

BEYOND FRESH & DIRECT

BENEFITS • CRITERIA • CONNECTIONS • STANDARDS • VALUE ADDED

BENEFITS

How Can Sourcing Directly from Farmers Benefit Specialty Food Manufacturers?

SOURCING DIRECTLY FROM FARMERS CAN HAVE BOTH BENEFITS AND CHALLENGES FOR MANUFACTURERS. SO WHAT TIPS THE SCALES? WHAT ARE THE ADVANTAGES THAT OUTWEIGH THE CHALLENGES, AND HOW CAN YOU, AS A FARMER, USE THIS TO YOUR ADVANTAGE? HERE WE ADDRESS SIX CATEGORIES OF BENEFITS: COMMUNICATION, INTERDEPENDENCE, MARKETING ADVANTAGES, TRANSPARENCY, VALUE ALIGNMENT, AND SIMPLE ECONOMICS.

EASE AND OPENNESS OF COMMUNICATION

Specialty food manufacturers who source directly from farmers often cite ease and openness of communication as a reason they like working with farmers. They can connect directly with the farm, get accurate and detailed information about a crop, and negotiate what they need and when they need it. For example:

- o A California jam manufacturer needs crops at perfect ripeness to create the quality product she is known for. By working directly with farmers she can get an accurate assessment of the crop and plan accordingly.
- o A Minnesota noodle company uses heritage grains in its products. In a discussions with one of their farmers, the owners mentioned that they couldn't find some varieties that they would like to use. The farmer expressed an interest in growing those varieties specifically for the company, and that has led to a strong relationship.
- o In Oregon, a specialty pork manufacturer provides his farmers with the exact production system specifications he requires. By having open and direct communication, he is able to ensure that the pigs he buys are raised in a way that provides him with the raw ingredients he needs to create his award-winning charcuterie.

Because each manufacturer differs, it is important for you to figure out what information the manufacturer wants and how they prefer to communicate. Being willing and able to establish good communications will be key to developing a successful working relationship.





ASSISTANCE

Smaller food businesses may be interested in sourcing directly from farmers because of the special services, resources, and knowledge that experienced farmers can provide. This includes access to infrastructure, expertise, and connections. For example:

- o A fermented food business in Wisconsin sourced root vegetables from local farmers in the fall, which it processed into products like kimchi and pickled carrots over the winter. While root vegetables store well under the right conditions, the processor did not have enough storage space to accommodate the quantities of vegetables it could use. However, one of its farmers had a climate-controlled storage facility and was willing to store the vegetables until the manufacturer needed them. This was a valuable benefit for the manufacturer and enabled them to buy more local product.
- o A young Minnesota bone broth company sourced bones from a local organic farmer. In addition to the bones, the farmer also provided information and advice on how the company could get its own organic certification. By sharing his expertise, the farmer solidified his relationship with the company's owners and further gained their loyalty.
- o Another Minnesota manufacturer worked with a neighbor who raised turkeys for him. As the manufacturer's business grew, he needed more turkeys, but the farmer's capacity was maxed out. The farmer, confident in the manufacturer's track record and business plan, made the decision to build a new barn

in order to grow more turkeys for the manufacturer. Both parties are pleased with the relationship and the opportunity to grow together.

To make yourself more competitive, you may want to think about what you have to offer a manufacturer beyond your product. This also could afford you the opportunity to grow alongside the manufacturer.

MARKETING ADVANTAGES

Manufacturers are aware of growing customer interest in seasonality, how food is raised, and where their food comes from. Sourcing from local farms gives manufacturers an opportunity to respond to these trends. Here are some examples that food manufacturers have shared.

- o A Minnesota soup manufacturer noted, "One thing that's changing for the local processor is a greater appreciation for the charm of seasonality." Because of this, he has added a local forager to his business to seek out products from farms that can be incorporated into his soups.
- o A Wisconsin cheese manufacturer stated, "Customers that we work with are very interested in where the milk comes from and like the idea that it's coming from a local farm. I get more calls than I used to about size of farms, and I send them to the website to look at our farmer profiles."
- o When launching a new product, a California chocolate maker uses Instagram to identify the farm sources of

the ingredients, like fruit and olive oil. She also hands out a bookmark with her chocolates that includes that same information.

- o An Oregon refrigerated bean manufacturer provides detailed information about all of the farmers who supply ingredients on its website. The interactive page for each of the bean products highlights the source and quality of the ingredients.

