

From the Field: Themed Content: Intermediated Marketing Channels in Regional Food Systems

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Distributor intermediation in the farm to food service value chain

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Abstract

Short food supply chains, such as those of fruit and vegetable farmers delivering fresh product directly to restaurants, promise potentially higher returns to primary producers by avoiding the expense of intermediary distributors. Direct farm-to-chef supply chains also present a lower barrier to entry for small and beginning farmers, who are often scaled-out of the restaurant market by the volume requirements of food service distributors. High transactions costs for direct exchange, however, impede growth in this type of market channel. This *From the Field* paper describes an ongoing initiative by a regional food service distributor to play an active and collaborative role in the farm to food service supply chain, acting as a value chain partner to identify produce items desired by chefs, supply this market intelligence to growers and to garner commitments from farmers to grow and chefs to buy these products in upcoming seasons. By the eighth month of the effort, the distributor had assigned one of its produce buyers to act as a local specialist, working directly with chefs and local growers; and had initiated a series of mini local food shows to provide chefs and growers opportunities for face-to-face communication. The ultimate objective—to garner product-specific commitments from chefs and from growers—remains a work in progress.

Introduction

The hard and soft infrastructure for local and regional food systems continues to grow, with the number of farmers markets doubling, regional food hubs tripling and farm-to-school programs increasing by fourfold over the past decade (Low et al., 2015). Contributing to this growth is public funding in the form of USDA grant programs including the Local Food and Farmers Market promotion programs, and novel public–private initiatives such as USDA’s support for food value chain coordinators across the country (USDA Agricultural Marketing Service, 2016). Accompanying these is the continued increase in the proportion of consumer food spending that occurs at food service establishments, with 2014 the year when spending on food purchased away from home outpaced that spent on food purchased for preparation at home (USDA Economic Research Service, n.d.). ‘Local’ products have become a mainstay on restaurant menus, and consumers increasingly demand more detailed information on where food is from, how it was raised or grown, and assurances that the product is indeed ‘local’ (National Restaurant Association, 2017).

These trends present opportunities for small/mid-scale farmers who can interface directly with chefs and deliver source-identified products. If relationships characterized by trust and commitment develop between farmers and buyers, the supply chain can be characterized as a ‘value chain’ with business partners working together for the economic viability and success of all members (Handfield and Nichols, 2002; Stevenson and Pirog, 2008; Bloom and Hinrichs, 2011; Dunning, 2016). Despite the opportunity that the food service market represents, transportation, communication and other transactions costs associated with maintaining such relationships prevent direct farm-to-chef supply chains from proliferating and having more of an impact on food service procurement and food system localization.

Given the continued relevance of the ‘local’ attribute among consumers, the benefits recognized by chefs and growers, and the high transaction costs involved with direct chef–farmer connections, one possible solution is a reconfiguration of the role of the food service distributor to act more collaboratively and as a strategic partner in the value chain. Distributors have the delivery infrastructure and communications technologies that reduce costs of order processing and transportation, and which could be utilized for information exchange and collaboration among chain partners.

This *From the Field* paper describes the on-going work of one regional North Carolina-based broadline distributor (i.e., a distributor that carries the range of food and non-food products required for restaurant and institutional food service) to play this role in the produce supply chain. The distributor invited chefs to participate in a Chef Advisory Committee, with the intention of holding on-going meetings and farm visits, and gaining

product commitments from both chefs and farmers for future seasons. We describe the initiative and intermediary outcomes, with the goal of informing the work of agricultural educators, value chain coordinators and others working to build local farm to food service value chains.

The current study builds on prior case study research examining the ability of conventional wholesale/distributors to successfully aggregate and deliver local products to school and restaurant food service (Abatekassa and Peterson, 2011; Bloom and Hinrichs, 2011; Clark and Inwood, 2015). Prior work finds that conventional distributors are not typically successful in working with smaller farmers; variable and uncertain supply from local farms clash with a system designed for large volume and highly consistent supply. While we ask a similar research question as these studies—‘Can conventional food system intermediaries replicate the benefits while reducing the costs of direct farm-to-food service relationships?’—our study is unique in that it uses a participatory approach with a cooperating distribution intermediary.

