

Wholesaling and Coordinating Production with Groups of Farmers: Q&A with Three Experienced Aggregators

On March 1, 2014, four experienced managers from three local food aggregators presented a multi-session training series on aggregation at the WV Small Farm Conference in Morgantown, WV. The series was funded by the Value Chain Cluster Initiative and organized in partnership with the WVU Extension Small Farm Center and the Leopold Center for Sustainable Agriculture at Iowa State University. The presenters generously agreed to provide written answers to questions about their operations, so that attendees could be given a reference handout to take home. The questions and the presenters' responses are compiled in this document.

About the Presenters

Tuscarora Organic Growers Cooperative, Inc. (TOG): Jim Crawford, President

Tuscarora Organic Growers, located in south central Pennsylvania, was founded in 1988 by a small group of growers. The group needed a wholesale market which would provide a premium for certified organic produce. The group also saw the potential for economies of scale in marketing, sales, and distribution. TOG now serves the Washington, D.C. region and other mid-Atlantic markets. It has forty-nine members, all of whom are USDA-certified organic vegetable growers. The cooperative also markets the produce of about ten non-members. **More info can be found at <http://www.tog.coop>.**

Jim Crawford, the presenter representing TOG, was one of the three founders of the business. He has been president of the cooperative from its inception.

Appalachian Sustainable Development (ASD): Kathlyn Terry, Executive Director

Appalachian Sustainable Development is a nonprofit based in Abingdon, which is in the hilly southwestern section of Virginia. In 2000, ASD began to operate what is now known as a food hub called Appalachian Harvest. This enterprise was started to provide tobacco farmers with an alternative source of income in the form of organic vegetable production. Appalachian Harvest connects small and medium scale farmers with large buyers such as grocery store chains and produce brokers through marketing, aggregation and distribution efforts. Approximately 45 produce farmers participate in Appalachian Harvest. **More info can be found at <http://asdevelop.org/>.**

ASD owns a 15,000 sq. ft. building (approximately 1/3 of which is refrigerated), 2 tractor trailers, and one small refrigerated box truck. Buyers work with Appalachian Harvest to plan demand for the coming season, which Appalachian Harvest converts into plant populations and planting phases. These are then shared with growers to plan volumes and plantings. Appalachian Harvest markets the product, aggregates it at the central facility, and delivers it via tractor trailers to grocery store or produce broker distribution hubs. Kathlyn Terry, the session presenter representing ASD, is the organization's Executive Director.

Garret Growers Cooperative (GGC): Charles Deberry, President, and Willie Lantz, Extension Educator, University of Maryland Extension

Based out of western Maryland, Garrett Growers is a relatively new cooperative that coordinates members' production and sales to local restaurants and grocery stores. It was started in 2011 because vegetable producers in Garrett County were looking for markets in addition to tailgate markets. The group decided that since tailgate markets were only open for a few hours per week, local consumers would be most likely to purchase local fruits and vegetables at locations that would coincide with other purchases. They recognized that local grocery stores and restaurants have the infrastructure to resell and/or utilize local produce, reducing the expenses to the cooperative for marketing infrastructure. Today, GGC's products can be found in a variety of restaurants and outlets in and around western MD. The cooperative currently has 10 members. Members include full time farmers who produce only vegetables, full time farmers who produce a variety of farm products, and part time farmers. [More info can be found at http://garrettgrowers.com/.](http://garrettgrowers.com/)

Charles Deberry, one of GGC's presenters, is a grower member and president of the Garrett Growers Board of Directors. The Board of Directors oversee the operation of the cooperative. Board members direct the work of the cooperatives employees and assist with setting prices. Charles has been very involved in the creation and completion of the annual producer commitment process.

Willie Lantz, GGC's other presenter, is the Agriculture and Natural Resources Extension Educator with the University of Maryland Extension. Willie has worked closely with the farmer in forming the cooperative. Willie wrote a Northeast SARE Grant proposal that provided funds to assist the cooperative with coordination and marketing. Willie continues to assist the cooperative with production issues.

Aggregator Structure, Marketing and Management

In this section, presenters answer general business-related questions about operating a local food aggregator including structure, buyer and producer relationships, pricing, organizational decision-making and more.

1. What is your business structure?

Jim Crawford, TOG: We are incorporated as an agricultural cooperative in PA.

Kathlyn Terry, ASD: ASD is a 501c3 nonprofit and Appalachian Harvest currently operates as a program under ASD.

