Expanding Wholesale Opportunities with Farmer-Focused Buyers

AUTHORS
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Introduction

A 300% increase in consumer demand for local food over the last ten years has driven wholesale buyers to seek significant increases in local food procurement in New York State\(^1\). Simultaneously, farmers report increased competition through Direct to Consumer (DTC) Markets and can no longer depend solely on these revenue streams.

These factors have led many farmers to consider adding new or expanded wholesale marketing channels to their businesses. However, farmers served by GrowNYC’s FARMroots Program have remained hesitant of diversifying production toward wholesale channels without a clear understanding of their production costs and knowledge of how to access the emerging ‘farmer-focused’ wholesale buyers. Logistics solutions were also identified as a key need to help improve the efficiency of distributing to those buyers.

What is a farmer-focused wholesale buyer?

*Often the term “wholesale” conjures an image of large scale produce brokers buying and selling on the commodity market for low prices and high volumes. More recently, wholesale buyers who value product quality, variety, source transparency, and a relationship with the grower have emerged. These buyers are looking to source from small to medium scale farmers and are often willing to pay higher prices and be more creative with logistics to support these relationships.*

In an effort to provide additional clarity to New York State farmers about these emerging markets, FARMroots interviewed 34 farmer-focused buyers who operate throughout the Northeast. Regional distributors, fast casual restaurant chains, grocery stores and institutions with local food procurement programs, and value-added food businesses provided feedback to FARMroots staff on what qualities of farm production, distribution, and marketing make for successful wholesale partnerships. Interviews, often held in the buyer’s place of work, were conducted to increase survey participation and quality of responses. Project staff found that meeting with buyers in-person encouraged candid discussions about the opportunities and challenges of sourcing from local farmers.

This publication is a summary of what FARMroots learned as a result of these 34 buyer interviews. It includes a general ‘best practices’ section on accessing wholesale markets, profiles on farmer-focused buyer types, and a range of new resources to support feasibility.

Wholesale survey questions can be downloaded here: https://www.grownyc.org/farmroots/resources-producers/marketing/wholesale-readiness
Why Sell Wholesale?

While you can be profitable selling through any marketing channel, selling through both wholesale and retail channels often has the most success. By selling wholesale throughout the year, you have the opportunity to create a more diverse and consistent revenue stream that improves overall cash flow, reduces overall marketing labor costs, and in certain circumstances can provide year-round employment. By choosing wholesale customers strategically, you can improve your brand exposure and expand your customer base.

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Challenges faced by farmers entering into the wholesale marketplace:

1. Knowing demand to plan production
2. Locating buyers
3. Transportation and delivery
4. Products sizing and grading requirements
5. Proper storage and handling facilities
6. Knowing how to price for wholesale
7. Growing necessary volume
8. Sufficient labor
9. Food safety requirements

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3 Farms “can be profitable at all combinations of scale and market channel.” Farms which included wholesale sales “are correlated with higher profitability at every size class when compared to producers with only direct-to-consumer sales.” [https://localfoodeconomics.com/wp-content/uploads/2018/03/profitability-implications_3-18.pdf](https://localfoodeconomics.com/wp-content/uploads/2018/03/profitability-implications_3-18.pdf)
Approaching Wholesale Buyers

Many DTC growers only consider wholesale as a secondary market for their products originally bound for retail buyers and markets. This often leads to a last minute scramble to sell excess product to wholesale buyers during a flush season and not enough time to assess what price is needed for profitability. Before you walk into a grocery store to speak to the produce manager, before you pick up the phone to call a farm-to-table restaurant, farmer-focused wholesale buyers described a few critical things you should do to prepare:

**Product Pricing and Margins**

Understanding the true cost of production of each of your wholesale products, as well as the margin you need to add, is the only safe way to price your products to ensure overall farm viability. A common mistake when setting wholesale prices is using the USDA wholesale pricing index, undercutting a competitor’s prices, or arbitrarily discounting retail pricing by 20-50% without understanding if the direct costs of input and labor will be covered.

