

Assessing Alternative Food Distribution Models for Improving Small-Scale Producer Direct Marketing

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- Background -

The primary objective of this collaborative research project is to analyze the workings of several alternative distribution models and assess their effectiveness in improving the economic welfare of small-scale and limited-resource producers through more direct marketing of agricultural products.

To date, all primary data collection has been completed on the nine selected case study sites. We are currently working on the analysis and write-up with the final report in the form of a resource guide to be completed by March 2011. Key elements to this resource guide will include looking at the institutional drivers of the process, how prices are negotiated, the organizational/legal structure of the distribution entity, and the presence of unique or replicable factors explaining success, either pertaining to internal organizational dynamics or external environmental conditions.

The primary audience that will benefit from the resource guide will be practitioners (e.g., non-profit organizations, producer groups, agricultural extension, and for profit enterprises) that are involved in value chain development for small-scale and limited-resource producers.

Distribution Models and Stages of Development

Stage of Development Distribution Model	Start-up/Nascent	Developing/Emerging	Mature/Developed
Retail Driven		<i>La Montanita, NM</i>	<i>The Wedge/Coop Partners, MN</i>
Non-profit Driven	<i>MFA/Big River Foods, MN</i>	<i>CAFF/Growers Collaborative, CA</i>	<i>Red Tomato, MA</i> <i>Appalachian Sustainable Development, VA</i>
Producer Driven	<i>Browse & Grass Association, WI</i>		<i>New N. Florida Cooperative, FL</i>
Consumer Driven (e.g., Buying Clubs)		<i>Oklahoma Food Cooperative, OK</i>	

INTERVIEW PROTOCOL FOR DISTRIBUTORS BEST PRACTICE PROFILES AND CASE STUDIES

Business Operations

- 1) How did you get started? What got you into it? What are the mission, values, goals of this organization? What needs does it address for farmers, buyers, and consumers?
- 2) How long has the business been operating?
- 3) Who or what were the drivers in getting this business started?
- 4) How is the business legally organized?
- 5) What line of business are you involved in? How would you describe your business?
- 6) How is the business structured? Staffing, operations and management (changes over time – volunteer to paid staff).
- 7) Who are your Strategic Partners: (brief description of nature of key relationships)
 - a. What is the value added by each partner in the service delivery?
 - b. How did the relationship between you and your partner(s) develop?
 - c. What impacts have the partnership(s) had on your organization?
- 8) Describe how product flows through your business from seed to fork.
 - a. How do you take and fulfill orders?
 - b. Who moves/stores product?
 - c. Who is involved in processing/sorting/packaging?
 - d. Who transports goods to customers?
 - e. What physical assets do you own?
 - f. How are other distribution logistics handled?
- 9) How do you work with farmers?
 - i. How does the decision making process work in terms of farm planning, setting prices, establishing distribution routes, making sales, and other business planning and operations decisions?
 - ii. What financial advantages do farmers receive from participating in this arrangement?
 - iii. Did you approach farmers to source locally, or did farmers or local distributors approach you about sourcing locally?
 - iv. What type of farmers do you work with? Size, practices, experience, diversity of crops, ethnicity, degree of subsistence on farm income
- 10) Who are your buyers? Who are they targeting? What are your buyers looking for in terms of product characteristics/preferences?
- 11) How do you get paid? Have you had problems getting paid on time by customers? Are there differences in payment terms?

- 12) How is your pricing structured? How much can you negotiate with buyers on price?
Contingent on quantity? With different types of buyers?
- 13) What are your annual sales? How fast have they grown in the last 5 years? 10 years?
- 14) Current annual number of accounts.: _____ growth in last 5/10 years
- 15) Current annual number of producers.: _____ growth in last 5/10 years

Performance Highlights/Best Practices

- 16) What are your most important indicators of success?
 - a. Sales; b. Increased Farmer Revenue; c. Volume of product sold; d. New accounts; e. Product variety; f. Product quality; g. Level of satisfaction from farmers; h. Level of satisfaction from buyers
- 17) What aspects of starting up the business were most challenging?
- 18) How were start-up challenges addressed?
- 19) What challenges are you facing now?
- 20) What strategies have you identified to overcome these challenges?
- 21) What lessons have you learned (including mistakes) in the operation of the program?
- 22) What operational features do you consider unique/innovative in comparison with other programs of its type? That is, what makes your business different or distinguishable? And how do these unique aspects of your organization contribute to your success?
- 23) What do you consider to be your “best practices”?
- 24) What are your plans for growing the business in the future?

Tips/strategies for other practitioners

- 25) If you could go back and start the business from scratch again, what would you do differently?
- 26) What suggestions do you have for other groups that would like to implement a program/business like yours?
- 27) **Feedback for resource providers** – what is the best way to assist similar local food distributors get started? Loans, grants, technical assistance. Better to assist with resources at start-up or wait until more mature?