Stories about how, where, and by whom ingredients are produced can be powerful marketing tools. They help lend authenticity and a local or regional identity to specialty food products.

TRANSPARENCY

Food manufacturers who buy directly from farmers value the transparency that comes from this direct relationship. This transparency can ensure the product aligns with any number of requirements the manufacturer may have. For example:

- o A Minnesota charcuterie maker was required to fill out an application to enter one of his products into a competition. “The questionnaire asked: ‘How do you know the animals are raised without crates, without sub-therapeutic antibiotic?’ That was easy,” he said, “I know the farmers. I visit the farms. With good ingredients, making good products is easy.”
- o In Wisconsin, a pasta maker insists on transparency. He noted, “I picked a mill I liked in terms of standards and sourcing. It is a state-owned mill in North Dakota with a mandate to source all of their durum wheat from North Dakota growers.” He went on to say, “The multi-national companies where I could buy ingredients NEVER give you an indication of their sources, could be Russia, could be Australia. ... I want to be sure I can get information about my sources.”

- o In California, a cheese manufacturer sources milk from only three farms. It keeps the milk from each farm separate so it can identify which milk is used in each batch of cheese. This provides the manufacturer with optimum quality control.

Transparency provides manufacturers with information that can be valuable in creating a product and that can be shared with a customer base that is becoming ever more discerning.

VALUES ALIGNMENT

Many manufacturers buy directly from farmers because doing so aligns with their values. They are not solely motivated by profit but by a variety of factors. For example:

- o When asked what the top reasons were for buying ingredients from farmers, one manufacturer said: “Principles; economics; and a commitment to buying from farmers because of the challenges they face – like dealing with Mother Nature.”
- o The owner of a Wisconsin specialty meat company is so committed to having viable small farms that he is finding creative ways to make farms more profitable. He realized that a by-product of the state’s robust goat cheese industry was an abundance of male goats that had no value to cheesemakers. He decided to make salami from these goats to create a new market channel for those farms. For this manufacturer, buying from farmers helps him contribute to a stronger food system.
- o A Washington fermented food company’s mission is to help grow a healthy food system. It is structured as a B-Corporation – which means it meets certain social and environmental performance and accountability standards. For this company, buying from local farms is



central to its value system. One success measure is the number of local farm suppliers.

As you look for a good match with food manufacturers, identify those who are strongly committed to buying from a farm like yours – whether that is an interest in local farms, organic farms, or farms that raise their animals in a certain way. Having strong common values that align can be critical to establishing and maintaining a successful relationship.

SIMPLE ECONOMICS

Sometimes sourcing directly from farmers is simply the most economical option for food manufacturers. If they can use crops or parts of the crop that a farmer otherwise wouldn't have a market for, they may be able to get ingredients at a particularly good price. Here are some examples:

- o A charcuterie maker in Wisconsin buys hens that have stopped laying as well as breeding boars and sows. These are animals that don't have much value to the farmer, but a creative maker can turn the raw ingredient into a marketable value-added product.
- o A small Oregon vegetable processor contracts with several farms to glean their leftovers in order to convert what would otherwise be wasted into canned and dried processed foods. This reduces produce "waste" and provides an additional income stream for farmers.

Savvy farmers and food manufacturers can sometimes create partnerships that provide both parties with direct economic benefits.

KEY TAKEAWAYS

- o Manufacturers who want to source from farmers will likely value good communication. You will need to be open and responsive to their inquiries, willing to work with them, and willing to share your practices and your story. Such communication will often lead to assisting each other to create cost savings and help both parties grow their businesses.
- o While there are potential benefits from marketing messages, transparency, and simple economics, the key for attaining those benefits is finding the right fit between compatible businesses.
- o Working with partners who share common values can be critical to maintaining a successful business relationship. It can help foster effective communication and networking that can enhance the achievement of common goals.

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This fact sheet is part of a project exploring the opportunities and challenges small and medium-size farms encounter when they seek to enter the rapidly-growing specialty food marketplace as either ingredient suppliers or manufacturers themselves. The project included a survey of specialty food manufacturers in California, Minnesota, Oregon, Washington, and Wisconsin in 2015 and interviews with selected manufacturers and farmers who supply manufacturers in four broad food categories: dairy; grain and baked goods; processed meats; and processed fruit, vegetables, nuts, and herbs.

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