

# BEYOND FRESH & DIRECT

BENEFITS • CRITERIA • CONNECTIONS • STANDARDS • VALUE ADDED

# CRITERIA

## What Criteria Must You Meet to Sell to Specialty Food Manufacturers?

WHEN CONSIDERING ALTERNATIVE OUTLETS FOR YOUR PRODUCTS, SUPPLYING SPECIALTY FOOD MANUFACTURERS MAY BE AN ATTRACTIVE OPTION. KNOWING WHAT TO EXPECT WHEN WORKING WITH SPECIALTY FOOD MANUFACTURERS WILL HELP YOU DETERMINE IF IT IS THE RIGHT FIT FOR YOU AND WHAT CHANGES YOU MIGHT NEED TO MAKE. THIS FACT SHEET HIGHLIGHTS COMMON REQUIREMENTS/CRITERIA THAT SPECIALTY FOOD MANUFACTURERS LOOK FOR IN THE INGREDIENTS THEY PURCHASE AND THE SUPPLIERS THEY WORK WITH.

## QUALITY

Food manufacturers indicate that quality is THE most critical requirement they consider in purchasing ingredients. Because quality can mean different things to different buyers, it is important to have a clear understanding of how each manufacturer you work with defines quality. Sometimes quality relates to ingredients having very specific characteristics. In other instances, manufacturers require certifications like organic, non-GMO, or gluten-free as ways to assure quality.

- o A Washington sauerkraut maker noted that, while she once bought the excess cabbage that farmers had left at the end of a farmers market, she no longer does so. She learned from experience to purchase specific varieties of cabbage that are high in sugar and moisture in order to get the correct fermentation needed to make a consistently excellent product with the qualities her customers desire.
- o A California jam company requires organic certification as one guarantee of the quality it desires. It also seeks good taste and freshness.





## FOOD SAFETY

Food safety is critical for food manufacturers. No one wants to make or sell a product that will make consumers ill. While food safety has always been important to companies, the Food Safety Modernization Act that was signed into law in 2011 has dramatically increased food safety regulations.

More and more food manufacturers, especially those selling into larger retail chains or to institutional buyers like schools and hospitals, are requiring their suppliers to have some type of food safety certification or at least to follow certain food safety practices. Other manufacturers are bound by their licenses to follow specific protocols.

- o A Minnesota charcuterie maker, whose processing plant is licensed as USDA inspected, wanted to use local, organic garlic in his sausages. His license requires that all ingredient suppliers for his meat products must have an approved HACCP (Hazard Analysis Critical Control Point) plan. None of the garlic farmers he knows has a HACCP plan, as it is not something small farms generally need. Therefore, he needed to purchase the garlic elsewhere.

Because of this increased focus on food safety, it is important to talk with the manufacturers you want to work with to get a clear understanding of what they currently require of their suppliers as well as what they anticipate they will require in the future. This will help you evaluate if you are able to successfully supply them.

## RELIABLE SUPPLY

A reliable and sufficient supply of ingredients is important to many manufacturers. Simply stated, as an ingredient supplier, you must meet their expectations in terms of both the overall quantity provided and the timing of that supply. Some manufacturers are willing to adapt to issues such as seasonality, while others are not. Some are willing to work with multiple smaller suppliers, others are not. Identifying manufacturers who are a good fit with what you are able to supply is a critical component of a successful strategy. Another component is working with the manufacturer to assist them in developing realistic expectations.

- o The same charcuterie manufacturer works closely with a handful of hog farmers. He knows exactly how many hogs he will need from each farmer and when he will need them. The farmers keep him informed well ahead of time of any changes that would reduce the number of hogs they have agreed to deliver. This gives him time to make alternative plans.

Other companies develop formal contracts with their suppliers.

- o A Washington grain producer and miller was able to expand the processing part of his business by mentoring two farmers. He taught them how to grow the ancient grains he needed for his processing business and assisted them in obtaining their organic certifications. Now the producer/miller has formal contracts with these farmers that include specified prices and expected quantities of grains to be supplied.

When suppliers are not reliable, relationships can fall apart.

