers prefer suppliers that are easy to work with and respond to their needs, especially institutional buyers given the volume of food they must organize and the quantity of mouths they must feed.

Understanding wholesale pricing: Make sure you have a grasp of prices in the wholesale market and how much you need to grow and sell of any product to be viable.

Distribution channels: Decide if you want to do your own distribution or use a middleman and make sure the system is in place before you approach a buyer. The reliability and regularity of delivery is a key element to a successful relationship.

Farmer collaborations: Institutions really appreciate farmer cooperatives and farmer/distributors who consolidate products and provide a single distribution and billing system for products from several farms.

Distributor-connected farmers: It is much easier for an institution to receive product via their pre-existing distributors than to add a farmer directly to their delivery schedule.

Liability coverage: \$1-2 million in coverage is usually the minimum required. Large food service contractors often require \$5million.

Professional documents: Invoices, price sheets, packing sheets, etc - that list your business information clearly.

Industry standards: Investigate how the institutions want their products packaged. Usually industry standards apply so you need to work that into your post harvest handling and packing systems. However, some institutions may prefer bulk packed boxes with less packaging and no stickers or tags, and even returnable crates, which can save you money.

Product size and condition: Institutions may prefer products that you can't typically sell retail. Farmers have had success with child serving size apples or tomatoes that are too ripe for retailers.

Value added: Institutional kitchens often purchase large quantities of preprocessed products such as precut and washed greens and sliced vegetables. You may want to investigate the practicality of processing your products in some way or collaborating with a local processor.

Bulk packs: This may be preferred for processed or packaged foods such as milk, cheese and meat products.

Credit card processing: Some institutions have the ability to pay via credit card which can shorten payment turnaround considerably - from months to days.

MAKING CONTACT

The challenge with institutions is finding out who to talk to, since they usually have a large staff. Start by finding out who is in charge of dining services. Titles vary but you can usually find the right person by asking to talk to the Director or Manager of Dining Services. In some healthcare situations you may get passed on to Nutrition Services. For K-12 schools there may be a director of dining services for the whole school district.

Start with who you know: Reach out to institutions in your own community - your children's school or your local hospital.

Management structure: Find out if they are self-operated or have a large or small food service contractor so you know what you are dealing with.

Cold-calling: Perhaps more difficult in the institutional setting but not impossible. After you call, make sure you get the buyer a price list and availability sheet and delivery schedule.

In-person visits: Buyers are busy people, you will need to make an appointment. This is a way to show them who you are and to give them a sample of your product. Come prepared with a price list and availability sheet and delivery schedule.

Sell through a distributor: Be aware that many institutions prefer dealing with distributors and may give them preference. Most Institutions have a "prime" contract with a large broad-line supplier such as Sysco or US Food Service and then smaller contracts with local or regional vendors. If this is the case try finding out who is their local distributor and approach them directly.

Demonstrations: One institutional buyer noted that he loves tastings. It is a way to get the consumer excited about the food and to demonstrate to the buyer the quality of the product. Dining service staff may want to do a tasting in the dining room for their students, residents or staff and they love to have a farmer there to tell his/her story.

Farm tours: Food service professionals have almost no contact with the people that grow their food. Invite them out to the farm to see it first hand and you may see a dramatic awakening as they get to know you and trust you.

Reach out: If you need assistance contact a nonprofit farmer assistance organization like Fair Food/White Dog Community Enterprises. They may know of institutions interested in buying local and can often serve in the role of facilitator.

You can contact the Fair Food Farm to Institution project manager Lindsay Gilmour, at lindsay@whitedog.com or 215 386~5211 ext.102.