

Selling to Restaurants in North Carolina

Introduction

Local products continue to be popular choices for restaurants and foodservice providers, with locally sourced meats and seafood and locally grown produce topping the National Restaurant Association's survey of Top 20 Food Trends of 2013.¹ Many other top restaurant trends identified in that survey of 1,800 chefs reflect market opportunities for local products at restaurants. These opportunities range from farm estate branded products to heirloom apples and artisan ice cream.



Trends show continuing appeal, to both restaurants and their patrons, for food produced nearby. Restaurants can take product volume over an entire year, creating potential for more farm profitability. Producers interested in pursuing these markets for the first time – or in tuning up their current marketing strategies – need to consider several good business practices in order to be successful. This fact sheet provides an overview of several important considerations for local food producers selling products directly to restaurants in North Carolina, including:

- **Relationships and Communication**
- **Packaging & Labeling**
- **Product Branding**
- **Pricing**
- **Product Presentation and Delivery**
- **Insurance and Risk Management**
- **Certification Requirements**

A list of additional resources is included at the end of this publication.

¹ <http://www.restaurant.org/Downloads/PDFs/News-Research/WhatsHotFood2013.pdf>

🌱 Relationships and Communication

Good business relationships with chefs, kitchen managers and restaurant business staff are vital for profitable farm sales to restaurants. Clear and timely communication is key part of fostering a strong farm-restaurant relationship. This is especially true of a farms product availability and delivery times

For example, chefs interviewed about buying local produce cited prompt and professional communication about product availability as a very important part of the farm-restaurant relationship. When selling to a restaurant, farmers should recognize that they are dealing with chef clients accustomed to professionalism in their dealings with other vendors. Chefs are certainly interested in local products and may even tolerate a certain amount of inefficiency in obtaining local foods. If that inefficiency remains unaddressed, it may translate into costs to the restaurant's bottom line. This could reduce premiums the restaurant is willing and able to pay for local products.

Farm producers should realize relationships with restaurants and other foodservice customers will usually need to be initiated by the farm. Chefs and restaurateurs are busy running their kitchens and establishments, so they usually depend on being approached by potential suppliers. In fact, the lack of available information about local food vendors is consistently cited by chefs and foodservice vendors as a barrier to "buying local."² Producers should take the initiative to present information about their farms and products in a professional, manner to potential restaurant clients.

One of the best ways to foster a good relationship with a chef is to regularly deliver high-quality product. In a 2011 survey, Alabama chefs rated consistent supply, consistent quality, food safety and product freshness as the most important factors for purchasing local produce.³ Chefs already accustomed to receiving regular, reliable deliveries from food wholesalers may wish to support local producers while obtaining desirable product, but poorly timed deliveries and bad communication will deter future purchases. Restaurants may also be unaware of locally-grown options, particularly for products such as meat, grains and other non-produce items.



http://www.alumni.ncsu.edu/s/1209/images/editor_documents/2013/chef_farmers.pdf

² Kang, Sangwook. "Perceptions of the Benefits and Challenges of Purchasing Local Foods in the Iowa Hotel Industry. (2012) *Graduate Theses and Dissertations*. Paper 12729. Iowa State University Digital Repository, <http://lib.dr.iastate.edu/etd>.

³ Reynolds-Allie, K. and Deacue Fields. "Alabama Restaurant Preferences and Willingness to Pay for Local Food: A Choice Based Approach." Selected Paper, Southern Agricultural Economics Association Annual Meeting, February 2011. <http://purfl.umn.edu/98822>

Many farms delivering to restaurants quickly adopt the practice of sending weekly pricing/availability sheets to chefs via email. Online ordering has also picked up popularity as social media and Web-based systems became easier to navigate. Still, many chefs simply prefer a quick weekly phone call to place their farm order; never underestimate the power of the personal order.

Farm producers should establish both a consistent, high-quality product delivery schedule *and* maintain a regular channel of communication with the person responsible for purchase at the restaurant. Quality products and healthy communication frequently open the door to expanded product purchases and other synergies in the local farm-restaurant business relationship. Additionally, a farm's social media participation, highlighting products and practices, can help build credibility and acceptance among chefs and restaurateurs. See the following page for a short case study with an example of a chef's perspective.

