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Developing and Educating Managers and New Decision-makers



*Are you planning to be the next generation farm operator? Whether you represent the transition of generations, or that of employee to owner or as a new entrant to the business, a fresh look at management will be necessary. Michigan State University Extension offers help to beginning farmers with this transition through the Beginning Farmers DEMaND series offering articles, workshops and additional resources.*

## Marketing Fresh Produce via Direct to Consumer & Intermediated Markets

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Demand for fresh produce continues to grow as individuals and institutions prioritize nutrition and locally grown foods. Since there is a wide variety of ways to tap into this demand, you should examine the various market channels to see which may be the best fit for your business goals. This guide provides an overview of direct and intermediated marketing channels, including quality standards, insurance and food safety considerations, communication, skills, pricing, and typical customer profiles.

The guide also explores some of the most common market types within each channel and the unique aspects of each.



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Michigan State University (MSU) Extension recommends choosing more than one market type to diversify income streams for your business to avoid putting all of your eggs in one basket. Many farms find that certain market strategies build off one another. For example, vending at a farmers market may recruit customers to visit a farm store or sign up for a Community Supported Agriculture (CSA) program.

Do your own market research to determine how your products will sell in the markets you want to target. Base your search on several factors including the customer base, price sensitivity, presence of competitors, and more. The MSU Product Center (<https://www.canr.msu.edu/productcenter/services/>) is one resource farms can use to assist with marketing questions. After paying a one-time fee of \$50 to register as a client with the MSU Product Center, farmers have access to an Innovation Counselor who can provide free services such as market analysis, economic impact, and customer analysis.

The marketing strategies outlined within this bulletin are for fresh, whole produce only. Produce that has been cut beyond the harvest cut or otherwise processed is regulated differently than fresh, whole produce under the Michigan Food Law ([http://www.legislature.mi.gov/\(S\(qw4n2y0buwtxxowh51ziplbc\)\)/mileg.aspx?page=getObject&objectName=mcl-289-1107](http://www.legislature.mi.gov/(S(qw4n2y0buwtxxowh51ziplbc))/mileg.aspx?page=getObject&objectName=mcl-289-1107)).

Under the law, "Processing is an act, such as canning, freezing, dehydrating, drying, distilling, extracting, preserving, grinding, crushing, milling, washing, trimming, packing, or otherwise preserving or changing the form of a food" (Michigan Food Law, 2000).

## Direct to Consumer Marketing

Direct to consumer marketing involves selling fresh produce directly to the end-user. This type of marketing offers the greatest flexibility in where, what, and how to sell. By doing all of your own marketing, you can command the highest price for

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your products when selling directly to consumers. Produce can be sold by item in a farmers market, farm store, roadside stand, or online store.

Alternatively, produce could be sold in *shares* or pre-packed boxes, such as in a CSA program. Produce will generally be packed in individual quantities (such as bunches, pints, quarts) but occasionally larger volumes can be marketed for home preservation (for example, in bushels).

### Quality Standards for Direct to Consumer Marketing

Produce quality standards are considerably more variable in direct marketing when compared to intermediated and wholesale markets. Individual consumers are not necessarily looking for certain "grades" of produce. Rather, they are looking for attractive food free from excessive dirt, damage, or rot. Offering a variety of sizes may be more desirable than uniformity in this type of market, as household sizes and preferences vary. For example, a single person may want a softball-sized cabbage, while a large family may choose one that resembles a basketball.

### Insurance for Direct to Consumer Marketing

No matter how or where you are selling directly to consumers, liability insurance is a must. Most farmers markets require that you carry at least one million dollars in liability insurance. This is generally a good amount for most direct marketing activities, unless you have a very large operation or you are doing agritourism. Many Michigan farms purchase liability insurance and whole farm policies through local offices affiliated with Michigan Farm Bureau or Pioneer State Mutual Insurance/Michigan Farmers' Union. You can find a local insurer at <https://prodwebnlb.rma.usda.gov/apps/AgentLocator/#/>. In addition, many farms insure against crop losses through U.S. Department of Agriculture (USDA) programs, as outlined in the MSU Extension DEMaND Series bulletins *Insurance Options for Vegetable Growers* (E-3413) (<https://www.canr.msu.edu/resources/e-3413-insurance-options-for-vegetable-growers>) and

*Introduction to Crop Insurance for Field Crops* (E-3415) (<https://www.canr.msu.edu/resources/bulletin-e-3415-introduction-to-crop-insurance-for-field-crops>).

### Food Safety Certification for Direct to Consumer Marketing

Most people who buy directly from you for personal use will not be seeking a specific food safety certification. They probably have never heard of GAP (Good Agricultural Practices) or FSMA (Food Safety Modernization Act), but they expect that the food they buy from you is safe. Working with a Michigan On-Farm Produce Safety technician (<https://www.miofps.org/technical-assistance>) to develop a food safety plan and considering the Michigan Produce Safety Risk Assessment and On-Farm Readiness Review programs will provide you with the assurance that you are following the industry best practices for produce safety. Michigan On-Farm Produce Safety technician services are free and confidential.