**Availability Lists:**

Buyers reported that farmers were regularly unable to clearly describe product availability, which limited their ability to plan and place orders. It is important to have a presentation of the products you currently have available, their seasonal availability, and price. While having a website and Instagram account to allow buyers to access that information at any time is helpful, it was often cited by buyers that hard copies are perfectly acceptable to establish a new wholesale relationship.

**The best route:**

Buyers told FARMroots that one of the most common challenges to establishing a new buying relationship is logistics. The product, quality, volume, and pricing might be right for the buyer but the farmer’s location or trucking schedule may not fit with the buyer’s routes or the buyer’s delivery window. Starting with your current trucking routes as a guide, you can save time by identifying buyers to contact that already fit with your current logistics. Working with buyers on an existing route can spread the cost of that route across multiple market channels and reduce the upfront costs as you build your wholesale enterprise.

### RESOURCE

**Crop Costing Tools**

Developed in collaboration with Kitchen Table Consultants, FARMroots offers a Crop Costing Tool that allows farmers to determine whether they can afford to sell to a particular buyer based on wholesale market price.

- $1.00 Farmer’s Price
- $1.20–$1.50 Distributor’s Price
- $1.50–$2.00 Reseller’s Price

For a link to the crop costing tool please contact Erik Hassert at ehassert@grownyc.org

### RESOURCE

**Wholesale Buyer Mapping Tool**

Wholesale Buyer Mapping Tool GrowNYC’s FARMroots has developed a mapping tool that allows growers to enter your route and identify those potential buyers who source from local farms which are located near your specific route. The tool also allows you to filter those buyers based on a number of criteria including buyer type, delivery windows, food safety requirements, etc.

For a link to the mapping tool please contact Erik Hassert at ehassert@grownyc.org

"A lot of times farmer’s hours and buyer’s hours don’t overlap. A comprehensive list of products that a farm grows on their website, or photos of what they are harvesting on their Instagram account can be really helpful in finding new sourcing options through Google during off business hours. There’s a lot more of that going on than farmers might expect."

—Kate Galassi, Hudson Valley Harvest
Samples:

Buyers emphasized that scheduling a time to drop off samples can improve the chances of making a connection. Approach the buyer first through a phone call or visit to their place of business to schedule a time to come back with samples. When dropping off samples, never assume that they will make their way to the person who handles procurement. Including a business card or other promotional material ensures that samples do not go missing or are eaten or folded in with the rest of the buyer’s inventory.

Your value proposition:

Buyers told FARMroots that they appreciated farmers who could clearly describe what differentiates their product from competitor’s. Lower prices are not the only component a buyer considers when purchasing from you, and understanding how to sell your unique product qualities and production practices is important. Third-party certifications and a great farm story are also effective tools for the buyer to use when selling your products to their customers. This can increase your market presence, as well as boost customer base through brand exposure.

Buyers mentioned the following specific differentiators in interviews:

- Products that have extended shelf lives, either through rapid cooling or other post-harvest practices
- Flavor
- Sturdy, well-packaged products
- Consistent unit size
- Consistent supply
- Early and late season availability
- Late order fulfillment capabilities
- Commissioned growing
- Exclusive availability
- Clear labeling with traceability
- Digital invoices

Crop-Planning with Buyers Input

December and January were the most common months buyers worked with farmers on crop planning for the upcoming year. Drop off samples the previous season and then follow up to schedule a meeting to discuss what you can offer next year.

Chasing trends and new varieties

 Buyers noted that the passion a farmer has for growing a product is directly linked to its quality and flavor. Focusing on what you enjoy rather than this year’s trending variety helps establish long-lasting business relationships.
Farmer-Focused Wholesale Buyer Profiles

Based on buyer feedback, FARMroots has created the following profiles of different types of farmer-focused buyers which include a general description, opportunities for sales, and challenges.

Farm-To-Table Restaurants:

A good entry point if you are new to wholesale growing, farm-to-table restaurants continue to shape the restaurant industry. Sit down at any new restaurant and you’ll likely find a mention of “locally sourced” or “sustainable” ingredients on the menu. In 2018 the National Restaurant Associations number one trend was “hyper-local,” and seven of the top ten trends were related to local or sustainable practices.