Packaging and Labeling

Restaurants, especially standalone establishments or small chains, may be largely indifferent to how fresh products are packaged and labeled – as long as the packaging fits into the restaurant's receiving and storage systems. However, farmers should consider clearly labeling and packaging their products to differentiate their deliveries from those of other suppliers.



The size of a restaurant's food preparation area and available cooler space will likely dictate how, when, and in what amounts the product is delivered. Producers should understand each chef's needs and deliver product in a way that makes handling convenient for the producer and hassle-free for the chef or kitchen staff. Reusable containers that are clearly marked with the producer's name are often helpful. Avoid packaging that is difficult to stack in coolers, like plastic bags. Consideration should be given to how well the packaging and labeling integrity will hold up under the conditions of a working restaurant.

Meat and poultry products should be labeled in accordance with state guidelines. North Carolina guidelines are available at: <http://www.ncagr.gov/meatpoultry/index.htm>

Communication: A Case Study

An open, two-way conversations between producers and chefs is absolutely critical to growing a farm's restaurant market. And a farm's response to that two-way communication is coveted by chefs. Phone calls or voice mail, text messages, and email orders were cited by chefs around the country as being easiest to access.

Still, nothing beats the personal touch. "I trust the local farmer whose face I know," said an executive chef at an Illinois country club who bought pork from a local farmer.

For that chef, it was essential for the farmer to keep in touch. "Some initiative (from the grower) is certainly helpful to me because it makes things easier," said the chef. "It's great when someone can call me up and say, 'This is what I've got, what do you want?'"

Growers also find that offering some degree of flexibility is helpful to developing the business relationship with the chefs. "I'm willing to work with him if he wants to try something different," said the farmer supplying the country club. "I'm just a mile-and-a-half down the road."

That relationship helped the Illinois chef and producer work together, moving from the chef's purchase of chops and other higher-priced cuts to planning events featuring half- and whole-hogs. This is an example of how producers find working closely with chefs can increase a restaurant's purchase of lower-priced items; some restaurants may even purchase fresh produce for preserving for later use.



🌱 Product Branding

A product brand “is the combination of name, words, symbols or design that identifies the product and its company and differentiates it from competition.”⁴ Product branding has often been emphasized for value-added farm products and agritourism marketing. More recently, restaurants have increased the practice of listing farm names and brands on their menus. Restaurants may also feature local products using a state or regional designation, like the “got to be NC products” program. The “Savor NC on the Menu” designation is given at restaurants offering North Carolina-grown products. More information and a list of restaurants participating in the program may be found at <http://www.gottobenc.com/grocery-restaurants/restaurants/>



Branding that features more than one brand designation on a product is called “co-branding.” A product including a farm brand, along with a designation like “got to be NC products” would be co-branded. Some effective co-branding also features unique geographic or regional designations, such as wines from Napa Valley, California. One example of this approach to branding, from North Carolina, is the “Appalachian Grown” designation, administered by the Appalachian Sustainable Agriculture Project.

When considering branding products, local food producers should realize selling to restaurants involves two categories of customers: the chef or establishment purchasing the food for preparation; and the consumer buying the food at the restaurant. When purchasing from a local food producer, chefs are likely to evaluate the product based on whether they are receiving a consistent, reliable and quality product from a producer they have some relationship with. Research in Missouri indicates local vegetable farmers can differentiate themselves to chefs by offering products with regularity, quality and freshness.⁵



That relationship with the farm can then result in promotion of the farm’s brand at the restaurant level. Excellent product quality can make a restaurant more willing to advertise certain products from local farms on the menu. Restaurants that change menus

⁴ Giddens, Nancy. “Building Your Brand.” Ag Decision Maker, Iowa State University. <http://www.extension.iastate.edu/agdm/wholefarm/html/c5-50.html>

⁵ Rimal, Arbindra and Benjamin, Onyango. “Purchasing Locally Produced Fresh Vegetables: National Franchise vs. Locally Owned and Operated Restaurants. Selected Paper, 2011 Agricultural & Applied Economics Association Annual Meeting. <http://purl.umn.edu/103464>

daily or weekly may print the farm name beside products offered on the menu or include the farm name listed in a menu item description (e.g. “Local Meat’s heritage breed pork chops glazed with Local Bee Farm honey and served with new baby potatoes from Local Produce Farm.”)

Offering farm-branded products at restaurants has helped some farms build a more robust local brand. To avoid confusing consumers, it is usually advised to use similar branding materials across all market channels, aiming for consistency in the way in which a farm brand is presented across local restaurants, farmers markets, grocery stores and other retailers.