Some additional resources for developing a food safety plan include:

- MSU Extension Agrifood Safety ([https://www.canr.msu.edu/agrifood\\_safety/produce-safety-education/food-safety-plan](https://www.canr.msu.edu/agrifood_safety/produce-safety-education/food-safety-plan))
- Family Farmed: On-Farm Food Safety Project (<https://onfarmfoodsafety.org/>)
- Produce Safety Alliance: Farm Food Safety Plan Writing Resources (<https://producesafetyalliance.cornell.edu/resources/farm-food-safety-plan-writing-resources/>)
- The U.P. Food Exchange: Food Safety Resources (<https://upfoodexchange.com/resources-2/>)

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### **Communicating Production Practices for Direct to Consumer Marketing**

Third-party certifications, such as USDA Organic or Certified Naturally Grown, are less important in direct to consumer marketing relationships because the farmer has the opportunity to communicate their practices in greater detail to the buyer via direct interactions, the farm website, social media, and more. Listen to your customers to see if a certification or a certain term, such as *home-grown* or *sustainably grown*, resonates with your local community.

### **Necessary Skills for Direct to Consumer Marketing**

The relationship-based nature of direct to consumer marketing can be quite time consuming. It requires interpersonal skills such as effective communication, the ability to relate to others and make conversation, friendliness, and charisma. Marketing activities will include performing market research, advertising, building and maintaining a website and social media accounts, writing or finding content and resources to share, planning and designing product displays, providing customer service, developing retention strategies, and more depending on your specific customer and market needs. All of these activities involve costs in the form of the farmer's time, in the form of money to hire employees, as well as in other areas. All of this should be reflected in the selling price of the products.

### **Pricing for Direct to Consumer Marketing**

Farms selling directly to consumers have the advantage of setting their own price. Ideally the price should factor in all the costs of doing business, including inputs and labor, as well as a profit margin. If you are selling in a farmers market, you should be priced competitively with other farms with similar quality and production practices. If you're priced too low, it can undercut sales to other farmers and be damaging to the market as a whole. The goal is healthy competition, not to price one another out or start a race to the bottom of prices, which hurts

everyone's bottom line. If you're priced too high, customers will shop elsewhere. Market prices can vary based on zip code, so visiting a variety of markets and comparing pricing as part of your market research can be helpful. The USDA Agricultural Marketing Service (<https://www.ams.usda.gov/market-news/fruits-vegetables>) and the Northeast Organic Farming Association of New York (<https://nofany.org/resources/organic-price-index/>) maintain pricing lists to use as a reference. To know if your prices will be financially sustainable, you should know your costs of production, yields, and projected sales. Building an enterprise budget (<https://www.canr.msu.edu/news/enterprise-budgets-are-useful-tools-especially-during-uncertain-times>) will allow you to better understand these numbers.

### **Customer Profile for Direct to Consumer Marketing**

Farm-direct customers value the connection to the farm or farms they support. They tend to be more driven by freshness, quality, and value of the product than low price. While some customers may have experience purchasing and preparing a wide variety of produce, others will be seeking out familiar items and may need support to try new types or varieties of produce. Forms of support could include samples, recipes or preparation techniques, and storage and handling recommendations. Farm-direct customers tend to have a set of personal values including some or all of the following:

- Knowing where their food comes from
- Supporting small businesses
- Promoting sustainability
- Eating fresh, healthy food
- Preparing meals at home

Tailoring your marketing communications to these values can help to cultivate and reinforce the customer relationship.

Descriptions of some of the common types of direct to consumer marketing follow. These are often used in combination with one another and with wholesale or intermediated marketing to diversify sales.

## Direct to Consumer Market Types

### Farmers Markets

The Michigan Farmers Market Association (<https://mifma.org/>):

defines a farmers market as a public and recurring assembly of farmers or their representatives selling direct-to-consumer food and products which they have produced themselves. In addition, the market may include a variety of vendors as determined by market management. A farmers market is organized for the purpose of facilitating personal connections that create mutual benefits for local farmers, vendors, shoppers and communities. (Michigan Farmers Market Association, n.d.-a).

The Michigan Farmers Market Association maintains a list and map of nearly all farmers markets in the state, which can help identify markets in your region.

One advantage farmers market sales have over other direct marketing channels is that the market does the bulk of the work in attracting customers. Farmers markets may also handle the distribution and reimbursement of food assistance tokens and coupons such as Supplemental Nutrition Assistance Program (SNAP) and Double Up Food Bucks.

According to the Michigan Farmers Market Association (n.d.-b), "In 2017, more than \$619,000 worth of SNAP benefits were redeemed at farmers markets in Michigan."

