

Making Farmer to Chef Connections in Morgantown, WV

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Introduction

Marketing, as defined by Merriam Webster, is all business activity involved in the moving of goods from the producer to the consumer, including selling, advertising, packaging, etc. Everyday each person in the United States is exposed to marketing in some way, whether it is passing a delivery truck on the street, seeing a billboard for a new product, or buying groceries at the supermarket. Each product sold in the United States, and internationally, goes through a marketing supply chain before it is purchased by the consumer. This research project focuses on marketing of fruits and vegetables.

The seven stages of the value chain a product goes through are:

- Input Supply
- Production
- First Level of Handling
- Processors
- Distributors/ Wholesalers
- Retailers
- Consumers

In the input supply phase the inputs and raw materials that are needed to produce the product are purchased. In the case of fruits and vegetables these could consist of land, seedlings, plant seeds, or trees, water, labor, fertilizer and the essential tools and machinery. The production of fruits and vegetables includes growing and harvesting the produce. The next stage in the supply chain involves the first level of handling when the fruits and vegetables will be

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washed and checked for bruises and rotting or other imperfections. During processing, fresh produce is sorted, graded, packaged, or stored for later use. After the produce is processed it is sent to distributors and wholesalers. These firms provide service to the restaurants and grocery stores to supply them with their fresh fruits and vegetables. The retail phase includes the sales at the restaurants and grocery stores. Restaurants add further value to the produce by preparing it to be eaten. The number of retailers selling a product varies by produce type and local demand. Finally, the fruits and vegetables reach the consumer, where they can either be eaten without any further preparation or altered to suit the tastes of the consumer. These stages of the supply chain fall into three different principal markets: a) shipping point markets, b) wholesale markets, and c) retail markets. Figure 1 from *Marketing of Agricultural Products* shows these marketing channels for fresh fruits and vegetables and the transitions between them. Each channel and different firm adds value to the product, but decreases the share of the consumer's dollar the farmer receives.

When produce is processed, or even sold fresh at a grocery store, it must go through each of these parts of the supply chain. However, when a farmer sells directly to the retailer, specifically to a restaurant, many of the steps can be eliminated or performed by the farmer. In this case the farmer serves as the producer, growing the produce from the inputs, as the first handler, checking for imperfections, the processor, preparing the produce for sale, and the distributor, contacting and supplying the retailer with the produce. Because the farmer can perform these marketing functions without contracting through different firms, the farmer's share of the consumer's dollar increases.

In order for a system of direct marketing to restaurants to function, the demand for local produce must be present near the area where it is grown. The purpose of this project is to evaluate the demand from restaurants for locally grown produce in the Morgantown area.

