

Local Food Connections

From Farms to Restaurants



Through direct marketing of their products, Iowa farmers and producers are forming a stronger connection with their customers and obtaining premium prices for those products. One potential direct marketing customer is the local restaurant.

Each year, restaurants purchase large quantities of food for their operations. Connecting restaurant managers and chefs with local growers and producers can benefit both parties.

Market Size and Opportunity

The food service industry is one of the largest industries in the United States. Currently, nearly 50 percent of the food dollar is spent on food eaten away from home. Much of this food is consumed in restaurants. The National Restaurant Association forecasts that restaurant sales will hit \$558 billion in 2008.

Restaurants are considered a cornerstone in a community's economy. Nearly every community has at least one restaurant and most communities have many. These restaurants typically provide food for at least two meal periods a day. Some provide food from early morning until late evening. Some are open at least five days a week; many are open seven days a week, 365 days per year.

Restaurant operations typically have a printed menu of foods to be served. Many offer "chef specials" that change on a daily or weekly basis. The price charged for each menu item typically is calculated based on the cost to the restaurant of the food item being served. A common guideline used in restaurants is that the food cost for a menu item should be 35 to 40 percent, or less, of the price charged for that item.

The chef or manager most often is the person who purchases the food for the restaurant. The number of suppliers a given restaurant will use varies greatly. Payment for food is usually by check and may occur at the time of delivery or later.

Restaurant Expectations

Restaurant operators consider several factors when deciding whether to purchase locally grown or produced foods. These factors are discussed in further detail on the next page:

- seasonality and availability of products
- adequate supply to meet needs of the restaurant
- product packaging and labeling to meet safety regulations
- ease and efficiency of ordering and payment

Seasonality and availability of product may affect your success in selling to restaurants. If you offer a product, such as meat, that is available year-round, you may find this factor to be less of a challenge than if you are selling fresh vegetables. Many restaurant operators believe it's easier to stay with traditional vendors than to switch back and forth depending on what is in season locally.

One way to help encourage the chef or restaurant manager to use local products when available is to prove that you are a dependable supplier by contacting them on a regular—not sporadic—basis.

Many restaurants have printed menus that change infrequently and thus require certain amounts of the same foods delivered on a regular schedule. As a producer, you may find it difficult to know in advance exactly what day food items will be available for sale. Visit with the restaurant manager to explore and coordinate ways to build flexibility into published menus to allow for variable harvest timing.

Restaurants often feature daily “chef specials” that might use locally grown or produced items. Offer your help in coordinating and publicizing specials that feature your products.

Adequate volume of product can pose challenges for direct marketing to large restaurants. Having sufficient volume to meet the needs of the restaurant and having the product ready for harvest when the restaurant is serving that food item is particularly challenging. Visit with the restaurant manager or chef to determine which products you have—or could have—in sufficient volume to meet the restaurant's needs.

A follow-up conversation before finalizing your planting plans also might help you secure the restaurant as a market.

A Web-based calculator is available to help producers decide whether contracting with foodservice operators is a financially sound solution. (Visit www.iastatelocalfoods.org/calculator or refer to “Contracting with Foodservices,” PM 1853d).

Product packaging and labeling must comply with government (state and national) regulations to ensure food safety as well as offer manager ease in ordering. The presence of pathogenic bacteria (such as *campylobacter jejuni*, *Salmonella*, and *E. Coli*) or parasites are concerns. There are few regulations regarding selling fresh produce items, however exceptions include items such as raw seed sprouts and cut melons. Restaurants must comply with regulations.

Packing your products in consistent amounts into sturdy containers approved for food contact surfaces is important. Restaurant buyers prefer to have a set number or weight in each package in order to facilitate purchasing, receiving, and inventory control of the product.

To protect the quality and integrity of the product, particularly fresh produce, sturdy containers made of appropriate materials must be used. Plastic bags should be approved for food storage. (Many large plastic garbage bags are treated to reduce odor, and thus, are not safe for food storage.) Containers also must be transported in clean delivery vehicles.

Restaurant managers and chefs may expect growers to follow good

agricultural practices and/or may require growers to have liability insurance.

A restaurant manager may choose not to buy salad greens from a grower if it appears the greens are packed in recycled plastic grocery bags previously used for another product or delivered in the back of a pickup truck not thoroughly cleaned prior to loading.

Ease and efficiency of ordering and payment is another concern. Restaurant managers most often order supplies from a vendor once or twice a week for delivery within the upcoming week. These orders may be placed in person to a company's salesperson or placed through telephone, fax, or Web-based transmission. Invoices for food may be paid upon delivery but typically are sent (usually within 30 days) through the mail. Discuss payment procedures during the initial visit to the restaurant.

Marketing Strategies
Two groups that help inform restaurant operators about local products and producers are Iowa State University Extension's Value Added Agriculture Program and the Iowa Department of Agriculture and Land Stewardship. (See page 4 for contact information.)

Producers can choose from two marketing strategies: going it alone or working together with other producers.

Going It Alone
One way to sell to local restaurants is to approach the foodservice as an individual producer. As with other direct marketing efforts, you can do several things to increase your chances of being successful with such an effort.

Do your homework

It is important before meeting with potential buyers to know:

- products you will have for sale
- how your product will be sold (by the pound, the bunch, individual pieces)
- volume you could provide
- months you could provide the products
- how frequently you could deliver
- if there is a product guarantee and return policy
- selling price (Research wholesale prices so you know what the restaurant currently is paying for a similar product.)
- restaurant's needs (Determine, before approaching the restaurant, what items are being served on its menu. The more you understand and can accommodate the needs of the restaurant, the more likely your chances to be a supplier.)
- benefits of buying from you (These benefits may include supporting a local farmer and/or business; getting a fresher, higher quality, and/or better tasting product; ability to grow or raise products to meet specific needs of the buyer, such as a chef's preference for vegetables of a certain size or a unique variety.)

