Market Ready Farm to Restaurant – Delivery Considerations

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There are many factors to consider before selling your farm products directly to restaurant owners, managers, and chefs. Marketing management is an important component in the startup and decision-making processes for new and beginning producers interested in direct sales. The purpose of this series of publications is to inform Virginia producers about marketing and legal risk management tools, techniques, and resources available to help them prepare to sell food and food products directly to restaurant clientele.

Topics covered in this paper are expected to improve producer decision-making by providing a better understanding of product delivery considerations to help them manage risks associated with the legal aspects specific to direct marketing relationships. The topics covered in this resource are not all-inclusive, but after reading this publication, producers should be better prepared to build relationships with restaurant clients.

This is one publication of a 7-part series, available on the Farm to Fork Direct Market portal. A resource list that include examples, resources, blog posts and case study YouTube video interviews of successful farm to restaurant business owners, and upcoming training dates is available at the end of this publication.

For questions about this or other farm startup topics, contact your local Virginia Cooperative Extension office.

When selling to restaurants, product delivery is a major consideration. Restaurateurs may not have the time to come pick up ingredients, so it often falls to farmers to deliver their products to restaurants. Farmers should discuss delivery with their restaurant clients and be prepared to offer deliver services as part of the arrangement. A delivery program adds value when selling to 8estaurants and may represent opportunities for farmers to achieve price premiums and result in securing long-term buyer relationships. Delivery has three major components: scheduling, food safety, and costs.

Scheduling is important because restaurants have limited on-site storage space. To keep a dish on their menu, they have to master the art of keeping some of each ingredient on hand at all times, without mismanaging their available storage space. Frequent, well-timed deliveries are a great way for farmers to add value by making it easier for restaurants to keep a wide variety of fresh ingredients on hand at all times. A greater

number of small deliveries means that products spend less time in storage at the restaurant, which can lead to higher product quality at the time of use and can give restaurants more space for other ingredients. However, farmers are encouraged to recognize that taking on delivery services represent increased costs reflected in final product prices. Delivery schedules that provide desirable products in a timely fashion are a major selling point and often provide strong foundations for long-term farmer-restaurant relationships.

Food safety and product quality are also major considerations for farmers who offer delivery to their buyers. Just as food must be handled and stored properly during the processing stage, it must be handled and stored properly during the delivery process. Uncooked meats must be kept below 40 degrees Fahrenheit at all times (USDA, 2017). Fruits and vegetables should be protected from bruising, and steps must be taken to make sure they are at optimal ripeness at the time of delivery. Producers of value-added acidified products must obtain a scheduled process that is filed with the Food and Drug Administration that documents information about product ingredients and formulation, processing specifics (times, temperatures, process flow), critical control points (pH, water activity, etc.), primary packaging, storage, and/or distribution (Virginia Cooperative Extension, 2019). Additionally, the transportation method used should be clean to avoid contamination, from the coolers to the freezer truck. Observing proper food safety during delivery protects farmers from legal risk, and ensuring product quality upon delivery helps safeguard buyer relationships.

Next, consider the costs of delivering your food and food products to your buyer. Delivery costs may limit what product forms farmers can sell and how far their market can stretch geographically. Fuel costs are the most obvious cost that directly relates to distance traveled and the geographic size of the market. Farmers should consider the influence of fuel costs on their bottom line when deciding how far to offer product delivery. Another cost consideration associated with delivery services is labor. Professional, private delivery firms charge farmers set prices based on product weight and distance. Farmers who choose to take on delivery activities face added labor costs related to hiring and training delivery personnel. Many farmers forget to pay themselves for the time and resources required to deliver products, and this poses a serious threat to overall farm profitability. Add delivery costs in your final product price offerings, or, charge separately as an additional service. Farmers who collectively gather and deliver their products to all their customers in an area at once may greatly reduce labor and fuel costs.