Charles DeBerry & Willie Lantz, GGC: Garrett Growers is incorporated in Maryland as an Agriculture Marketing Cooperative. As a cooperative a majority of the product we sale must be produced by the members of the cooperative.

2. What types of buyers do you serve? How has this changed over time, and how did you decide which buyers to target?

Jim Crawford, TOG: About three quarters of our customers are restaurants and retailers (including food co-ops) in the Washington, DC and Baltimore area. Other outlets are Whole Foods warehouse, distributors,

institutions, and our own members. From the beginning we targeted smaller-scale buyers, since prices were higher, and since we had the logistical capacity, willingness and skills to work with them.

Kathlyn Terry, ASD: Appalachian Harvest serves primarily large buyers such as grocery store chains and produce brokers. When Appalachian Harvest was started, there was very little interest in purchasing local foods in our immediate region. Early efforts were focused on organic production and there was even less interest in purchasing those types of products at any significant scale. The markets that were interested in a local organic product were large grocery store chains and produce brokers such as Whole Foods or Ingles (200 stores) but since these markets were relatively far away, it required larger scale aggregation and trucking to make the delivery cost/unit feasible. *Note: Recently, ASD began operating a separate enterprise (Rooted in Appalachia) which is focused on small scale buyers such as restaurants and local retailers.*

Charles DeBerry & Willie Lantz, GGC: At this point Garrett Growers buyers are all located in Garrett County, Maryland. Restaurants range from small family restaurants to chain restaurants. We also market to two regional grocery stores located in the county. Another customer is convenience stores that use produce for sandwiches and sell some items. We have focused on restaurants more in the past year. All of the outlets are in the Deep Creek Lake area and experience a large upswing of sales during the summer months, which coincides well with the vegetable production season.

3. What types of products do you offer to buyers? How has this changed over time, and how have you determined what to offer?

Jim Crawford, TOG: We offer several hundred items in our annual production plan. We attempt to cover the greatest possible range of items over the longest possible season that our climate permits. This has changed over time with the abilities of our growers.

Kathlyn Terry, ASD: Appalachian Harvest offers organic and conventional produce in standard pack cases. For the first 10 years of Appalachian Harvest's existence, only organic products were offered. Beginning in 2010 we began brokering conventional products to defray distribution costs and have since added conventional produce to the line of products we offer.

Charles DeBerry & Willie Lantz, GGC: We offer a wide variety of fresh fruits and vegetables. We survey existing and potential buyers during the winter months to determine what fruits and vegetables they are interested in purchasing and try to determine the approximate volume. From the surveys and records from the past year we develop a weekly chart of fruit and vegetable needs.

4. How do you build and maintain relationships with buyers? With producers?

Jim Crawford, TOG: We have an excellent staff who are tasked with both production coordination (dealing with growers) and sales/marketing. **Sales staff visits buyers approximately annually, and we host buyers about once a year for (very popular) farm tours, picnic lunch, meetups with growers, etc.**

Kathlyn Terry, ASD: Building relationships with buyers requires a commitment to understanding their needs and working closely with them to meet those needs. Clear, accurate, timely information is critical to developing strong relationships – say what you will do and then do it. If something happens which impacts your ability to deliver, communicate promptly and honestly. Be professional and understand the marketplace you are choosing to sell to. If you make them successful, they will remember it and will work to make you

successful. Also, know when a buyer will never become a partner and don't invest more time and energy on a lost cause.

As with buyers, producers need to be able to trust that you will do what you say you are going to do, particularly as the upfront investment for a farmer can be significant. One of the best ways to grow a producer base is to ensure that your reputation for paying in a timely manner and taking care of their needs is very strong. Connecting with a few key growers also builds trust and allows producers to have more confidence in your ability to support them.

Charles DeBerry & Willie Lantz, GGC: The producers meet three to four times a year to evaluate the season and plan for production. The members are also in weekly contact with the coordinator for delivery information. Besides the coordinator contacting customers on a weekly basis, we visit with them in the off season to discuss next year's production.

5. How do you make decisions about pricing?

Jim Crawford, TOG: We keep in close touch with the market and our competitors' prices.

Kathlyn Terry, ASD: Appalachian Harvest strives to get the best pricing for its producers. However we also feel that in order to build strong relationships with buyers, we should not gouge them should that opportunity arise. We stay apprised of market pricing and negotiate accordingly. Because we have far more demand than supply, we also choose our markets based on pricing. For instance, we have two primary truck routes: north and south. The south run almost always pays better so whenever possible that's where we sell. The north run is developed for the very large volume of product it can move should that be necessary.