Often farmers markets have equipment that can process credit card payments into market-specific currency as well. They may host special events, entertainment, and educational programming such as cooking demonstrations.

Most farmers markets operate on a seasonal basis, though some are open year-round. Sales can vary considerably from market to market and from week to week depending on the weather, competing community events, and other variables. Other farms and resellers may present considerable competition, depending on market management and policies. Given this, find ways for your farm to stand out. Consider your customer service, booth display aesthetics, and product mix for ways to differentiate your business.

Attending a farmers market can be a significant time commitment, factoring in the time involved in packing, transporting, setting up, selling, tearing down, and driving back. Try to calculate the sales per day or sales per employee needed for a farmers market to be profitable. There are also typically stall fees paid by either the day or the season. The fees are typically higher at markets with more customer foot traffic, so it may be worth driving farther and paying more to be able to sell more of your farm products. Farmers markets can be an excellent way to develop a relationship with customers and recruit them to follow your farm on social media, subscribe to your newsletter, or engage with your business in other ways.

### Community Supported Agriculture

CSA is a model in which a group of people commit to support the farm financially and agree to share the risks and benefits of food production with the farm.

#### History

In the United States, the CSA model was seeded in the 1960s under the name *clientele membership clubs* by Booker T. Whatley, a horticulturist and agriculture professor at Tuskegee University. At the time, Dr. Whatley promoted the model as a way for Black farmers to remain viable and retain land ownership despite discriminatory lending practices and other facets of racism. Today, the CSA model remains a popular strategy for farm viability in a profession where circumstances often seem stacked against success.

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### Traditional CSA Model

The traditional CSA model involves selling *shares* of the farm, sometimes called *memberships*, prior to the production season. By purchasing a share, or membership, prior to the growing season, the farm receives cash flow up front in a lump sum, rather than many smaller payments throughout the growing season. This allows the farm to cover expenses such as supplies and labor, which are higher at the beginning of the season. Through this model, the customer is assuming some of the farm's risks. In the case that a crop fails, or there is a bumper crop of an item, the design of the share accommodates for production inconsistencies.

### Adaptations

Farmers continue to innovate around the traditional CSA model to make it work for their market. Often farmers find that the terms *Community Supported Agriculture* or *CSA* don't resonate with their customers, so they call it something different such as *food box program* or *farm subscription*.

Others have identified that their target customer may not be able to afford a one-time lump sum payment at the beginning of the season. These farms have worked out payment plans or alternative payment methods such as accepting food assistance programs such as SNAP Electronic Benefits Transfer (EBT) and Double Up Food Bucks throughout the growing season.

One aspect to consider when building your CSA program is the amount of customer choice. Some CSA programs will allow customers some choice in designing their weekly box. Software has been developed to facilitate these types of CSA models. For more information on these programs, see the "Online Store" section in this bulletin.

Some CSAs are not boxed or distributed weekly. Rather, a customer prepays a lump sum to be spent at any time at a market or other distribution site. These types of prepay programs often provide the customer with a small incentive. For example, if a customer pays \$200, they get \$220 worth of spending money.

### Crop Planning

Careful crop planning is essential for a successful CSA. Goals for crop planning should include providing a variety of items throughout the season and targeting harvest dates to allow enough produce to be harvested each week to fulfill all the shares.

### Product Diversification

Some CSAs include only items grown on the farm, while others bring in items from other farms or food producers to diversify their offerings. For example, if a farm only grows vegetables, they may purchase seasonal fruit from a neighboring farm so that the CSA fulfills more of the customers' produce needs. This could be a competitive advantage if all the other CSAs in the area offer only vegetables. It's also common to market *add-ons* to a CSA share that can be purchased as a subscription or week by week. Common add-ons include a dozen eggs or a bouquet of flowers.

### Logistical Considerations

Shares can be pre-packed, or produce can be set out *buffet style* with instructions provided for customers on what they may select. Pre-packed shares are often packed in single-use cardboard boxes, but some CSAs use reusable bags or crates. In the case of reusable packaging, clean and consider sanitizing them between uses for food safety.

Some CSA programs are set up so that customers pick up their shares on the farm. On the other hand, some customers value the convenience of being able to pick up their shares at their worksite or a designated pickup spot in their neighborhood. Some CSAs also offer home delivery. Farms that have a CSA program and sell at farmers markets often use their market booths as a CSA pickup location. Some farmers will take advantage of their market booth selection to provide choice for CSA members. Instead of pre-packing shares, customers can use their farm credit to shop the booth.

If delivering to an off-farm site, the farm will need to consider transportation costs as well as ways to keep produce cool and fresh from farm to customer (known as *cold chain management*). Picking up on

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the farm gives customers the opportunity to visit and make a personal connection with the place where their food was grown. In both cases, labor is required to pack shares, oversee the distribution, or both.