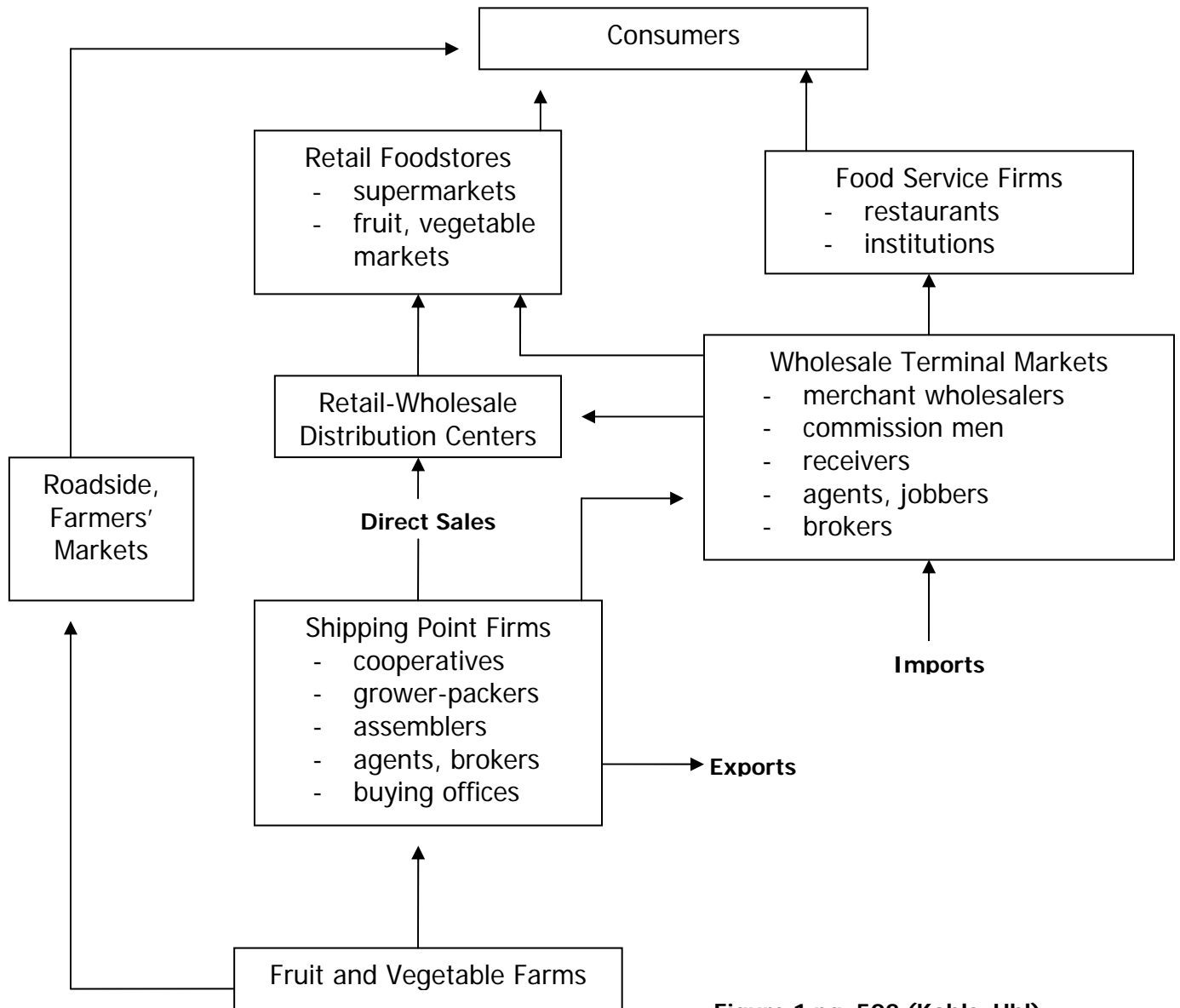


Figure 1 pg. 502 (Kohls, Uhl)

Literature review

In recent years there has been increasing interest in the farmer's share of the consumer's food dollar. The farmer only receives about 21 cents of the consumer's food dollar because of the middlemen produce normally passes through before reaching the retailer. This increased interest has led to studies regarding ways of keeping a larger percentage with the farmer, focusing on directly marketing to restaurants.

Colorado Crop to Cuisine (CCC) is a service in Boulder, Colorado designed to connect local chefs with local farmers (Thilmany). The service developed with funding from the United States Department of Agriculture (USDA). After several years of operation CCC found that producer-related problems were: a) lack of organizational commitment from producers, b) annual re-recruiting of restaurants because of seasonal supply constraints, and c) competition from the conventional food distribution system. By talking to chefs throughout Boulder, CCC has discovered that their main concerns regarding buying local produce are: dependability, freshness, inconvenient ordering, availability, less standardized items, and higher costs. Throughout the years of its operation CCC discovered that a farmer-to-chef distribution system is plausible, but it will take considerably more cooperation by both parties to be a success.

De La Hunt makes comparisons between local producers and large broad-line distributors in her article "Where'd My Entrée Come From?". Broad-line distributors are very beneficial to restaurants because they provide a large variety of products, from seasonings to cleaning supplies, and everything in between. Buying locally, however, presents a challenge because of seasonality and availability. Quality and consistency also present problems for restaurateurs. De La Hunt refers to a study that interviewed representatives from broad-line companies, such as Sysco and U.S. Foodservice, small suppliers, such as the owner of

Serendipity Homemade Ice Cream in Webster Groves, MO, and restaurant managers about their take on the marketing channels for foodservice. The article discusses a nationwide event that Washington University, in Missouri, participated in called the “Eat Local Challenge.” As a part of the challenge restaurants are encouraged to use suppliers within 150 miles of their establishment for center-of-the-plate produce and dairy products.