INTERVIEW PROTOCOL FOR BUYERS
BEST PRACTICE PROFILES AND CASE STUDIES

Business Operations

- 28) How did you get started? What got you in to it? Values? Mission?
- 29) How long have you had a relationship with distributor x?
- 30) How long have you been consciously seeking to source food locally? (how do you define local?).
- 31) Who is typically responsible for approving procurement decisions at your business?
- 32) Describe how product flows through your business.
- a. Who moves/stores product?
 - b. What physical assets do you own?
- 33) Do you work directly with farmers?
- i. Did you approach farmers to source locally, or did farmers or local distributors approach you about sourcing locally?
 - ii. How does the decision making process work in terms of:
 - i. Farm planning?
 - ii. Price setting?
 - iii. Quality?
 - iv. Or any other issues related to movement of product through the value chain?
- 34) Who are your suppliers? How would you describe your suppliers?
- 35) What have you had to do (changes to the business, additional services etc) to make the supplier – buyer relationship work?
- 36) What percentage of total product do you source locally? What percentage of your supply comes from distributor x? (volume and dollars)
- 37) How much has your sourcing of locally grown food increased over the last 5, 10 years?
- 38) Do you feel like your business has improved as a result of sourcing locally? Explain.

- 39) What do you require in terms of product characteristics (quality, quantity, packaging) from suppliers? How do you expect them to verify these standards?
- 40) How is your pricing structured? Is it structured any differently for locally sourced food than for other suppliers?
- 41) What kind of consumers do you target generally? For local food purchases? i.e. demographics and lifestyles? What do you think your consumers are looking for in terms of product characteristics/preferences?

Performance Highlights

- 42) What are your most important indicators of success, in terms of sourcing food locally?
- b. Increased sales
 - c. Increased farmer revenue
 - d. Product variety
 - e. Product quality
 - f. Level of supplier satisfaction
 - g. Level of customer satisfaction

Best Practices

- 43) When you first started sourcing locally what were some of the challenges?
- 44) How did you address these challenges?
- 45) What are some of the present challenges in sourcing locally?
- 46) What strategies have you identified to overcome these challenges?
- 47) What lessons have you learned (including mistakes) in the operation of the business?
- 48) What are your plans for further development of local sourcing, e.g. new products, new suppliers, stepped up marketing of local products to consumers?
- 49) What advice, tips and etc would you have for other buyers in the country who are sourcing more local product? What should they watch out for, and how would you advise an established company on the issue.

INTERVIEW PROTOCOL FOR PRODUCERS
BEST PRACTICE PROFILES AND CASE STUDIES

- 1. Farm and Farmer Background**
 - a. How long have you been farming? At this location?
 - b. Total Acres, Acreage under production (rented and owned)
 - c. Crops – Livestock?
 - d. Labor (household and paid – seasonal, full-time)

- 2. On Farm Assets?**
 - a. Equipment, Buildings, Irrigation
 - b. Natural Assets (e.g. streams, ponds, topography-hilly or flat, soil type/conditions)
 - c. What storage, processing, packing infrastructure do you have?
 - d. Partnerships with other farmers? Other marketing entities?

- 3. Marketing**
 - a. What percentage of your production (or sales is derived from) moves through different channels? % for each below? How has this changed over time?
 1. Farmers' Market
 2. Auctions
 3. Wholesalers
 4. Terminal Market
 5. Other Direct Markets/Institutional Sales
 - b. How have you adjusted your marketing strategy to maintain/increase farm income and sustainability?
 - c. What trends are you seeing in the marketplace?

- 4. What is your history with distributor x?**
 - a. How did the relationship develop? How did you find each other?

- 5. How do you work with the distributor? Logistics and operations**
 - a. How does your product get from Farm to the distribution point?
 - b. Is there joint decision making in terms of crop planning, price setting, delivery systems, payment mechanisms?
 - c. Are there any new (i.e. changes in) production practices that you have implemented to meet distributor and/or consumer demand in terms of quality, quantity, or crop choice?
 - d. What have you had to do to troubleshoot those practices? Research? Experimentation? Outside help/technical assistance?

- 6. How have your margins changed as you have changed marketing channels? Improvement with distributor x? compared to other current channels? Compared to ones used in the past?**

7. In your business relationship with the distributor, what have been the critical success factors? Are you satisfied with the current relationship? If not, how could it be better?
8. What were some of the challenges to your initial involvement with the distributor? How have they been overcome?
 - a. Lack of natural assets? Not enough final customers? Financing? Human capital?
9. What challenges remain? How do you intend to address them?
 - a. Lack of natural assets? Not enough final customers? Financing? Human capital?
10. Are there regulatory challenges you and your distributor have in local food marketing? How have they been overcome? What challenges remain? How do you intend to address them?
11. How do you deal with competition with other farmers? Is this a problem?
12. What lessons have you learned (including mistakes) through your relationship with distributor x?
13. What advice, tips and etc would you have for other farmers in your area who want to sell through local marketing channels? What should they watch out for?