Charles DeBerry & Willie Lantz, GGC: The Board of Directors works with the coordinator to establish prices. We aim for 75% of retail prices for wholesale customers. We also work with a few restaurants to understand pricing from major suppliers. We aim to be 25% higher than the major wholesalers. We also work with the grocery stores to meet their pricing needs for store-advertised discounts and sales.

6. How are producers paid for their products, and what portion to you keep to cover the services of the organization?

Jim Crawford, TOG: They are paid by check within 14 days of sale, on a consignment basis, with the cooperative retaining approximately 25% of the final price, to cover expenses of sales and distribution. We originally started out retaining 30% for the cooperative, and gradually brought this down.

Kathlyn Terry, ASD: Producers are generally paid within 2 weeks of the sale. Producers pay 20% for our services. Over the years we have tried a variety of different pricing structures and offered different services. The 20% rate is supposed to cover distribution, operations, facility costs, etc. The producer is responsible for all packaging materials (which Appalachian Harvest buys in bulk) and delivering a graded, properly packed product of the appropriate quality. Appalachian Harvest arrived at the 20% figure through trial and error. We feel that more than 20% makes it very difficult for farmers to operate. However, 20% is not sufficient to cover our costs at current volumes.

Charles DeBerry & Willie Lantz, GGC: We pay producers once a month and aim to pay for the previous month by the 15th of the following month. In 2013, the cooperative charged a 20% commission on all produce sold by members.

7. What do you require of your producers to participate? (Do they follow specific food safety requirements, grading requirements, post harvest handling practices, certifications, etc.?) Why?

Jim Crawford, TOG: We require growers to abide by our published quality control standards, which are quite elaborate. We require growers to not sell individually to the cooperative's customers. We require all produce to be USDA Certified Organic. We also require all growers to follow strict protocols for communicating with the co-op staff daily during the season (all year for some growers), such as long-term projections, two-week projections, two-day offers, orders, etc.

Kathlyn Terry, ASD: To participate in Appalachian Harvest, all producers must be GAP trained. 80% of our markets require GAP (Good Agricultural Practices) certification for organic product and 100% require it for conventional. The only market we have for non-GAP certified products is for a minimal number of crops and those must be certified organic. All producers must attend annual quality training to ensure that everyone understands the quality and packaging expectations for any products they choose to grow. Producers are also expected to provide timely forecasts to Appalachian Harvest marketing staff to ensure the best price for their products.

Charles DeBerry & Willie Lantz, GGC: All members must carry a farm produce liability insurance policy and present the cooperative with a certificate of insurance yearly. The cooperative does not require members to have a GAP certification but has encouraged all producers to follow good agriculture practices. All producers have attended trainings provided by extension. Our goal would be for members to become certified through the Maryland Department of Agriculture Direct Market GAP Certification. The cooperative has established standards for grading and post harvest handling.

8. How do you make sure that producers follow these requirements (and how do you help them)?

Jim Crawford, TOG: Our production coordinator works with all growers on a daily basis, and receivers at the dock refuse produce which is sub-standard. We regularly conduct "crop improvement" meetings with growers to help them improve their skills and techniques.

Kathlyn Terry, ASD: ASD obtains grant funding to support conducting GAP training across the region. Ensuring that farmers are GAP-trained and GAP- or Organic-Certified is a simple matter of obtaining certificates. Quality standards are enforced when the product is received at the facility. A certain percentage of every load is inspected and will be rejected (or protection requested) should the quality not meet the standards that have been set.

Charles DeBerry & Willie Lantz, GGC: The coordinator and delivery person are trained to understand quality requirements and work with producers.

9. What role do producers have in decision-making?

Jim Crawford, TOG: Members annually elect a board of directors, who make most policy and planning decisions. All members are welcome to be on the board, or to attend board meetings.

Kathlyn Terry, ASD: Producers work with Appalachian Harvest staff to determine what they will grow, when and in what quantities. The choice is up to them but we prefer that they buy certain varieties to ensure a consistent product across growers. In the past, as we have experimented with different pricing/fee structures and different service offerings, we have engaged groups of growers in the decision-making process.

Charles DeBerry & Willie Lantz, GGC: Since we are a cooperative, each producer has one vote in any matter that comes before the cooperative general membership. The general membership elects the board of directors. As stated earlier, the Board of Directors make decisions pertaining to the daily operation of the business.

10. What do you do when there is a conflict with or among producers about the management of the aggregation?

Jim Crawford, TOG: The Board of Directors mediate these problems, which are few.