Scott Schuyler and Tyler Scott are college students at Paul Smith’s College, in the Culinary Arts program, trying to “bring future chefs to the farmers’ table” (Pickard). They have been working together to develop recipes that use grass-fed meat raised in the Northern Adirondack area. They discovered that grass-fed meat has a cleaner, richer flavor. Since this discovery they have been advocating for small grass-fed farms and trying to connect local farmers and businesses, especially restaurants, with moderate success.

The article “Pennsylvania Co-op Targets Upscale Restaurant Trade” outlines the successes of the Penn’s Corner Farm Alliance (Campbell). Formed by nine members in the late 1990s it has grown to include over 17 farms, with a waiting list of growers waiting to join. Through this alliance these growers have been able to reach more than 20 restaurants, three grocery stores, and the Greater Pittsburgh Food Bank, a much larger customer base than any one of those growers could reach on his or her own. This alliance is successful because of the communication and delivery systems they have developed. During the weekends, the growers send an availability list to the alliance indicating what will be available that week. The retailers then have until Tuesday evenings to place their orders. On Wednesday the produce is harvested, prepared for delivery, and delivered to a co-op pickup point. The co-op checks that the order is correct and generates the appropriate paperwork, then delivers to the retailer on Thursday. This

system has insured that the retailers receive a fresh product in a timely manner and has helped the alliance gross over \$260,000 annually.

“Direct Farm Marketing Grows in Illinois, Iowa” discusses some of the legal issues that arise with direct marketing to restaurants (Tarter). It focuses on the topics of farmers’ markets, farm contracts, organic certification, property laws and insurance, found in Neil Hamilton’s book *The Legal Guide for Direct Farm Marketing*. Because of the increased attempts to develop direct marketing to retail outlets, more legal issues have developed, and Hamilton, an organic farmer from Iowa, addresses ways to avoid legal battles.

Kentucky has a successful direct marketing program called ‘Kentucky Proud.’ “Pass the Peas Please” outlines how Kentucky Proud, in alliance with the Kentucky Department of Agriculture and the Department of State Parks, has opened up another option for direct marketing for the members of the program (Robbins). In 2002, the state legislature amended the procurement code for Kentucky to allow agricultural products to be bought without competing in a bidding process. This option gives local farmers the ability to market their products to Kentucky state agencies. Because of this, state parks and three state government buildings are now buying local produce. The members of Kentucky Pride and the state parks have developed a unique way to price the produce. Prices are established based on the average price of several wholesale companies. By averaging these prices the state parks are able to remain within their budget, while the farmers are able to receive a higher price for their product. The state parks have seen an increase in consumer satisfaction because of the fresher produce, and estimate it will generate approximately \$2 million just in sales of Kentucky-grown fruits and vegetables.

According to Daykin, direct marketing to restaurants is an ever growing trend in Wisconsin. Farmers’ cooperatives and alliances are forming throughout the state for products

ranging from potatoes to milk. The key to being successful is to differentiate the product being sold. This can be done by adding services such as sorting produce by size, packaging it a certain way, anything that will make your product unique. Daykin discusses the various farmer organizations, when they developed, and the accomplishments they have made. The 1997 Census of Agriculture in Wisconsin showed that the number of farms participating in direct marketing was 3,843, a jump from the 3,159 participating farms in 1992. It is believed that this increase has occurred because organic foods are increasingly gaining popularity. Daykin also attributes the growth to the consumers' desire for human interaction when purchasing products. "People want to be able to talk to the people who produce their food" (Daykin p.4).

Overall, these articles outline both the struggles and successes of farmers who are actively direct marketing to restaurants. These studies helped outline what types of research had already been completed in preparation for this research project. This project differs because it is based in a smaller town, in an area where crops are not predominant. The literature also served as a guideline for the issues that faced producers and what topics should be addressed when interviewing local restaurants.

Methodology

Nestled in the mountains of West Virginia is the city of Morgantown, located in Monongalia County. With a population of approximately 27,000, as of 2000, Morgantown is mostly a white, single, college community. The median income for households in Monongalia County is roughly \$20,648, which is approximately 49% of the national median income. This statistic may prove to have a rather large effect on the demand for local produce. Because the population of Morgantown has less disposable income than the national population, its residents

have to make more conscious food choices in regards to price. It is for this reason that residents of Morgantown may feel justified in spending their food dollars toward local products, and having the profits from that sale stay in the area.