Study approach and creation of the chef advisory committee

The initiative was co-conducted by the distributor in conjunction with a university grant-funded project designed to develop value chain linkages between small and mid-scale producers (defined by USDA as those grossing <\$1 million in annual sales) and ‘mainstream markets’, such as grocery store chains and distributors serving grocery and food service (ncgrowingtogether.org). The university partner brought connections to local farmers and organizational support for meetings and farm visits.

The authors attended the Chef Advisory Committee (CAC) meetings and conducted one-on-one interviews with chefs, distributor staff and farmers associated with the initiative. Interviews were semi-structured, lasted from 30 min to 1 h, were recorded and transcribed, and analyzed for salient themes using an inductive grounded theory approach (Strauss and Corbin, 1994). Chefs and farmers had a similar set of interview questions designed to understand their current methods of sourcing (or supplying) local product, the benefits and challenges of doing so, and their perception of the potential role for an intermediary distributor to fulfill both a delivery/supply function and act as a collaborating intermediary to garner restaurant and farmer commitments.

The distributor invited eight chefs from a North Carolina metro area to be a part of the CAC. The Director of Marketing introduced the initiative at the first meeting: *‘The basic idea is to create a forum to connect the chef and the grower on a regular and consistent basis so that interaction can drive what the growers are growing, and the chef is there to support what they are growing....[we] need a group of chefs that are committed to using the products that farmers are committed to growing....We want to bring everyone together....’* He planned to work with chefs to identify specific locally sourced produce items; either more costly specialty products that are often air-freighted (e.g., edible flowers, specialty herbs), or commodity every-day items such as onions, carrots and potatoes. The CAC would be a forum for identifying those items and would include face-time with growers. Chefs would commit to purchasing products, and growers would commit to growing these products. Commitment was the key prerequisite required of all partners. As the Director of Marketing noted, *‘....what’s bad for us is if we pull the trigger on something and then nobody buys it.’*

Chefs & farmer perspectives

Interviews were conducted with eight chefs and five farmers aware of the initiative and who attended CAC meetings and/or hosted farm visits. Both groups were asked about the pros and cons of direct relationships and whether or not they thought a distribution intermediary could replicate the advantages while reducing the disadvantages. The chefs represented fine-dining, casual dining and institutional dining; farms ranged in size from two to approximately 125 acres of vegetable production.

Chefs noted that produce purchased directly from growers was not necessarily better quality than that offered by a wholesale/distributor. Yet, if harvested at peak ripeness and delivered immediately, farm-direct product is superior and preferred to that of an intermediary distributor. Fine dining chefs were most skeptical of the ability of a distributor to match this quality. Said one, *‘I prefer product right out of the ground and a distributor can’t do that and a farmer kind of can...it’s all about deliciousness and excellence.’*

All chefs valued knowing the origin of farm products, and believed the distributor could probably be relied upon to supply the farm name and location. For most, just this information was enough to ‘create the story’ for diners. Two of the three fine-dining chefs noted the high value they placed on direct farm contact owing to the quality of information from farmers on real-time growing conditions, and how this could impact color and flavor. They doubted the distributor could have that level of knowledge. With the exception of the smallest, two-acre farmer (in operation approximately 1 yr and relying upon direct contact with restaurants to grow sales), growers did not see a particular value in knowing chefs who bought their products, and were not keen on spending more face-to-face time with them. As one noted: *‘Personally it’s really beneficial but I’m not sure how financially beneficial it is...like I said...it takes so much of my time where I’m trying to do more of a wholesale business here.’*

All but the smallest farmer, and all of the chefs, preferred having a distributor manage ordering processes and delivery. In addition to saving time, chefs gave an additional reason for favoring a distribution intermediary: working through a conventional distributor gives chefs the ability to order product at the last minute. As one chef explained: *‘I can pick up the phone 6 days a week up until about 9, 10 at night and I [can] get the products the following day [from a distributor]. With sourcing locally it takes a little more foot work, a lot more planning to be able to coordinate, anticipate our needs.’* This last-minute ordering from a distributor is feasible if product is already stocked in inventory; standard practice at conventional wholesaler/distributors, but exceedingly rare at small/mid-sized farms where owners harvest to order.