Kathlyn Terry, ASD: Appalachian Harvest has always conducted monthly growers meetings where growers are encouraged to express any issues. We strive to be very transparent and solution oriented. That being said, often growers are reluctant to share their issues and sometimes it takes something working its way through the grapevine before we know that there is a problem to be addressed. When a problem has been identified, we address it quickly, clearly and directly.

Charles DeBerry & Willie Lantz, GGC: The Board of Directors would meet with members that have concerns.

Coordinating Production and Managing Quality

In this section, presenters answer questions about how they forecast demand, coordinate production dates among farmers, and assure consistency in their product line.

1. Briefly describe how you estimate/project buyer demand over the course of the growing season. What questions do you ask your buyers? What other data do you consider?

Jim Crawford, TOG: Our customized computer program, which we developed and refined over 25 years, tracks all sales and production data. This database guides our annual production plan development. Our experience over the years has been that buyers are always reluctant to project their needs in advance. They want to see products and prices as we offer them (twice weekly).

Kathlyn Terry, ASD: The Appalachian Harvest General Manager (who also serves as the Marketer) meets annually with all buyers to obtain weekly demand figures for all products. Demand is aggregated and then converted to plant populations and planting phases. In addition to discussing the demand on the core group of products, each year, she discusses the potential for new products that can be grown specifically for a buyer. Ensuring that our trucks are never empty is one way of ensuring a carbon friendly product and is an income-generating opportunity for the enterprise. Therefore, we also discuss opportunities for backhauls or pickups with our buyers during our annual meetings as well as throughout the year.

Charles DeBerry & Willie Lantz, GGC: We use a survey sheet for new customers asking them what fruits and vegetables they are interested in purchasing and how much on a weekly basis. Once customers have purchased, we print out a copy of their purchase and use that as a basis for the upcoming year. We also determine the best time to contact the customer, ideally contacting them prior to ordering from their typical wholesaler.

2. What type of commitment do you have from buyers regarding their plans to purchase from you? (Contracts? Verbal?)

Jim Crawford, TOG: We enter into no marketing contracts. We offer produce and prices twice per week and deal with customers verbally, on email, fax, etc.

Kathlyn Terry, ASD: We do not have contracts with our buyers; the commitments are verbal only. The long history we have in working with these buyers allows us to know the level of confidence we can have in their predictions and their commitment to following through.

Charles DeBerry & Willie Lantz, GGC: All commitments are verbal.

3. How do you let your growers know what buyers are likely to be asking for, so that they can commit to plant accordingly? What does that process look like?

Jim Crawford, TOG: Yes to all of the above. Each winter our production coordinator develops a production plan based on the previous year and on the data base of sales. Each grower receives a very detailed list of crop commitments, with quantities, dates, etc. Any conflicts between growers are mediated by the production coordinator. It is understood that the cooperative makes no contracts with members but that there is a “good faith” agreement that members will make every effort to follow the plan, and the cooperative sales staff will make every effort to market what is produced.

Kathlyn Terry, ASD: Farmers are provided with an information sheet that documents the number of plants (by phase) required to meet existing demand. In the past we would host meetings of all growers and have a group discussion about who would grow what. We have moved away from this model and now meet one-on-one with farmers to help them customize a plan for their farm and life. We still share the information sheet referenced above but have found it beneficial to spend time with farmers individually rather than trying to do this in a group setting.

A part of the process is an informal prediction of accuracy based on our history with a farmer (another benefit of one-on-one discussions). We do not require contracts with our farmers.

Charles DeBerry & Willie Lantz, GGC: Once we have a good amount of data collected from customers. We tabulate the data and divide up the production between the farmers. Farmers are asked what they are willing to produce for the upcoming year. We have converted pounds of vegetables into numbers of plants so that producers know how much they need to plant. Ideally at least two producers will produce each crop. We also look at production periods such as early, mid and late season crop periods.

4. How do you decide which producers will produce which varieties and quantities? (Is it a group decision, or based on individual conversations with producers, or does a manager tell people what to plant, etc.)

Jim Crawford, TOG: See above. Each year as the production plan is being developed, the production coordinator meets individually (at the farms) with growers to review performance of the past season and make adjustments to the crop commitments, trying to keep changes to a minimum. At the end of the planning process the PC makes and distributes a “shortages list”, to try to encourage growers to cover items in short supply.