More information about successfully developing farm product brands can be accessed in a publication from Iowa State University Extension, “Building Your Brand,” located at <http://www.extension.iastate.edu/agdm/wholefarm/html/c5-50.html>

Pricing

Chefs have often connected with local farms by first purchasing items at a farmers market stand. The chef may then ask the producer whether she or he can supply bulk quantities on a regular basis. During that conversation, chefs may request a price break for quantity purchases. Before balking at offering farm products to chefs at a lower-than-retail price, farms should consider the following:

- Most chefs are accustomed to buying from food brokers or wholesalers at wholesale prices. Make sure to invest time in understanding their current expectations as this will translate to how you do business as well.
- Many chefs indicate they are willing to pay more for local products that are superior in freshness and quality, but that the higher price must include clear benefits. This will include value they experience through your customer service.
- Expanding a farm’s offerings to a local restaurant can help increase net farm income when the restaurant is willing to pay a price above the costs of producing and marketing the farm’s products.
- Local restaurants may be more willing to pay a higher percentage price premium over wholesale prices paid for fruits and vegetables than for less-perishable items, like meat and value-added products.⁶

Providing larger quantities to restaurants at prices below local retail prices can result in higher economic returns to the producer. Small farms frequently underestimate or neglect to account for the value of the producer’s time spent in marketing or selling. Farm businesses desiring to “scale-up” production often find they either need to

⁶ A 2010 survey of Illinois independent restaurants indicated much greater willingness to pay up to a 10 percent price premium for local meat products than price premiums over 10 percent. (“Factors Influencing Restaurant Managers’ Willingness to Feature Locally Produced Meat,” Emmanuel S. Foday et al., <http://purl.umn.edu/61794>) Surveys of restaurants in Missouri and Kentucky have indicated a majority of chefs in some areas are willing to pay premiums as much as 30 percent for produce, especially when fresher produce results in less shrink (product loss) at the restaurant.

participate in even more time-intensive direct marketing venues; or sell larger quantities to less time-intensive markets. Producers should always have a solid understanding of their actual costs of production (including the cost of their time) when entering into a discussion of pricing with any customer.

Finally, and in relatively few instances, some fine dining restaurants may be willing to regularly pay retail or above-retail prices for hard-to-find or superior products. Though not the norm, these restaurants may be accessible to some farms and local food producers.

A comprehensive guide to pricing farm products at both wholesale and retail levels is available from the University of Tennessee at:

<https://utextension.tennessee.edu/publications/Documents/PB1803.pdf>.⁷

Product Presentation and Delivery

Consistent product presentation and regular delivery times are important for attracting and retaining restaurant and foodservice customers. Producers should discuss product specifications with the chef or kitchen staff before beginning delivery and periodically “check in” concerning product quality and cleanliness.



Producers should notify the restaurant as soon as possible if fresh product deliveries will be delayed by weather or other factors. “I’m depending on my suppliers to deliver the product when they say they’re going to,” said a chef interviewed in a University of Kentucky focus group. “If they don’t show up on time, I may have to change my dinner menu—and if they’re always late, I’m not going to want to keep doing business with them.”

Good communication is vital in the longer term chefs need advance notice to get local products on the menu. A North Carolina chef said, “I need to know when a crop is coming in 4 weeks before it is available so I can get it onto the menu. Most farmers are not used to this time line.”

An invoice should accompany farm products upon delivery to restaurants. Producers must work with the restaurant to ensure the invoice reaches the proper person. Local food producers should also realize restaurants often pay vendors in a timeframe that can range from 7 to 45 days after product delivery, producers must be prepared for such payment terms.

⁷ Megan L. Bruch and Matthew D. Ernst. “A General Guide to Pricing for Direct Farm Marketers and Value-Added Agricultural Entrepreneurs.” University of Tennessee Extension Publication PB1803. <http://cpa.utk.edu>

Insurance and Risk Management

Like other customer segments, chefs may exhibit a high degree of trust in local producers and may perceive that locally produced products are “safer” than products purchased wholesale. Some chefs even request personally inspecting farms or processing facilities to verify that production or processing meets their personal standards.⁸

However, restaurants also operate under standard food safety guidelines and practices. Larger chains and institutional customers, like schools and hospitals, usually require producer-suppliers to carry a specific level of product liability insurance. Others may insist on third-party certifications indicating certain practices being followed on a farm.