In the past farmers have had limited success marketing directly to restaurants in the Morgantown area, either as a group or as individuals. Individual farmers have developed agreements with restaurants, but those agreements often don't continue from season to season. This study was designed to research the demand, from the restaurant's point of view, for local produce. The objectives for the project were as follows.

1. Is there a difference in demand between locally owned restaurants and restaurants that are regionally or nationally franchised?
2. Does the type of cuisine served affect the demand for local produce?

Because this was the first attempt to research this topic in Morgantown, it was important to be able to ask for further explanation on given answers, if needed, and to be able to ask follow-up questions. It is for this reason that personal interviews were chosen as the survey method instead of mail surveys. In an attempt to gain opinions from various types of restaurants, and to be able to adequately make comparisons, it was decided to match locally owned restaurants to their franchised counterparts. The restaurant owners and/or chefs from eight restaurants in the Morgantown area were contacted and asked to be interviewed about their use of locally grown produce in their restaurants as well as their potential demand for local produce. Out of these eight restaurants, six agreed to participate. These six restaurants included:

- A franchised Mexican casual
- A franchised casual
- A locally-owned Mexican casual
- A locally-owned casual
- 2 locally owned fine-dining restaurants

Because franchised fine-dining restaurants did not agree to participate in the interviews, two locally owned fine-dining restaurants were used instead. Even though the sample size was limited, the varying price levels and cuisines of this selection of restaurants, should provide useful information regarding the demand for local produce within the Morgantown area.

In preparation for these interviews a questionnaire was developed to gather information concerning past and present purchasing behavior and to analyze the potential market for local produce. (Appendix A includes the questionnaire with a summary of the responses.) Questions 1 and 2 ask about their current produce supplier. These questions give insight into the type and location of the companies currently distributing produce to the retailers. Questions 3, 4 and 5 inquire about the previous experience of the owners and chefs with local producers and their satisfaction with the experience. The satisfaction level is indicative of the restaurant's probability to become a repeat customer.

Questions 6, 7 and 8 question the restaurant owners and chefs about their willingness to use local produce as part of their cuisine and which products they desire to buy locally. This set of questions helps to determine if serving local produce is a priority for the chefs and owners, and, if so, why it is or is not. Questions 9 and 10 open up the topic of price. With direct marketing to restaurants, chefs and owners may have to work with two or three farmers, each of whom may have limits to the amount of produce they can provide. Because the supply of produce coming straight off the farm may be relatively low volume, farmers need to charge more for their product to recover their cost of production. However, purchasing produce from a local farmer gives the restaurant more options concerning freshness of the product, access to varieties that are not transported well, possibilities for the farmer to grow produce to restaurant specifications, increased sales from farmer referrals, and the ability to advertise the local produce

to attract customers. The problem arises when restaurants are trying to keep a steady profit margin: purchasing fresh produce at a higher price increases its operating costs, but restaurant owners are hesitant to adjust the price they charge consumers in accordance with the fluctuating price of produce, and many fear their profits will suffer. This reason is why restaurants who change their menus with the season and add specialty products to their menus are the best candidates for farmers to successfully market to. These questions reveal whether or not the added freshness of local produce outweighs the additional cost to the retailer. Question 11 was designed to determine if restaurants would be willing to commit to an agreement before the produce was available. Contracting with a farmer provides stability for both parties involved, and can be beneficial to both. The restaurant can prepare for the cost and adjust its menu accordingly, and only have to adjust the price once, while farmers are insured that their production costs are covered and that selling to a restaurant is a profitable transaction. Farmers are able to feel more comfortable with the arrangements because the restaurants are legally bound to take the produce as long as it meets the specifications set forth in the contract.

Questions 12-15 deal with specifics regarding the logistics of distribution. The purpose of this set of questions is to determine ways to improve the current distribution system that exists between farmers and restaurant owners and chefs. Through these questions plans for ordering and delivery systems can begin to be developed. Question 16, the final issue addressed through this survey, asks about the impact on the restaurant's sales of serving locally grown produce in order to determine if they perceive a possible benefit for their business.