### Farm Store/Farm Market or Farm Stand

According to the Generally Accepted Agricultural and Management Practices (GAAMPs) as developed by the Michigan Commission of Agriculture and Rural Development (<https://www.michigan.gov/mdard/environment/rtf>):

A farm market is a year-round or seasonal location where transactions and marketing activities between farm market operators and customers take place. A farm market may be a physical structure such as a building or tent, or simply an area where a transaction between a customer and a farmer is made. The farm market does not have to be a physical structure. The farm market must be located on property owned or controlled (e.g., leased) by the producer of the products offered for sale at the market. Fresh products as well as processed products may be sold at the farm market. At least 50 percent of the products offered must be produced on and by the affiliated farm measured by retail floor space during peak production season, or 50 percent of the average gross sales for up to the previous five years or as outlined in a business plan. Processed products will be considered as produced on and by the farm if at least 50 percent of the product's primary or namesake ingredient was produced on and by the farm, such as apples used in apple pie, maple sap in maple syrup, strawberries in

strawberry jam, etc. (Michigan Commission of Agriculture and Rural Development, 2022, p. 2)

When it comes to navigating local zoning, the term *singularly operated farm market* is different from the similar term *farmers market*, which refers to multiple farms vending in a shared space. In Michigan, farm markets are protected by the Michigan Right to Farm Act

([http://www.legislature.mi.gov/\(S\(33x5kwc55o4r03h1g1qgto55\)\)/mileg.aspx?page=GetObject&objectname=mcl-Act-93-of-1981](http://www.legislature.mi.gov/(S(33x5kwc55o4r03h1g1qgto55))/mileg.aspx?page=GetObject&objectname=mcl-Act-93-of-1981)). This means sometimes local zoning does not always apply. For more information on legal questions related to on-farm sales, work closely with your municipality and refer to Farm Commons (<https://farmcommons.org/>) or the Farm-to-Consumer Legal Defense Fund (<https://www.farmtoconsumer.org/>).

Key considerations when deciding whether to open a farm store or stand include:

- **Location:** Is the farm located on or near a high traffic area? If not, is your farm a destination that people would travel to? If not, is there a nonfarm location you own or control and could use? You can calculate traffic on local roads using MDOT's Annual Average Daily Traffic Map ([https://www.michigan.gov/mdot/0,4616,7-151-11151\\_11033-22141--,00.html](https://www.michigan.gov/mdot/0,4616,7-151-11151_11033-22141--,00.html)).
- **Parking:** Is there adequate parking to accommodate customers?
- **Staffing:** Will you need staff to serve customers, or will customers use the honor system? If unstaffed, how will you collect payment and deter theft?
- **Aesthetics:** How will you display the product to make it enticing for customers?
- **Product mix:** Will you sell only products grown on your farm or bring in products from other farms and vendors?
- **Liability:** Will customers come onto your property? Talk with your insurance provider about any additional liability insurance needs.

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### Online Store

An online store can serve many purposes for your farm. It can be used alone or in combination with other direct market types, such as processing pre-orders for pickup at a farmers market or farm store or facilitating item choice within a CSA program.

Navigating and evaluating the wide variety of online sales platforms available can be overwhelming at first, but it is a necessary step to ensure that you select one that fits your farm's unique needs. Factors to consider when evaluating the sales platform options include how you want to manage inventory, which point-of-sale device you choose, and which platforms you use to advertise (for example, Facebook, Instagram, e-newsletters), as well as the overall spirit you would like to convey through the user's experience. You may find it helpful to review the National Young Farmers Coalition *Farmer's Guide to Direct Sales Software Platforms* (<https://www.youngfarmers.org/wp-content/uploads/2020/04/Farmers-Guide-to-Direct-Sales-Software-Platforms.pdf>), which provides side-by-side comparisons of the different e-commerce platforms.

### Agritourism

The Michigan Agritourism Association (<https://www.michiganfarmfun.com/join.asp>) explains, "Agritourism defines the places where agriculture and tourism connect. Anytime a farming operation opens its doors to the public and invites visitors to enjoy their products and services – that's agritourism" (Michigan Agritourism Association, n.d.).

By this definition, an on-farm store or stand is one way to engage in agritourism. Many farms use additional agritourism activities to drive sales for their farm store, enjoy extra income, or both. One way to think about these additional activities is that you are selling the experience of your farm in addition to your agricultural products.

There are countless ways to market the experience of your farm, such as U-pick or pick your own activities, concessions, farm tours, field trips, animal attractions, crop mazes, workshops, farm stays, festivals, concerts, sporting events, and weddings.

To determine if an agritourism activity may be a good fit, consider aspects of the business such as farm size, location, amenities, local zoning ordinances, financial resources, staffing, liability, parking, and restroom facilities.