When asked if the distributor could bring value to a relationship over and above the function of delivery, growers noted they needed planning for subsequent seasons and regular communications. Two of the farms had been working for several years with a cooperatively organized local food distributor and both spoke highly of the forward seasonal planning carried out by its staff, and of the frequent communication during the season. As one farmer said, *‘it’s a constant thing with the back and forth, [their staff] are communicating multiple times a week.’*

Intermediary outcomes

At the 8-month point of the initiative, the distributor’s Director of Marketing believed the CAC meetings had largely served their

purpose. Holding frequent on-going meetings had been difficult. As he noted: *'In my mind, the meeting format is not necessary long-term....it was a hard meeting to bring together...maybe you do that twice a year before each major growing season.'* The near-term strategy was to tag one of the company's buyers as a local produce specialist to communicate with chefs and local growers, both individually and in the format of 'mini' food shows where chefs and growers could meet face to face. This specialist position would thus span the staffing chasm typical of broadliners—where produce buyers and sales people operate in distinctly different arenas with incentive systems that may act at cross-purposes with regard to local sourcing: buyers seeking deals to take advantage of volume and pricing, regardless of product origin; sales staff seeking to respond to client calls for more local, source-identified products.

Follow-up interviews with three chefs and two of the larger farmers revealed skepticism as to whether the meetings had served their intended purpose. Said one chef: *'As far as production planning and menu planning on our side, [and the distributor] acting as the intermediary, relaying information, I haven't really seen a lot of that.'* Interviewed growers were also dissatisfied with the level of communication they received during the pilot. One who showcased products at a CAC meeting found that chefs were not aware that they had very likely purchased her products through the distributor: *'...they were very excited about the products that we took...but it was almost like they did not know these products were [already] available from [the distributor]'*. Distributor staff recognized the lack of communication between its buyers and sales staff, and this contributed to the decision to dedicate a local produce specialist to improve communication.

Despite the perceived lack of progress, having the distributor play a more active coordination role in the value chain remained an attractive idea. Said one chef: *'If we had a gentle nudge from somebody sending us an email, like this is going to be available, instead of us having to do that directly [to the farmer]...that gets pretty laborious.'* Chefs also agreed that a dedicated person at the distributor could bolster communication, said one: *'You have to have a person solely responsible for specialty produce or a local produce specialist that's compiling information, getting information from the farmers, and distributing it to the chefs....'*

Current status and next steps

The initiative described in this paper is an ongoing effort by a regional food service distributor to actively intermediate in the farm-to-restaurant value chain, building item-specific commitments between farms and chefs. The research component of this project seeks to understand to what extent a food service broadline distributor can work as a collaborating partner in the farm-to-food service supply chain: maintaining the benefits associated with direct chef-farm sales, reducing the costs that challenge that business relationship, and providing strategic coordination to reduce risks to growers, food service buyers and the intermediary's own operation.

With additional resources allocated in the form of a dedicated local produce specialist, the distributor may be able to more

effectively ascertain and communicate farm-specific information to chefs. With chef commitments to purchase specific local products, the distributor could stock local items consistently in inventory, permitting the kind of last-minute ordering that chefs prefer. If information travels quickly and accurately from chefs through the distribution intermediary to the farm, farmers could have confidence in next season's sales and plan accordingly. The next step in the initiative is to revisit the growers, chefs and distribution intermediary to evaluate the status of the value chain after several seasons of operation.

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