Results and Discussion

After interviewing the six restaurants, it was not difficult to notice a pattern: the owners and chefs of local restaurants had all previously purchased produce from a local farmer, while the franchised restaurants had not. These franchised restaurants had restrictions from the corporate level limiting their produce purchases to a particular supplier. One franchise that was interviewed has food service down to a science. It has determined the weight and portion size of every type of product, from green beans to chicken breasts, which will maximize the restaurant's profit for every meal served. By approving one supplier it can more efficiently streamline the order process and further maximize profits. This is accomplished because the chef only has to make one phone call, arrange for one delivery, generating one bill. Because the packages are portion controlled, the time the chef spends preparing the food is reduced. Restaurants are also able to work with processors and wholesalers to perform value-adding functions, such as preseasoning a product, before it gets to the retail site. This allows a chef in the kitchen to spend less time preparing food, allowing him or her to prepare more meals and serve more customers daily, and reducing operating costs. Franchised restaurants are also guaranteed a consistent product, which they might not receive from a local farmer, by purchasing produce from a wholesaler/distributor.

When looking at the four restaurants that are locally owned and operated there was very little consistency in the answers. Although each would like to have locally grown produce and has purchased it in the past, when it came down to willingness to pay and expected affects on sales, the answers were drastically different. One of the fine dining restaurants claimed that it would definitely be willing to spend more for local produce, while the other was not willing to

do so. The locally owned casual restaurants both would spend more to purchase locally grown, as long as the price premium was within a reasonable amount.

When discussing the effect local produce may have on business, the two fine dining restaurants believed that local produce would not increase the level of sales at their restaurants. The casual restaurant believed that its customers appreciated the use of local produce and would like to see more used in its meals. The casual Mexican restaurant thought that, although a small percentage of its customers were interested in local produce, the increased cost of purchasing locally, however, cut back on profit margins too heavily.

The four local restaurants that participated in the interviews all received their produce primarily from Green Grocer out of Pittsburgh, PA, but also had secondary suppliers. Two restaurants said that, although freshness was better, buying from a local farmer was overall a mixed experience. These two restaurants had experienced unreliable delivery, mixed produce quality, and the feeling of being overwhelmed by the quantity of produce for a few weeks, and then struggling to have a sufficient supply. The four locally owned restaurants had all previously purchased produce from a local farmer, and were generally pleased with the freshness of the products. These restaurants currently spend between \$550 and \$1000 weekly on produce, and 75% of the local restaurants would be willing to spend more for locally grown produce. These four restaurants were interested in a wide variety of local produce. The four most demanded items were squash, lettuce, tomatoes, and zucchini (see Appendix A, question 8 for additional items.).

Half of the restaurants that were interviewed currently have, or are developing, contracts for produce from local farmers. These contracts establish the type of produce and quantity to be delivered on a schedule, as well as the price the restaurant will pay. These contracts include

items such as peppers, spring mix, and tomatoes. The remaining half of the restaurants would be interested in committing to this type of contract, as long as the terms of the contract were agreeable.

Two of these four restaurants use local or specialty products as a marketing tool, either by displaying a list of products that are produced locally or by listing farm names and brands of local and organic foods on their menus. These same two restaurants, however, claim no benefit in sales from using local produce. One fine-dining restaurant, during the interview, commented that using local produce was purely a decision made by the owners and chefs because they felt it was the right thing to do, but they did not believe it attracted any additional customers. It is unclear why either of these restaurants uses locally grown items as part of a seemingly successful marketing strategy if they do not feel it is beneficial to their business.

An important question addressed by this study is whether or not direct marketing to restaurants is a viable option for farmers in the Morgantown area. The demand for local produce is present, but it is going to take education, hard work, and time before a functioning system is created. Chefs and consumers alike need to be educated on the benefits of serving and consuming local foods. Not only does it add to the quality of the food, but it also supports and encourages growth throughout the community. The farmers in the area, will then, in turn, spend that income at local businesses, which may then purchase items from other local suppliers. This is known as the local multiplier effect. The result is more people benefiting locally from the restaurant's produce purchases, rather than a corporation with no ties to the local community.