Chefs and procurement managers at farm-to-table restaurants reported the following opportunities for local farmers:

• **Restaurant Supported Agriculture (RSA):** Similar to a CSA, the restaurant pays you before the season starts and in return receives a credit for the year and first pick for specific products.

• **Culturally diverse and appropriate products:** Authenticity is important to chefs and their customers. A chef’s desire to cook with culturally-appropriate ingredients and methods can offer new product opportunities for you.

• **Brix meter quality testing:** This cheap and simple tool can indicate a crop’s sugar content for discerning chefs or craft beverage buyers.

• **Value-added product development:** Many restaurants have the capacity to create new value-added products from your farm ingredients. Make sure to ask if there are any products they make in-house. There is often opportunity to partner with these chefs on creating products that can cross-promote both businesses outside of just their restaurant.

• **Buyer-tailored grading:** Specialized growing and harvesting to meet a buyer’s unique needs in size, quality, etc. is a great way to foster a strong relationship.

• **Additional processing:** With the increase in minimum wage, buyers are searching for growers who can cut, blanch, peel and freeze their produce before delivering.

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Order Turnaround Time and Freshness

Buyers often referenced long turnaround times from order placement to delivery as a reason they could not work with certain local suppliers. Offering a shorter window can set you apart from other suppliers, and the quality of freshly harvested local products provides extended shelf life, better flavor, and improved nutrition that buyers often noted as key indicators of their best suppliers.
Farmer-Focused Wholesale Buyer Profiles

Fast Casual Restaurants:

The fastest growing segment of the restaurant industry, fast casual restaurants offer an alternative to fast food and fine dining by delivering high quality food in an informal setting. Generally, they purchase in larger volumes than other restaurant types and have aggregation points or transportation intermediaries for logistics. Strong social missions foster commitments to working with farmers on pricing, access to capital, and additional market opportunities for unsold product. They often advertise the farmers they source from in their restaurants.

Fast casual restaurant buyers reported the following opportunities for local farmers:

- **Increased Sourcing from Marginalized Communities**: Some fast casual restaurants are shifting their sourcing to help support immigrant, LGBTQ, and female farmers.
- **Flexible Menus and Last Minute Purchases**: Menus are constructed to adjust to unexpected fluctuations in availability due to weather. Their procurement team are a great resource for a flush in harvest, seconds, or rejected orders from less forgiving buyer categories.

Regional Distributors and Food Hubs:

In contrast to broadline distributors, regional distributors tend to understand the challenges of local agriculture and view producers as business partners rather than just suppliers. They can be a good fit if you are a mid-sized farmer as the prices are often set by you, and varied logistics models such as on-farm pickups, at-market pickups, direct online orders, and decentralized shipping allow various avenues for expanding into new markets.

- **Cross-Docking and Innovative Logistics**: Utilizing existing routes by identifying space availability on trucks and combining with cross-docking partnerships can provide new market opportunities and reduce the cost of your transportation.
- **Underserved Demographics**: Consumer interest in eating healthy and sourcing locally has increased across all cultural and socioeconomic demographics. Regional distributors are increasingly focusing on providing access to culturally-appropriate food for those communities.
- **Adding Value**: Utilizing small-scale processor/co-packer partnerships to freeze, puree, and juice can appeal to a distributor’s desire to offer a wider range of products to their customers.

Value-Added Food Businesses

As the number of value-added food products available in the market has continued to increase, niche opportunities are available to manage inventory, supply, and partner on marketing strategies with those businesses. Each product category has unique requirements and interests so understanding their product line and individual needs is important.

- **Craft Beverage Producers**: NY State has seen a dramatic increase in brewers, distillers and cideries who are required to source from NY growers. Their production runs are often small, and creative with how they use ingredients throughout the changing season. The profit margins for alcoholic products also allow for better pricing for you and the increase in locally-sourced, fruit-forward sour beers are a great example of those partnerships.
- **Off Cuts, Bones, Organs and Hides**: Food businesses use these products to make meal kits, bone broth, dog food, and leather from humanely-raised local livestock. Finding profitability in parts that often end up discarded is a great way to diversify your revenue stream.

