farm to plate NETWORK

DEEP-DIVE SESSIONS

2. Retail Establishments: The Next Frontier for Local Food?

Most Americans buy their food from supermarkets, warehouse clubs, and supercenters. If we are to reach the Farm to Plate goal of producing and buying more locally produced food, we have to break into the markets where the majority of shoppers buy their food. This *fishbowl* discussion will explore such questions as: What is it going to take to get locally produced food into grocery and convenience stores at greater volumes and frequency? From a farmer or food entrepreneur's perspective, what are the challenges and benefits of selling to each of the different types of retail establishments? Where IS local food making finding its way into these traditional markets and what can we learn from these experiences? What kind of support do retailers need to help them source more local food and then market that food to their customers?

In true fishbowl style, we'll invite participants to join in the conversation!

Facilitator: Michael Rozyne, *Red Tomato*

Fishbowl Participants:

- Andy Willette, *Hannaford Supermarket*
- Lauren Mordasky, *Vermont Hydroponic Produce*
- Laura Edwards-Orr, *Red Tomato*
- Jackie Folsom, *Kingdom Creamery of Vermont*
- Annie Harlow, Fresh Food Aficionado
- Patrick Crowl, *Woodstock Farmers' Market*
- Jim Harrison, *Vermont Grocers' Association*
- Tom Mehuron, *Mehuron's Market*

This session should be of interest to the *Consumer Education & Marketing Working Group*, **the** *Aggregation & Distribution Working Group*, **the** *Technical Assistance for Producers and Processors Working Group*, **and the** *Food Access Cross-Cutting Team*.

Lauren Mordasky, Vermont Hydroponics—Grower's Hub is an online platform - $750K in 2010 and now $2 million. Based in White River Junction. Vermont Hydroponics sells to Price Chopper through the Grower's Hub platform.

Andy Willette, Hannaford—14 Hannaford stores in Vermont, 184 stores in Maine, NY, VT, Mass, NY. I oversee 14. Burlington area is strong market. Have a store in Rutland. Started 130 years ago as a produce company. Have been working with growers since.

Jim Harrison, Vermont Grocers Association—Have over 600 stores in Vermont. We have all sizes and different types of markets. Independent owned smaller markets like the Woodstock Farmers' Market – that is a unique store, it was a produce stand and now it is a store. City Market is another model. They have a different niche and do well as a market. Coops are doing great. We also administer the *Vermont Specialty Food Association*. Vermont has $2 billion in sales. It is a competitive business.

Tom Mehuron, Mehuron's Market—We carry 42,000 SKUs. Market is in Waitsfield. We do business with 100 Vermont companies. 60 dry grocery, 18 cheese, 6 dairy, 7 meat companies, a dozen wine companies, and too many beers to count. We buy from some producers. We also buy from, secondary Vermont wholesalers such as Best of Vermont.

Laura Edwards-Orr, Red Tomato—Food hub distributor based in Massachusetts, have a retail program in South New Jersey where we work with growers cooperative to get into grocery stores.

Annie Harlow, Consultant—Worked at City Market Coop, have spent 25 years local food as a distributor, buyer, etc. Sees a lot of opportunity for local foods at grocery stores.

Patrick Crowl , Woodstock Farmers' Market—year round small specialty food grocery store. $5 million annual sales. Meat, cheese, catering operation, bakery.

Jackie Folsom, Kingdom Creamery—Yogurt and cheese value-added dairy company from the Northeast Kingdom. We are now in lots of stores. We have been in business 3 years. I do business and marketing, in-store demos, etc.

Questions and Discussion:

Q: How can we break into markets where most people shop? Is there really space for growth? Does retail really hold that much unfilled opportunity??

Q: The independents have trail-blazed. What happens when supermarkets want to carry more local? What are the implications for the small independents?

Recent Harvard study: 90% of consumers would buy local if convenient. One sixth would go out of their way to by local. There is huge opportunity.

Harlow Farm / Westminster Organics—struggles with working with chain grocery stores. Packing and size requirements make it prohibitive. Plastic LUS sleeve wrappers are required that add too much to cost of production to make it worthwhile.

Retail chains all have different needs and requirements. For larger supermarkets, packaging gives assurance that price difference will be received at check out. Risk is that a lower price will be given at check out.

For independent retailers like the Woodstock Farmers Market, we put on our own labels so we can easily get local and just label it. We have a very small store though, 3,000 square feet.

Q: Is there unchartered territory? Are there more opportunities to get local into retail stores? How can small farms access grocery stores of all sizes?

Demand is KEY. We need to create more consumer demand for local products. There can be a role for retailers to play with consumer education and marketing.

Cost: Consumers may be willing to pay more for local but it really depends how much more – small percentages can be fine, 10%, etc.

Regional concept – maintain market share, build strong regional supply chain to bolster local distribution options. Could create a unified regional brand.

Independents are important, but the three large chains in Vermont have the lion's share of the market.

Supercenters are another issue – Costco is the single largest location that sells food in Vermont. These stores are increasingly gaining market over grocery stores. Walmart also sells groceries.