Another factor that will help create a system of direct marketing to restaurants is improving communication between restaurant owners, chefs, and local farmers. Local farmers are interested in supplying produce to local restaurants, but they might face the issue of only

being able to produce a low volume. This could be handled if the farmers formed a coalition in order to supply to restaurants, allowing them to accomplish what they cannot achieve individually. Also, a better, more stable, form of communication needs to be developed between the farmers and restaurants for the marketing channels to function effectively. In addition, restaurateurs would benefit from education on how to effectively use local products as part of their marketing strategy. If an effective marketing strategy is developed, and successfully implemented, it should increase sales and profits for both the restaurants and farmers. If these things are accomplished, it could be possible for local produce to be successfully, and profitably, used in restaurants in the Morgantown area and for consumers to enjoy the fresh taste of locally grown produce, in season, while supporting agriculture, and preserving farms, in the surrounding area.

Appendix A

Summary of Interview Responses

1. Who currently supplies the majority of your produce?
4 restaurants are supplied Green Grocer
2 restaurants are supplied by Paragon
2. Do you have additional produce suppliers?
 - a. Yes
 - i. Who?
3 supplied by Sysco
1 supplied by Georgina
1 supplied by a small company in Maryland
 - b. No
1 did not have an additional supplier
3. Does this change during the summer when local produce is in season?
 - a. Yes
4 restaurants change suppliers in summer
 - b. No
2 restaurants do not change suppliers in summer
4. Have you ever purchased produce from a local farmer?
 - a. Yes
4 restaurants have purchased from local farmers
 - b. No
2 restaurants have not purchased from local farmers
5. If yes, was this a good experience? Why or why not?
 - **4 restaurants feel it was a good experience because of the freshness**
 - **2 restaurants had experienced difficulties because of mixed produce quality, poor delivery systems, and being overwhelmed by produce**

6. Would you consider purchasing locally grown produce for your restaurant?

a. Yes

4 restaurants would purchase local produce for the restaurant

b. No

2 restaurants would not purchase local produce for the restaurant

If no,...

7. Please explain why you would not purchase locally grown produce for your restaurant.

2 restaurants would not purchase produce because each are corporately mandated to purchase produce from a specific vendor.

If yes,...

8. What specific types of locally grown produce would you most like to have?

Produce Type	# Restaurants
Tomatoes	2
Squash	3
Zucchini	2
Herbs	1
Lettuce	3
Spring Mixes	1
Baby Veggies	1

Corn	1
Carrots	1
Berries	1
Cauliflower	1
Broccoli	1
Eggplant	1

9. What price do you currently pay for that type of produce?

- **2 restaurants spend approximately \$1000 weekly**
- **1 restaurant spends approximately \$550 weekly**
- **1 restaurant did not want to disclose produce expenditures**

10. Would you pay a higher price for locally grown produce?

- **1 restaurant would definitely spend more for locally grown**
- **2 restaurants would spend more for locally grown within reason**
- **1 restaurant would not spend more for locally grown produce**

11. Would you consider contracting with a farmer for specific varieties, quantities, and prices before spring planting, to be delivered as available throughout the season?

Yes

- **2 restaurants currently have produce contracts for peppers and spring mixes**
- **2 restaurants would be interested if contract terms were agreeable**

12. What would be your most preferred method for ordering from local farmers?

- **2 restaurants would prefer the farmer to call them with types and quantities available along with prices and take the order over the phone**
- **2 restaurants prefer the farmer to fax them a list of types and quantities available and then the restaurant will call the farmer to place the order**

13. How often would you order from a local farmer?

- **2 restaurants would order three times a week on Monday, Wednesday and Friday**
- **1 restaurant would order twice a week: on Tuesday and Thursday**
- **1 restaurant would order once a week for specialty items, such as butternut squash**

14. When would you like delivery of the produce?

- **2 restaurants would like delivery of the produce on Monday, Wednesday, and Friday before 9:30 a.m.**
- **1 restaurant would like delivery of the produce any day in the mornings**
- **1 restaurant would like delivery of the produce any day in the afternoons**

15. What is the best way for a local farmer to contact you?

4 restaurants said the best way to contact them is by telephone

16. What do you think might be the impact of serving locally grown produce in your restaurant on your level of sales?

- **2 restaurants believe that it would not affect their sales, but using local produce is important to the chefs and owners**
- **1 restaurant believes that it would draw customers in and they would appreciate it**
- **1 restaurant believes that only a small percentage of the restaurant's customers are concerned with using local produce and while it would keep those customers happy it would not affect the sales.**

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