## Intermediated Marketing

Intermediated markets are defined as having one entity between the producer and the end-user. The producer sells their products to a buyer for an operation such as a food hub, restaurant, cafeteria, or grocery store who then resells it to the end-user. Typically, these types of market channels require larger volumes at lower price points than the direct to consumer markets. Yet, the volume requirements are lower and the price points higher than typical wholesale markets.

Opportunities to sell in the intermediated market channel vary by region and often rely on the willingness of the intermediary to work with local producers. For many restaurants, food service companies, and grocery stores, the bulk of their supply comes from the wholesale market and their intermediated market purchases are auxiliary. However, as more consumers seek local products in their grocery stores, school cafeterias, and restaurants, these buyers are more likely to engage in the intermediated market supply chains and purchase products directly from local producers.

### Necessary Skills for Intermediated Marketing

Reliable production schedules and strong communication are highly recommended in this market channel. Intermediary buyers are accustomed to a reliable supply chain that has minimal interruptions in product offerings throughout the calendar year. For the local producer, their product offerings are both seasonal and susceptible to weather-related events. Setting clear expectations about product availability and communicating well in advance of any changes to those expectations are key.



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### Communicating with Buyers

Set up meetings to speak with buyers before the season begins. Discuss product seasonal availability, pricing, and distribution. Set clear expectations before the season begins and work diligently to meet or exceed those expectations. Underpromise and overdeliver when possible. Contracts are not common in this market channel, but relationship building is important. Establish clear pathways for communication such as knowing who to call and how often to check in. Buyers are often juggling a lot of accounts so producers should be proactive in their communications.

### Reliable Crop Production

Growers should be experienced enough to know how many days from seeding or planting to expect a harvestable crop. They should also be able to anticipate changes due to pest, weed, or weather-related pressures. The relationship with the buyer is maintained by communicating regularly and honestly about the crop including anticipated harvest windows and potential changes to volume or quality. Buyers typically prefer two weeks' notice before a crop is to be harvested and delivered.

### Pricing for Intermediated Marketing

When pricing products for the intermediated market, the grower should keep the marketing cost incurred by the buyer in mind. Marketing costs on behalf of the buyer vary widely, but a good benchmark is 30% of the final consumer price. So, if the final consumer price is typically \$5 for a bunch of local carrots, \$1.50 is spent on marketing. For growers transitioning into this market type from direct to consumer markets, MSU Extension recommends reducing your retail price by 30%.

Keep in mind that intermediary buyers are also purchasing produce through the wholesale supply chain. Produce sold on the wholesale market is much lower in cost than those sold in the direct to consumer market. Scale and a competitive environment make these products much less expensive for the buyer. MSU Extension recommends that the farmer selling direct to intermediaries communicate their value (freshness, taste, quality, local brand, flexible delivery) to

compensate for the potentially higher price of their products.

Intermediary buyers typically purchase produce by the case rather than by the item. Providing a pricing sheet that lists your items by the case will be helpful when talking to buyers. Case-size pricing can be calculated by multiplying the number of units by their retail price and reducing that figure by 20–30% to account for the wholesale nature of the transaction.

### Quality Standards for Intermediated Marketing

Quality standards required in intermediary markets are comparable to the wholesale market channels. Because intermediary buyers are accustomed to working with wholesale markets, they expect wholesale type grades and standards – USDA Grade A or equivalent. This can be challenging for new producers who lack the expertise to grow uniform crops or sort and pack appropriately for Grade A. Producers should keep in mind that due to the quality-control requirements of this market type, including a direct market that is flexible or accepting of different grades and standards will produce less waste. Learn more about USDA grades and standards at <https://www.ams.usda.gov/grades-standards>.

### Food Safety Certification for Intermediated Marketing

All growers should practice a culture of food safety on their farms, regardless of size or product. There are regulatory requirements for some farms, and others may elect to obtain voluntary certification. Regardless of whether your farm is regulated or not, MSU Extension recommends you educate yourself on food safety topics so as to produce a safe crop for your customers. Intermediary buyer types who often require food safety certification are institutions such as schools, hospitals, and other food service entities.

### Voluntary Certification

Packers, distributors, and other intermediaries often require a food safety certification. Most major retailers have food safety certification requirements for produce as well. Growers may be asked to obtain

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multiple certifications to satisfy the requirements of different buyers. While certification is a cost to doing business in the wholesale market, it can be a significant expense, especially if multiple certifications are needed. Some of the more commonly required certifications include:

### **USDA GAP Certification Programs**

GAP stands for *Good Agricultural Practices*. USDA offers a number of audit services to certify that farms are following the industry best practices for produce safety. Farms have the option to achieve USDA GAP Certification through an individual or group process. The group process is referred to as USDA GroupGAP, but the audit standards are the same for both processes.