Vermont sells about $2 billion in retail – big chains perhaps account for 60 – 65% of that.

There are lots of opportunities to increase demand. In store promotions are one way. Where things are placed in the market is another way. People want to know where food is coming from. Stores can be a community advocate for good food – that is what the coops have been doing for a few decades.

Scale and wholesale is an issue. Slotting fees can get charged which can be really probative for producers.

Q: Why can't Vermont apples replace more out-of-state or out-of-country apples if we have them all year?? Seems like they are available and there are varieties.

Hannaford – price and variety are essential factors. We buy from Champlain Orchards. But we have price conscious shoppers and they expect a lot of variety. Not sure the percentage of Vermont apples sales versus other apples.

Hannaford can buy things for a single store – does not always have to be all stores in VT or the Northeast. Can start a product at one store to pilot. That way we can do problem solving and see if we could sell at other stores, see if the supply and the demand are really there. We see Hannaford as playing a part in the success of large Vermont processors like GMCR and Ben & Jerry's.

Q: How can we grow demand? How about consumer education, teaching to cook, impact demand? What is the role of grocers in this? And if we continue to have smaller farmers and they do not want to get big to access grocery stores, how are we going to get local into these markets?

Some stores have the same percent markup for local, while others have variable pricing (some have a lower markup on local, others have a higher markup). Scale plays a role – smaller producers often need to charge more.

For Mehurons' the product has to be unique for us to start carrying a new local product. There are really good Vermont products but some are not that great. For quality control, we taste products. Businesses learn that quality is key. We started carrying American Flatbread when it first went retail. Their pizzas were very expensive but they were very high quality with good marketing so people paid the price.

Q: What are the biggest barriers to carrying more local?

Stores have to be willing to take a risk to give up retail space for another product. Shelf space, freezer space, etc. Some companies own the space (e.g., Hersey owns the freezer in some stores).

UPC codes are an issue.

Decision making - Most decisions on what to carry is made centrally at Hannaford and large chains. We can make decisions, however, at a local level. Produce manager can make some individual decisions.

Hannaford carries Kingdom Creamery. Sales rise and then they can go flat. Demos are helpful.

In large supermarkets, dairy is very strong, produce and meat are very weak. Lots of apples but hardly any local carrots and other produce.

GAP safety standards: not a huge barrier in Vermont stores yet. Small stores usually do not ask safety questions. At Hannaford's we do not need GAP but we do ask safety questions and prefer GAP standards to be met. Shaw's is also going in that direction to require GAP.

Q: Does Vermont really have the production levels to meet the demand of grocery stores?

Each producer is different – stage of business is important

Independent stores are easier for smaller and medium producers to work with. It's easier to meet the demand.

Q: What's driving grocery stores to go for local – is it a sales driver or for net profits?

Hannaford's – Consumer driver is number 1.

Price constraints: Stores draw different consumer bases. Price margin is not a qualifier.

Demos are an opportunity cost, an investment.

Customer demand – they have a preference for local – there are various factors that make people purchase local. Consumer awareness if really different in Vermont that other places.

Price Chopper has grower's meetings. Some do direct store delivery. Grower's Hub helps with the logistics and helps bring the costs down.

In retail, it used to all be about location. That is not always the case anymore.

There can be a role for retailers to shift consumer preference.

Packaging: Apples often come in bags. Carrots come in large bags. Need more options for smaller servings.

Will the European model come back with specialty stores – the bakery, the cheese shot, the butcher, etc.

Likely not – people are in a hurry and they need convenience. Small markets like Mehuron's try to be a one-stop-shop with artisanal products – fresh bread, local cheese, produce, and meat.

Q: What is the role of consumer education and marketing? What are other educational needs?

Consumer education – need to explain why local is more expensive and what people are supporting then they buy local. Maybe stores should work with non-profits to do this together.

Red Tomato does consumer education. For example, we have our heirloom apples variety descriptions. Producers need to tell their story. Marketing is essential.

Vermont Demos – WDEV is also a good place to get word out about products.

Price – how can we get local so it less expensive compared to other products?

Red Tomato – success follows grocers who keep things in house and reduce costs along the supply chain. That way they can control quality as well as costs.

Research is needed on how to best education consumers and market to them.

There are also TA needs for producers and processors.

Stores need to learn from each other. At Mehurons' we are open to learning from others and having others learn from us. Customer feedback also says a lot!

Northeast Cooperative used to run workshops to discuss trends and learning –Black River participated. We need those kinds of learning experiences between markets, distributors, and producers.

Grocery staff need training. Vermont Grocer's Expo is an opportunity.

Takeaway Messages:

- **Can grocery stores commit to 10% local to help reach Farm to Plate goals? Could we include consumers in that goal?**
- **Do we have enough suppliers at the wholesale level to even meet retail markets? Can we ever?**
- **There are more challenges to selling to chains compared to local stores: UPC codes, packaging, PLUs, consistent supply, volume, safety.**
- **More opportunities for Vermont producers and processors to understand how the regional market actually works. More opportunities for relationship building across the supply chain.**
- **What is the role of retailers for boosting consumption of local products?**