- o An Oregon refrigerated bean manufacturer (e.g. black beans, pinto beans ...) noted, “We started out being all for local and smaller producers, but when push came to shove and we didn’t always get what we needed when we needed it, we made the decision to work with bigger suppliers.”

In some cases, manufacturers and farms can grow together. If a manufacturer is expanding, you might be asked to increase production of what you grow for them. In other cases, manufacturers may grow at a speed or to a scale that you are unable to match. As a farm supplier, it is important that you talk with the manufacturer to understand their plans and how that might impact their relationship with you in both the short- and long-term.

## PRICE

Price is a key factor manufacturers consider. They are, after all, aiming to run profitable businesses, and keeping costs down is one way to do that. There are many variations on how prices are set. In some cases, manufacturers set a price and you must decide if you are willing to accept it. If manufacturers have alternative sources, the prices they offer may not be attractive. In other cases, manufacturers will sit down with you and negotiate a price that works for both sides. In some instances, manufacturers may let you set the price. This would most likely happen if you have a very close and trusting relationship with the manufacturer and they know that you are offering a fair price. The following examples illustrate different ways that price can influence manufacturer/farmer relationships.

- o An Oregon grain products manufacturer started out prioritizing purchases from local farms but shifted to purchasing from distributors to ensure adequate supply and better (lower) prices as the company expanded.
- o An Oregon meat processor ignores overall hog market conditions and prices when it enters into discussions with the farmer who supplies it with hogs. Over time, the prices it pays have increased as the farmer’s production costs have increased.

## LOCAL OR REGIONAL SOURCING

Local or regional sourcing is important to many manufacturers and can influence their purchasing decisions.

- o A small California cheese manufacturer says purchasing from local suppliers is important because it supports the local economy and community, is more environmentally responsible, and makes it possible for her to visit their operations.
- o A pasta manufacturer in Wisconsin stumbled into using local products. He was passionate about making fresh pasta and was selling it at the farmers market. While talking to a fellow vendor who raised mushrooms, he realized that he could be using these mushrooms in his pasta. That was the beginning of a commitment to buy much of his ingredients from local and regional sources. He notes, “Local sourcing is difficult to manage but it’s part of our image.”

As a potential ingredient supplier, keep in mind that your location and identity can help differentiate a manufacturer’s specialty food product.

## STORIES

Further down the list of factors important to manufacturers are the stories behind the ingredients they can use in marketing. If you want to supply a manufacturer whose marketing strategy involves stories of its ingredients, then it is helpful to share interesting and accurate information about your farm and yourself.

The degree to which manufacturers use stories about their ingredients and farmer suppliers varies. Some manufacturers indicate that because space is limited – on labels, on packaging, on advertisements –they focus on telling their own story. But part of that story might be that their product is made with ingredients from family farms (or organic farms, or local farms ...).

Other manufacturers feature stories about their suppliers on their website where they have more room. This might be as simple as a list of their farmer suppliers or it might be full profiles, with photos, of each farm. Other manufacturers get creative.

- o A cheese manufacturer in Wisconsin creates a calendar with profiles of its farmer suppliers. Its sales staff use the calendar to tell the stories, which helps sell the product, and then they leave the calendar as a gift.
- o Vertically integrated farms that produce ingredients and then manufacture finished products from those ingredients are in a great position to market their

business. Across the board from meat and cheese to nuts and grains, these farms rely heavily on the “we produce everything ourselves story” in selling their products to consumers.

## KEY TAKEAWAYS

- o Talk with manufacturers you want to work with to get a clear understanding of what criteria they are looking



for in their suppliers and what they anticipate they will require in the future.

- o Recognize that manufacturers consider multiple criteria in making their sourcing decisions. Seek to understand and be responsive to the relative importance of each. This means that, even if your ingredient has exceptional quality, you may not be selected or retained as a supplier if you don't have a food safety plan in place or can't guarantee a reliable supply.
- o Identify manufacturers who are a good fit with what you are able to supply and work with the manufacturer regarding realistic expectations and contingency plans regarding supplies. View the manufacturer's criteria as key selling points. The exceptional quality of your ingredients or the story behind your farm may be what makes the sale.



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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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This project was supported by Agriculture and Food Research Initiative Competitive Grant no. 2015-68006-22906 from the USDA National Institute of Food and Agriculture.