In Michigan, USDA GroupGAP audits are coordinated through the Michigan GroupGap Network (<https://www.migroupgap.com/>). Depending on the farm location and crops being certified, the GroupGAP process may be less expensive. This is because the Michigan GroupGap Network charges a flat fee (approximately \$700 annually), whereas going through the USDA directly will result in a variable cost depending on crops you are certifying. There is a service fee plus hourly charge for the auditor of approximately \$115 per hour, which will be incurred during the annual audit and during the auditor's travel to and from the farm. The GroupGAP model also includes a learning community and technical support in addition to the audit services.

GroupGAP is not a different certification; it is a way to become USDA GAP certified. Instead of having a USDA auditor audit each farm individually, a team of internal auditors perform the annual farm audits. In Michigan, these internal auditors are MSU Extension educators and other technical assistance providers who have received the same training as USDA GAP auditors. Then the USDA verifies the group's systems and records by performing an audit of the group's quality management system and auditing a sample of the farms directly.

- **USDA GAP & GHP Certification:** For this certification, USDA maintains a standard points-based checklist of Good Agricultural Practices and Good Handling Practices for

produce. To pass each scope of the audit, farms must earn 80% of the points possible. There are general questions plus six audit scopes. Many buyers require only scopes 1 and 2. View the USDA GAP& GHP Checklist:

<https://www.ams.usda.gov/services/auditing/gap-ghp/audit>

- **USDA Produce GAPS Harmonized Certification (aka Harmonized GAP).** The Produce GAPS Harmonized standards are the result of an industry effort to create a single audit program to reduce the need for farms to undergo multiple produce safety audits to serve the needs of different buyers. The Harmonized standard itself does not include a scoring system. Therefore, each auditing organization determines their own scoring approach, for example, points-based, pass/fail, and other methods. When USDA performs a Harmonized GAP audit, each practice is scored as "Compliant," "Corrective Action Needed," "Immediate Action Required," or "N/A." View the USDA Harmonized GAP Standards and Checklists: <https://www.ams.usda.gov/services/auditing/gap-ghp/harmonized>
- **USDA Harmonized GAP Plus+ Certification.** USDA also offers a Harmonized GAP Plus+ Certification (<https://www.ams.usda.gov/services/auditing/gap-ghp/harmonized>). The "+" means that it meets Global Food Safety Initiative (GFSI) technical equivalence requirements. GFSI is not a produce safety standard but rather a recognition of produce safety certifications that meet a set of benchmarks. GFSI recognized third-party produce safety certifications include PrimusGFS, SQF (Safe Quality Food) and Global G.A.P. View the GFSI Benchmarking Standards: <https://mygfsi.com/how-to-implement/recognition/>
- **Other USDA GAP Certifications.** USDA also offers commodity-specific USDA GAP Certifications for mushrooms, leafy greens, tomatoes, and cantaloupes. These audits would typically be reserved for large operations that specialize in those commodities.

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### **Other Third-Party GAP**

Third parties may audit to the Produce Harmonized GAP Standard or any other standard. Several third parties maintain their own GAP standards. Examples of third parties offering GAP audit services include Primus, SCS Global Services, and NSF.

### **Global G.A.P.**

Global G.A.P. is another audit services company that maintains over 40 standards for certifying crops, livestock, and aquaculture. Among these, they offer audits for the Produce Harmonized GAP Standard.

### **SQF (Safe Quality Food)**

The SQF Food Safety Code for Primary Production is the standard used for SQF certification of farms. SQF is based on the principles and guidelines of HACCP (Hazard Analysis and Critical Control Points). SQF maintains a standard checklist for the audit based on the code. View the SQF Food Safety Code for Primary Production Checklist:

<https://www.sqfi.com/checklist/edition-8-1-checklist-the-sqf-food-safety-code-for-primary-production/>

### **Regulatory Standards**

Produce is regulated by the Food and Drug Administration under the Food Safety Modernization Act (FSMA) Produce Safety Rule. Figuring out how the FSMA Produce Safety Rule applies to your farm can be confusing. This MSU Extension interactive video

[https://storage.googleapis.com/agrifoodsafety/Am%20I%20Covered%20-%20Storyline%20output/story\\_html5.html](https://storage.googleapis.com/agrifoodsafety/Am%20I%20Covered%20-%20Storyline%20output/story_html5.html)) asks a

series of questions to determine if your farm is covered under the rule, excluded from the rule, or eligible for an exemption. Michigan offers some voluntary assurance programs that help farms become compliant with the FSMA Produce Safety Rule. These programs are detailed in the next section.