As for sales to any market, producers selling to restaurants should evaluate the potential liability risks and discuss appropriate risk management tools with a knowledgeable professional.

Certification Requirements

In addition to product liability insurance, restaurants purchasing directly from a farm or producer may require third-party food safety audits or other certifications. Third-party programs, like PRO*ACT, verify fresh produce safety are becoming food industry standards. Meats and value-added products must originate in properly inspected facilities but requirements may vary by state.



Meat and poultry products are regulated by the North Carolina Department of Agriculture and Consumer Services – Meat and Poultry Inspection Division. Information about pertinent regulations is located at <http://www.ncagr.gov/meatpoultry/index.htm>.

The Food and Drug Protection Division of the North Carolina Department of Agriculture and Consumer Services regulates several kinds of food businesses, including:

- Packaged foods other than meat products
- Seafood
- Dairy products (including milk, frozen dessert, cheese and butter)

⁸ See e.g. Shoshannah Inwood et al. “Building Capacity for Local and Organic Ohio Proud Foods for Retail and Restaurant Distribution in Ohio.” September 2003. OARDC.

More information can be obtained about these, and all other food products, at the website <http://www.ncagr.gov/fooddrug/food/foodbiz.htm>.

Products containing 7% or more alcohol are regulated by the Alcohol, Tobacco, Firearms Tax and Trade Bureau. For more information go to <http://www.ttb.gov>.

Chefs are often receptive to adding local, specialty value-added foods to their menus to complement fresh locally grown meats and produce. Products like jams and jellies, dried mixes, spices and some sauces are examples of value-added foods being produced under the jurisdiction of the NCDA. These products also require testing by a process authority before they can be produced and sold. In North Carolina, process authorities are at NC State University:

http://ncsu.edu/foodscience/extension_program/food_product_testing.html

Products classified as acidified (i.e. pickles) and low acid (i.e. green beans) require the processor to have a Better Process Control School certificate and registration of their facility and process with the Food and Drug Administration. This is a requirement of the FDA and must be done before registering the product with NCDA.

Other certifications that may be of value to farms selling direct to restaurants include certifications of production practices. These can include, but are not limited to, certifications from the USDA Certified Organic Program, the peer-reviewed Certified Naturally Grown program, and kosher or halal designations. Some restaurants may themselves be operating as certified organic facilities and might require a similar certification from product suppliers.

Conclusion

Selling farm items directly to restaurants can be an effective and profitable marketing channel that can help increase a farm's sales volumes while diversifying market channels. Restaurants may be willing to pay a premium over wholesale prices for high-quality local produce. It is vital for farms to establish clear communication channels and a good business relationship with the chefs and foodservice establishments being served; consistent deliveries of high-quality product are especially important when servicing restaurant clients. Farms should also seek to appropriately manage risk and obtain any certifications necessary for selling to local restaurants.

Many chefs value building relationships with local farmers, and farms should maintain clear communication channels with the chef and restaurant personnel responsible for product purchases. Featured products on restaurant menus can also be effective brand-builders for growing local food businesses.

Additional Resources

“Building Your Brand.” Ag Decision Maker, Iowa State University.
<http://www.extension.iastate.edu/agdm/wholefarm/html/c5-50.html>

“Selling Directly to Restaurants and Grocery Stores.” Washington State Department of Agriculture Small Farm and Direct Marketing Handbook.
<http://agr.wa.gov/marketing/smallfarm/DOCS/3-SellingDirectlyToRestaurantsAndGroceryStores.pdf>

“Tips for Selling to: Restaurants.” Carolina Farm Stewardship Association publication.
<http://www.carolinafarmstewards.org/wp-content/uploads/2012/12/5-ATTRA-Tips-for-Selling-to-Restaurants.pdf>

“Marketing Fresh Produce to Restaurants.” University of Kentucky College of Agriculture Extension Publication.
<http://www.uky.edu/Ag/CCD/marketing/restaurants.pdf>

Author: Matthew D. Ernst

Editors: Derek Washburn, Program Associate, NC State University; Jenny St. Jean, Support Specialist, NC State University; S. Gary Bullen, Extension Associate, NC State University

© 2015 NC State University. All Rights Reserved

This publication was made possible by a grant from:



**SOUTHERN
EXTENSION
RISK MANAGEMENT
EDUCATION**