“The farmers have to hit pause. You’re the only one who really knows what’s coming in off the fields and are the only one who can really sell it. When, It’s always when you have the least amount of free time and everything is coming in at once, that’s the most important to be focusing on selling.”

—Paul Alward, Veritas Farms
Grocery Store Chains with Local-Sourcing Programs

While most grocery stores are dominated by suppliers with large volumes and low price points, a growing consumer demand for local products offers partnership opportunities with food cooperatives, specialty grocery stores, and local procurement programs at larger box stores. Understanding pricing, product volume, and consistent delivery/communication is paramount if you are looking to enter this market. Scheduling a meeting with the head of an individual department during the off-season to drop off a case of your product packed to industry standards is the best approach to establishing a relationship for the upcoming year.

- **Grower partnerships:** Utilizing your current trucking infrastructure by creating a logistics cooperative with other farmers is a great way to increase product offerings, meet volume demands, and reduce trucking costs without having to lose 20%-50% to a distributor.

- **Value-added processing and seconds:** Ready-To-Eat products are best sellers in many grocery stores, and connecting with in-house chefs through the prepared foods department can offer additional outlets for your seconds.

- **Limited local meat supply:** Unmet demand for humanely-raised local meats was often cited by butchers, and freshness and flavor are key differentiators you can offer.

Institutions with Local Food Procurement Funding

Schools, hospitals, and government agencies often have large consistent order volumes with menus planned months in advance. Once a relationship is established, you have ample time to plan for supply and can count on a reliable revenue stream. However, limited cold storage, kitchen staff that often lack the skills and equipment to prepare fresh food, and opaque on-boarding processes with food service providers can pose additional challenges for you to enter into this marketplace. Identifying institutions with a local procurement initiative and appealing to the head of that department is the best practice. The individual running that program can be the sole driving force behind working with local producers. It is important to also appeal to the students, parents, patients, and employees of that institution so that in the event the procurement manager leaves the organization, those groups can advocate on your behalf to keep you as a supplier.

- **Increased government funding:** Over the past several years NY State has continued to increase budgets for public schools to procure from local growers.

- **Retired dairy cows for ground beef:** Increased interest in serving humanely-raised meat in schools offers an additional marketing channel for livestock farmers’ cull cows.

- **Sized for snacking:** Individually-sized portions of milk, juice, apples, and other grab-and-go items are some of the most popular items consumed at and sourced by institutions. However, their procurement department may require accurate unit counts on boxes and invoices.

- **CSA pickup location:** A captured audience of busy parents offers a simple opportunity to capitalize on a large customer base with limited time for shopping and easy distribution of marketing materials.

- **Annual order reports:** Providing procurement managers with an order history broken down by month, product, and volume allows their kitchen to plan their menu each year with your availability in mind. Schools begin planning their menus during summer break so make sure to schedule a meeting when it is convenient for the buyer’s schedule.

Farmer-Focused Wholesale Buyer Profiles

**Capacity, Consistency, Communication**

When asked what a farmer should keep in mind when considering whether expanding into wholesale is right for their farm business, Capacity, Consistency and Communication were the 3 most emphasized attributes during wholesale buyer interviews. A farmer needs to determine whether they possess the skill sets required to sell in the wholesale marketplace and if the demands are in line with their values.

> “During the growing season our overall sales actually go down because we are competing with farmers markets at that point, but at the same time the numbers for our seasonal local products that are available in store will actually double.”

—Brendan Kelly, Honest Weight Food Coop
Most requested items from wholesale buyers by category:

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Product interest as expressed during buyer interviews.

**PRODUCT INTEREST**

-1 = Not Interested
+1 = Interested
0 = Neutral
The Anatomy of the Deal: Success Stories of New Buyer and Farmer Relationships

Over the course of the project, FARMroots supported a number of successful new buying relationships between farmers and farmer-focused wholesale buyers. Below are descriptions of how these relationships came about.