### **Voluntary Assurance Programs**

Through a program called Michigan On-Farm Produce Safety, growers can take advantage of free, confidential, nonregulatory resources to improve their food safety practices and comply with the FSMA Produce Safety Rule. Produce safety technicians are

available to come out to farms to provide individualized technical assistance (<https://www.miofops.org/technical-assistance>) including:

- **Produce Safety Risk Assessment (PSRA).** This risk assessment combines elements of the industry standard, good agricultural practices, and the regulations under the FSMA Produce Safety Rule. It is delivered in an educational manner, and producers who successfully complete the assessment and on-site farm review can receive a certificate of completion to share with buyers.
- **On-Farm Readiness Review (OFRR).** A small team of food safety experts will walk the farm with the grower to help them assess their current readiness levels to come into compliance with the FSMA Produce Safety Rule and to feel more prepared for a FSMA inspection.
- **Food safety plan and corrective action plan development.** Technicians can assist the farm in putting policies and procedures into writing by providing templates and technical assistance.

### **Insurance for Intermediated Marketing**

Product liability insurance will protect the producer in the case that someone gets sick or injured from your product. Most producers will get covered for \$1–2 million when selling to intermediary buyers. Most farm insurance agents will also cover product liability insurance. Not every intermediary will require insurance, but MSU Extension recommends it for this market type. Raw, uncut produce is considered a fairly low-risk product, so insurance premiums will likely be lower than for high-risk products such as dairy or meat.

### **Communicating Production Practices**

Unlike direct markets, organic certification can capture a premium in the intermediary market. Organic certification is the only federally recognized production-based standard. Consumers are familiar

with it and are used to paying a premium for organic products.

### **Customer Profile for Intermediated Marketing**

Once an intermediary market buyer-relationship is established, they can be a steady and reliable customer. Intermediary market channels allow small farms to begin to scale up from the direct to consumer market but not all buyer types are created equal. Specifics about each market type follow.

## **Intermediated Market Types**

### **Multi-Grower CSA**

A multi-grower CSA is defined by multiple farms selling under a single CSA brand. This market type provides a scale-appropriate way for a farmer to increase the volume of some crops without enduring a large amount of risk. A host organization or host farm often acts as the central aggregation and distribution site for the CSA. Crop planning, marketing, customer service, and other aspects of CSA management can either be done collaboratively by the partner farmers or by a single entity.

### **Food Hubs**

Food hubs are defined by the USDA as “a centrally located facility with a business management structure facilitating the aggregation, storage, processing, distributions, and/or marketing of locally/regionally produced food products” (U.S. Department of Agriculture, 2017).

They differ from traditional packers and shippers in that they maintain source identification of the farms they source products from. Food hubs provide the necessary infrastructure to increase local food sales to a wide variety of buyer types, including intermediaries. View resources on the Center for Regional Food Systems Michigan Food Hub Learning and Innovation Network:

[https://www.canr.msu.edu/michigan\\_food\\_hub\\_learning\\_and\\_innovation\\_network/](https://www.canr.msu.edu/michigan_food_hub_learning_and_innovation_network/)

### **Restaurants**

Chefs are known for seeking out local products to include in their dishes. Local products often have better flavor, a longer shelf-life, and regional significance. Highlighting local products in a dish can help a restaurant differentiate itself in a competitive industry. As such, products that can be highlighted such as heirloom tomatoes, local greens, or mushrooms are more likely to attract a chef's imagination than items that blend into the dish such as onions or garlic. Unique varieties of produce items not normally distributed on the wholesale supply chain also appeal to chefs. Chefs are cognizant of food trends, so if you seek this market type, it may be helpful to familiarize yourself with the latest food trends.

Chefs are extremely busy people. Contact a chef either mid-morning or in the middle of the afternoon after the lunch rush. Learn when the restaurant is open and plan to reach out during low times. Call or drop by, but try a few different ways to get in touch since every chef operates differently.

Restaurants often lack storage space causing chefs to order multiple times throughout a week. The producers' ability to deliver regularly will be helpful.

### **Institutional Food Service**

*Institution* is a broad term to describe any buyer who purchases food for a cafeteria type setting.

*Institutional food service* operations include hospitals, universities, K-12 schools, early care and education programs, and correctional facilities. They typically serve a larger number of consumers than a restaurant and often operate under strict budgets. Institutional buyers will choose to work with local farmers because their consumers demand local sourcing in their food choices.

Most institutional food service directors work primarily with distributors to source their local food products, but in some cases, a chef or cafeteria manager will choose to work directly with a local farmer.

Each type of institutional food service operation operates slightly differently; however, they are similar in that they require a consistent product throughout

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most of the calendar year. This can be challenging for the local produce grower, especially when working with schools, which are not in session during the peak of the production season. However, many schools and other sponsoring organizations across Michigan do operate summer meal programs.

Since labor for preparing meals is a limiting factor in food service operations, providing a product that is easy to process or is already minimally processed will be attractive to food service buyers.

Because institutions serve a larger number and wider variety of consumers, they often require stricter food safety certifications to prevent a foodborne illness incident.