Kathlyn Terry, ASD: The decision on which producers will produce which varieties and at which quantities is partly “first come, first served” and partly guidance from Appalachian Harvest/Extension. Factors to consider are the farmer’s experience, land, equipment, proximity to an aggregation facility, history, etc. We are very clear with farmers that if they choose to grow something that we have not obtained demand figures for or if they just get an urge to experiment with a crop, we will do our best to move it but make no guarantees. We have found that most farmers are interested in guidance from us on what we know we can sell.

Charles DeBerry & Willie Lantz, GGC: Producers let the cooperative know what they are interested in producing. At this point the cooperative is small enough for the membership to meet and work out production needs.

5. How do you keep track of whether your farmers are going to meet their productions commitments?

Jim Crawford, TOG: By frequent conversations with growers over the season, the staff tracks production. When there are shortfalls the staff attempts to source items from outside the group.

Kathlyn Terry, ASD: Forecasting is probably one of the biggest challenges we face in working with multiple farmers. We ask that they provide us with 2 weeks’ notice before they begin the first pick. After that we ask for predictions on the number of boxes anticipated weekly. Unfortunately, we still have a ways to go before we have this perfected. First, it is often difficult to estimate number of boxes. Second, weather and other external factors make it difficult to predict volumes. And finally, sometimes communicating with the marketer is just not high on a farmer’s priority list.

Charles DeBerry & Willie Lantz, GGC: At this time we do not track whether a producer meets their production needs. We do farm visits, which help us understand what produce has or is being planted.

6. What you do if a farmer will not meet his/her commitment?

Jim Crawford, TOG: If there is evidence that a grower is not producing in good faith over multiple seasons, the commitment will go to another grower.

Kathlyn Terry, ASD: Often the biggest impacts of this type of behavior are on the buyer who ends up potentially having no product to move, and also on the farmer because pricing suffers when commitments aren’t met.

Charles DeBerry & Willie Lantz, GGC: At this time there is no penalty for not making a commitment.

7. How do you communicate with buyers over the course of the season, to make sure they are satisfied and to find out what adjustments may need to be made to the plan? (Who does this?)

Jim Crawford, TOG: Sales staff is in constant contact with buyers.

Kathlyn Terry, ASD: Appalachian Harvest General Manager is also the marketer. She communicates almost daily with buyers throughout the growing season, offering product, establishing pricing, following up on quality, etc.

Charles DeBerry & Willie Lantz, GGC: Since we are a small organization and the Board of Directors are also producers. The members talk, and if a problem arose it would be worked out by the Board of Directors.

8. Are there any specific tools you can recommend to help with production planning?

Jim Crawford, TOG: Our customized software has been developed and refined by various contractors over our 25-year history. It is comprehensive for all our planning of production, sales, and daily operations. It is available for inspection and purchase by other groups like ours.

Kathlyn Terry, ASD:

1. Obtain weekly buyer projections per crop
2. Analyze the growth patterns and number of phases as it relates to your growing season
3. Calculate plant population needed for each phase to meet demand
4. Create matrix illustrating the number of plants per phase, per crop
5. Assign growers phases and # of plants they need for their allotted acreage they wish to farm, adjust as needed in the off-season. (i.e. if you only have enough growers to do 3 phases of tomatoes instead of 4, make sure you don't have a gap in production. Either start early and finish early, or start late and finish late, but be consistent once you start)

Charles DeBerry & Willie Lantz, GGC: The cooperative uses Quickbooks and spreadsheets to keep track of purchases and track production.

9. If you had one nugget of advice for a group that is starting to collaborate or coordinate production/marketing for wholesale buyers, what would it be?

Jim Crawford, TOG: Since no one “nugget” stands out in my mind (situations vary so widely), I plan to bring a list of 17 of my favorite “nuggets” to share with anyone interested.

Kathlyn Terry, ASD: Know what your buyers need and can pay, and make sure your farmers are interested in supplying those needs at that price. Often large volume buyers sound great in theory, but the high quality expectations and lowest price of these markets can often be disappointing to farmers.

Charles DeBerry & Willie Lantz, GGC: The process of planning for cooperative marketing is complex and very time consuming. The group should consider spending time on business planning, especially estimating capital needed over the first five years. The business is not likely to make a profit for the first few years, so having adequate capital is important. It allows the leadership to not have to spend time figuring out the financial problems, so that it can focus on production and marketing.

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More on the Value Chain Cluster Initiative: www.vc2.org

More on the Leopold Center for Sustainable Agriculture: www.leopold.iastate.edu

More on the WVU Extension Small Farm Center: <http://smallfarmcenter.ext.wvu.edu>