Finally, producers need to consider the cost of the tools needed to make a high quality, safe delivery. The tools needed will depend on the type of product, the distance traveled, and the quantity of product. When investing in a large piece of delivery equipment like a cooler truck, farmers should reassess their profit margins as needed. It may be advantageous to sell more units of product to spread the fixed costs of the delivery equipment across a greater number of units sold. Some farmers also set size minimums to qualify for delivery.

The type and amount of product delivered, and the distance to the delivery destination, all have an influence on the tools needed for delivery. For instance, when potato farmer Spuds Tubermann delivers 100 pounds of potatoes from his home in Mount Jackson to a restaurant in Harrisonburg, he can use his pickup truck as long as the potatoes are not subject to contamination. In that case, he’d probably be fine delivering the potatoes in food-safe totes, or even in crates if the bed of his truck was sufficiently clean and sheltered. For beef rancher Beau Vine, however, life is a bit more complicated. Beau has to make sure that his cuts of grass-fed

Hereford beef stay below 40 degrees Fahrenheit on the way to market. When he was just starting out and he only delivered small orders from his farm in Fishersville to restaurants in nearby Waynesboro and Staunton, he was able to limp along by using sanitized coolers with ice, although he always a little worried about losing product with that setup. Since then, he has grown to making weekly deliveries to restaurants as far away as Lexington, Harrisonburg, Charlottesville, and downtown Richmond. To keep up with his growing business, he invested in a refrigerated trailer to ensure that his product stays at the proper temperature for the whole drive and that he can fit enough product to make every trip worthwhile. He is fine with the change, anyway; bagged ice was starting to get expensive.

Farmers may consider partnering with other farms for deliveries or to contract out deliveries to a private delivery company. Groups of farmers can split the costs and ownership of equipment like trucks or trailers, and they can send a single person to deliver a large load, which is a savings on labor. For the same reasons, delivery services may be able to deliver product at a lower cost than farmers can. Delivery costs are a common problem for farmers, and finding solutions like this can create a considerable savings, so producers should be willing to ask around.

A great example of farmers banding together to save on delivery and other marketing costs is the Shenandoah Valley Beef Cooperative. As individual family farms, they had trouble finding the time and the funds to market their cattle effectively. As a cooperative with six farm member-owners, they are better able to market their products, better able to make worthwhile product deliveries, and better able to supply product when buyers need it. They now supply beef to the Clyde's Restaurant Group of the Washington, D.C. area, and they supply the beef served at the Washington Nationals baseball stadium. For more on the Shenandoah Valley Beef Cooperative, watch their interview on the Virginia Market Ready YouTube Channel.

Product delivery is an expectation of farmers in today's restaurant market. When done correctly to meet the specific needs of both buyer and seller, product delivery is a major marketing advantage, however, it can limit the size of a producer's potential market and drive up unanticipated costs. Farmers must plan their delivery method, conduct a cost analysis before entering a new market, and reassess delivery methods and expenses periodically.

If something falls through and a farmer is not able to make a delivery at the time, quality, and quantity scheduled, it is important to give buyers as much advance notice as possible. This gives buyers time to find a replacement for the product. Successful direct marketing have a network of trusted producers who they may call upon to help them fill an order in case of unexpected disruptions in supply or product quality.

For more information about direct marketing of your farm products in Virginia, please contact Kim Morgan at klmorgan@vt.edu or 540-231-3132, or, visit the Farm to Fork Direct Marketing Resources portal at ext.vt.edu/agriculture/market-ready.html. For more information and resources directly aimed at beginning farmers, visit the Virginia Beginning Farmer and Rancher Coalition Program at www.vabeginningfarmer.org.

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USDA United States Department of Agriculture National Institute of Food and Agriculture

SOUTHERN EXTENSION RISK MANAGEMENT EDUCATION

VIRGINIA Beginning Farmer & Rancher COALITION PROGRAM

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Further Reading

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Resources

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