One particularly ripe institutional market is a result of Michigan's 10 Cents a Meal program, a state-funded program that provides reimbursement for school meals that use Michigan-grown fruits, vegetables, and legumes. K-12 schools as well as early care and education programs are eligible for the 10 Cents a Meal grants, which were funded at \$5 million in 2021. On the 10 Cents a Meal website ([https://www.tencentsmichigan.org/tools\\_for\\_farmers](https://www.tencentsmichigan.org/tools_for_farmers)), producers can see which schools and early care and education programs near them have received grants and learn how to sell to distributors and food hubs that serve schools that participate in the program.

### Grocery Stores

Grocery stores can be divided into three main categories: cooperatives, independent retailers, and large chain stores. Cooperatives and independent retailers are often more inclined to work with local producers because they see themselves as rooted in the community. In addition, selling product from local farmers helps them differentiate themselves from larger chain stores. Even so, grocery stores need consistent product and competitive pricing. Two additional resources for selling to a grocery store are the *Farm to Grocery Toolkit* (<https://www.misa.umn.edu/publications/farm-grocery-toolkit>) and *Selling to Grocery Stores in North Carolina*

(<https://ncfarmschool.ces.ncsu.edu/wp-content/uploads/2015/01/Selling-to-NC-Grocery-Stores.pdf?fwd=no>).

### Consignment-Based Grocery Stores

Rather than purchase products wholesale, consignment-based grocery stores pay farmer vendors once a sale is made. Farmers set their prices, and a determined percentage of the sale is paid back to the farmer while the rest of the revenue supports the store's expenses. These business models are most successful when there is trust between the farmer and the store employees that manage customer relationships on their behalf. Some examples of this type of grocery store include Argus Farm Stop (<https://www.argusfarmstop.com/>), Agricole Farm Stop (<https://www.agricolefarmstop.com/>), Acorn Farmers' Market and Café (<http://www.acornfarmersmarketcafe.org/>), and Plane Food Market (<https://www.facebook.com/Plane-Food-Market-104108954571990/>).

### Food Banks

Food banks are often considered as an afterthought. Producers think that if they cannot sell their products anywhere else, they will donate them to the local food bank. However, in some cases, food banks purchase local products for their programs. Food banks receive a steady stream of shelf-stable foods, but fresh produce is often more difficult to source for their pantries and other food programs. In some communities, you may be able to work directly with a food pantry. In others, the food bank operates as a central clearinghouse for the region's food pantries. If you choose to donate excess, track the value. There is a small tax break in Michigan for food donations by farms. Customers value knowing how much a farm has donated, whether in pounds or dollar value.

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[http://www.legislature.mi.gov/\(S\(qw4n2y0buwtxxowh51ziplbc\)\)/mileg.aspx?page=getObject&objectName=mcl-289-1107](http://www.legislature.mi.gov/(S(qw4n2y0buwtxxowh51ziplbc))/mileg.aspx?page=getObject&objectName=mcl-289-1107)
- U.S. Department of Agriculture. (2017, February 21). *Getting to scale with regional food hubs*.  
<https://www.usda.gov/media/blog/2010/12/14/getting-scale-regional-food-hubs>

### Resources for Further Information

- CSA Innovation Network: <https://www.csainnovationnetwork.org/>
- Cultivate Michigan (Michigan Farm to Institution Network's local purchasing campaign):  
<https://www.cultivatemichigan.org/>
- Michigan Agritourism Association: <https://www.michiganfarmfun.com/join.asp>
- Michigan Department of Agriculture and Rural Development Farmers Market FAQs:  
[https://www.michigan.gov/mdard/0,4610,7-125-1568\\_2387\\_46671-169336--,00.html](https://www.michigan.gov/mdard/0,4610,7-125-1568_2387_46671-169336--,00.html)
- Michigan Farm Market GAAMPs: <https://www.michigan.gov/mdard/environment/rtf>
- Michigan Farm to Institution Network: [https://www.canr.msu.edu/michigan\\_farm\\_to\\_institution\\_network/](https://www.canr.msu.edu/michigan_farm_to_institution_network/)
- Michigan Farmers Market Association: <https://mifma.org/>
- Michigan On-Farm Produce Safety: <https://www.miofps.org/>
- Michigan On-Farm Produce Safety Technical Assistance: <https://www.miofps.org/technical-assistance>
- MSU Extension Agrifood Safety: [https://www.canr.msu.edu/agrifood\\_safety/](https://www.canr.msu.edu/agrifood_safety/)
- Moving Farm Sales Online: The Wide World of Web-Based Platforms:  
<https://www.canr.msu.edu/news/moving-farm-sales-online-the-wide-world-of-web-based-platforms>
- 10 Cents a Meal Tools for Farmers: [https://www.tencentsmichigan.org/tools\\_for\\_farmers](https://www.tencentsmichigan.org/tools_for_farmers)

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