



Making the connection—linking farms to HRIs

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Budget:
\$25,564 for year one
\$31,084 for year two

Question: What are the conditions under which institutional markets are profitable for farmers? **Answer:** segment, differentiate, promote and deliver on your promises.

Abstract: Iowa farmers interested in selling their products locally wanted more information about the institutional-type markets for these foods so they could determine how to work with these markets.

Background

While Iowa grocery store and hotel, restaurant, and institutional (HRI) markets appear to hold promise for Iowa farmers' products, little information has been available on their true market potential and on the ways to best serve these markets. Given this multi-tiered problem, the objectives of this project were to:

1. Quantify the potential for Iowa-grown and raised foods in grocery stores and HRI markets,
2. Identify barriers to gaining access to grocery store and HRI markets,
3. Examine conditions under which farmers can profitably sell to grocery store and HRI markets, and
4. Analyze models for linking farmers to grocery store and HRI markets.

Approach and methods

The project contracted with Scanlan & Associates of West Des Moines to work with Practical Farmers of Iowa (PFI) to conduct interviews with representatives from 18 industry associations, restaurants, supermarket chains, health food stores, food brokers and distributors, hospitals, and hotels that collectively represented more than 50 percent of the total HRI and supermarket sales volume in Iowa. These interviews, and an analysis by Scanlan & Associates of food sales data, were used to quantify the potential for Iowa-grown and raised foods in HRI and grocery store markets and identify barriers to gaining access to these markets.

Two groups of farmers—Audubon County



1999 Dinner

Family Farms and a growers' network operated by PFI staff for all-Iowa meals at central Iowa conference facilities—also were part of the project. They sold products to HRI markets to learn about barriers, identified options for overcoming those barriers, and analyzed a model for connecting farmers with institutional markets.

Conclusions and discussion

The project calculated a market potential of about \$1.7 billion each year among Iowa grocery stores and HRIs for produce and meats from Iowa farms. A market of this size presents huge opportunities for Iowa farmers. However, there are challenges facing Iowa farmers who want to sell their products to these kinds of establishments. Among these challenges are:

- competitive prices,
- consistent quality,
- adequate supplies,
- standard packaging,
- ease of ordering,
- delivery frequency,
- dependability,
- transportation and distribution, and
- food safety concerns.

While these are all legitimate concerns, a key issue is price because at present much of the food grown and marketed by Iowa farmers cannot compete with prices charged by wholesalers. Three possible ways to address the price problem are 1) segmenting markets to identify and service buyers who are willing and able to pay more, 2) differentiating products from those typically sold to these markets and promoting these products based on their unique characteristics, and 3) helping farmers improve efficiencies to reduce costs.

The project determined that farmers ought to strive for a mix of markets. The main focus should be on selling at retail prices directly to



***Chef at ISU's
Scheman Building***

households through venues such as farmers markets or CSA projects, and augmenting these markets with wholesale markets at grocery stores and HRIs when these markets are available and interested enough to pay farmers the prices they need to be profitable. This measured approach likely will lead to increased chances for profits and allow wholesale market opportunities to grow in importance as farmers improve their marketing infrastructure (via low-cost processing and distribution options for moving products).

The project also showed that a sustainable

***Dinner line at
National Catholic
Rural Life Conference***



brokering model needs substantially more sales than are likely to be possible through a limited market such as all-Iowa meals. While the project's efforts to broker foods from local farmers for all-Iowa meals experienced various challenges, this work will continue because of the educational impact on farmers, chefs, and consumers.

The next steps are to review and analyze models in other locations that are providing the kinds of services needed to work with grocery store and HRI markets. The results of these analyses should then be used to develop more refined models and business plans suitable for Iowa.

Impact of results

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The project has helped deepen the understanding of the issues involved in selling local foods to grocery stores and HRIs in Iowa, and it has helped propel the demand for local foods through its educational impacts on farmers, chefs, and consumers. Information from this project should be disseminated to help 1) seg-

ment markets to identify and service buyers who are willing and able to pay more, 2) differentiate Iowa products from those typically sold to these markets and promote these products based on their unique qualities, 3) improve farmers' skills to reduce costs, and 4) develop necessary infrastructure components, such as processing and distribution options for moving the products from farms to markets.

Education and outreach

Newspaper articles related to the project appeared in the *Des Moines Register*, *Iowa Farmer Today*, *Farm News*, and *Iowa Farm Bureau Spokesman*. Progress and results from the project were presented at 20 events between 1999 and 2000. As part of an ongoing effort, nearly 18,000 all-Iowa meals were served during the project. Nearly all of the diners were provided with special menus listing the farmers, their projects, and a brief description of this effort. Results of this project also appear on the Leopold Center web site under "New Faces of Iowa Agriculture."



Plate of Iowa-grown food served at the Hotel Patee in Perry