Fruit Growers and Value-Added Buyers Mashup:

**Description**
A networking and Q&A session was held in NYC to connect value-added wholesale buyers who have an interest in sourcing fruit from NY State farms. The hour-long panel discussion addressed the challenges for both growers and buyers in sourcing from small to mid-scale farms. Samples of fruit-forward products such as a variety of sour beers, strawberry marinara, and blueberry barbecue sauce were provided while farmers networked with buyers and learned about the opportunities available in selling their fruits through the value-added markets.

**Results**
As of 2 months following the event, 5 farmers sold over 2700 lbs of fruit to 10 different value-added buyers. In an evaluation survey, farmers noted that they were very likely to continue to grow those wholesale relationships, and buyers stated that they were very likely to expand their sourcing to include local farm products as a result of the event.

"What I liked about the event was that it was focused on a particular buyer segment. This was a group of customers that were in business and looking for product."

— Jim Bittner, Bittner-Singer Orchards

**THE FARMS**
Fruit Growers of NY State

**THE PRODUCT**
Blueberries, Blackberries, Sour Cherries, Strawberries, Peaches

**THE BUYERS**
SStrong Rope, Moto Spirits, Transmitter Brewing, Grimm Ales, Interboro Spirits and Ales, Brooklyn Brewery, Hudson Valley Brewing Company
### Additional Support for Marginalized Communities:

**Description**

A workshop with Dig Inn’s procurement staff and FARMroots at the Chester Agriculture Center introduced new wholesale opportunities to the Latinx Farmers in the Black Dirt region of Orange County. Translated into Spanish, keys to a successful wholesale relationship and specific product interests and quantities were communicated and after the session additional support was provided by both Dig Inn and FARMroots in creating crop-costing tools, setting pricing, and navigating trucking options. In addition, FARMroots provided support for Greenmarket farmers from the LGBTQ community and connected them with Dig Inn to create wholesale partnerships.

**Results**

Gonzalez Farm sold summer squash to Dig Inn and heirloom tomatoes to Greenmarket Co. increasing their revenue by an additional $800-$1000 per week and minimizing product loss in the fields. Dig Inn plans to continue sourcing from them in 2020.

R&R Produce plans to supply Dig Inn with between 700-2000 lbs of kale each week in 2020.

Transgenerational Farm established a relationship with Dig Inn to sell mixed salad greens and will begin supplying them in 2020.

Moxie Ridge Farm increased their wholesale sales by over 20% and has strategized their future wholesale growth to include cheeses produced to meet Dig Inn’s interests.

*“FARMroots’ assistance was invaluable. By familiarizing themselves with my business, the FARMroots team tailored all wholesale planning to my business goals. Also, through the project I made relationships with wholesale buyers that match well with my business and products”*

—Lee Hennessy, Moxie Ridge Farm
Food Safety Improvements and Infrastructure Expansion:

**Description**

By applying for a grant to improve the food safety of their harvest and post-harvest practices through the New York State Grown & Certified program, Row By Row Farm and Wilklow Orchards were able to expand their production capacity to meet the demand of current and new wholesale customers while also meeting the food safety thresholds required by larger wholesale distributors.

**Results**

By installing walk-in coolers to store their tomatoes at the proper temperature, Wilklow Orchards reduced the over ripening of their product, thus reducing product loss and increasing their weekly overall revenue by 10-20%. By expanding their packhouse and increasing the size of their cold storage, Row By Row Farm was able to increase their overall wholesale production and add additional wholesale distributors to their customer list.

**THE FARM**
Row By Row Farm and Wilklow Orchards

**THE PRODUCT**
Tomatoes, vegetables, melons, strawberries

**THE BUYERS**
Farms2Tables, Hudson Valley Harvest, Greenmarket Co.
Conclusion

Unmet consumer demand for locally-sourced products continues to grow providing opportunities for you to diversify your revenue streams, spread the risk associated with both direct-to-consumer sales and wholesaling, and expand your market presence and customer base. However, entering into the wholesale marketplace requires preparation. Understanding your production costs and what value you bring to wholesale buyers is the first step in that process. Once you understand your capacity, you can strategically plan on approaching buyers whose individual needs and interests fit with your farm. Approaching these buyers and establishing a relationship that is beneficial for both you and your buyer will help you to capitalize on this emerging marketplace effectively and profitably.