Have clear and appealing information available for the buyer

This should include a product and price list and, if possible, an appealing brochure or handout describing the farm and production methods in a way that emphasizes the benefits of buying directly from you.

Call the buyer first and set an appointment

Professionalism and courtesy are key to establishing a good direct marketing relationship. Do not expect a response from sending information through the mail to restaurants. Direct marketing is based on developing a relationship of trust that will require in-person meetings. Dropping in on restaurant managers without an appointment is not a good way to establish a new business relationship. Avoiding busy meal times will result in a more productive meeting.

The idea of buying from a local farmer may be a new concept to a restaurant manager. Remind him or her that you live in or near the community. Perhaps you eat at this restaurant, or perhaps you share friends, neighbors, or history. These are important factors in building direct marketing relationships. Be prepared to sell or explain the idea on the phone in order to get an appointment, and a willingness to at least "explore the idea further at another meeting" may be initially the best commitment you can get.

Make wise commitments and be responsive to the buyer's needs

Don't commit to provide a product until you are sure you can meet that commitment. If you do not deliver on a commitment without good reason, the buyer may become disinterested and an opportunity to sell will be missed. Also, don't commit to a price below your needed profit margin. If the restaurant cannot pay the price needed, look for a different market.

After an account is established, stay in touch regularly with the buyer to see how it is working out and if there is anything that needs to be changed.

Being responsive to the buyer's needs is the key to encouraging and maintaining a direct marketing relationship.

Working Together

Around the country, programs are being formed to link multiple local growers/producers to local food-service operations. These programs often are organized through the initiative and support of public or not-for-profit organizations that want to help local growers/producers develop new markets. The Leopold Center for Sustainable Agriculture has sponsored research and workshops to facilitate discussion among growers/producers and restaurant food buyers. There are several strategies to consider.

Local growers/producers sell as individual vendors to the restaurant, but the link between the farm and the restaurant is developed through a third party organization

For example, Practical Farmers of Iowa (PFI) has served as an intermediary between growers/producers and local restaurant managers in central Iowa.

Another option for supplying foodservice volume is for a third-party broker to purchase from several producers and then re-sell to restaurants.

Growers/producers organize a cooperative alliance to market and sell their products

Initiating a cooperative effort among several local growers/producers can reduce some of the obstacles to selling to local restaurants. Combining efforts often allows the restaurant food buyer to make one call to order local food products and can help ensure that sufficient quantities will be available to meet the restaurant's needs. Such

cooperation also allows for one payment to the cooperative by the restaurant rather than multiple payments to individual growers/producers.

A coordinated effort has advantages. For example, joint marketing will minimize time spent by each grower/producer while maximizing the number of contacts made. Second, joint efforts can provide assistance in sorting out issues such as price, packaging, and delivery.

By working together, farmers can develop new markets that would not be possible to serve as a single grower.

Resources

2007 Iowa Family Farm Meat Directory—
<http://publications.iowa.gov/95>

FDA Food Code—
www.cfsan.fda.gov/~dms/foodcode.html

Getting food on the table: An action guide to local food policy. (1999). Community Food Security Coalition and California Sustainable Working Group. Available at
www.foodsecurity.org/guide.html

Grow Iowa Foundation—
www.growiowa.org/

Hamilton, N. (1999). *The legal guide for direct farm marketing.* Drake University Agricultural Law Center. Call (515) 271-2065 for ordering information.

Hotel, Restaurant, and Institution Management Extension Local foods—
www.iastatelocalfoods.org

Iowa Department of Agriculture and Land Stewardship—
www.iowaagriculture.gov/

Iowa Department of Economic Development—
www.iowalifechanging.com/programs.html

Iowa State University Extension Publications—
www.extension.iastate.edu/store
(Search for specific publications or browse “Small Business” section under Business and Industry topic area or “Food Safety” section under Food, Nutrition and Health topic area.)

Iowa Value Added Agriculture Program—
www.extension.iastate.edu/valueaddedag
Iowa Market Maker—
<http://ia.marketmaker.uiuc.edu/>

Leopold Center for Sustainable Agriculture—
www.leopold.iastate.edu

North American Farmers’ Direct Marketing Association—
www.nafdma.com

Pirog, R., Van Pelt, T., Enshanyan, K., & Cooke, E., (2001). *Food, fuel and freeways: An Iowa perspective on how far food travels, final usage, and greenhouse gas emission.* Available at www.leopold.iastate.edu

Practical Farmers of Iowa. (2002). *Expanding local food systems by marketing to Iowa institutions.* Available at www.practicalfarmers.org

Produce Profitability Calculator—
www.iastatelocalfoods.org/calculator



LEOPOLD CENTER

This publication is supported by a grant from the Leopold Center for Sustainable Agriculture.

For more information, contact Catherine A. Strohbehn, Hotel, Restaurant, and Institution Management program, Iowa State University, Ames, Iowa, (515) 294-3527, cstrohbe@iastate.edu.

Revised by Catherine Strohbehn, extension specialist, and Diane Nelson, extension communication specialist. Originally prepared by Connecting Local Food Service Operations and Farms in Central Iowa Project, Iowa State University, Ames, Iowa. Catherine A. Strohbehn, and Mary Gregoire, Hotel, Restaurant, and Institution Management program, ISU; Gary Huber and Robert Karp, Practical Farmers of Iowa, Ames, Iowa; and Richard Pirog, Leopold Center for Sustainable Agriculture.

Artwork by Lonna Nachtigal.

. . . and justice for all

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Many materials can be made available in alternative formats for ADA clients. To file a complaint of discrimination, write USDA, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Jack M Payne, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

File: Economics 1-6