NONSTOP
TWO APPROACHES TO DIRECT STORE DELIVERY TO RETAIL
June 16, 2016
Presentation Outline

- Technical Orientation
- Welcome

Jeff Farbman  
*Wallace Center at Winrock International*

- Food Hub DSD Program
- Supporting Value Chain Development
- Retail DSD Program
- Questions and Answers
- Upcoming Opportunities, etc.
WALLACE CENTER AT WINROCK INTERNATIONAL

• Market based solutions to a 21st Century food system
• Work with multiple sectors – business, philanthropy, government
• Healthy, Green, Affordable, Fair Food
• Scaling up Good Food
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand

• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub

• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change

• Policy makers are informed by the Data and Analysis and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.

http://ngfn.org | contact@ngfn.org
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Food Hub DSD Program

Angel Mendez
Red Tomato

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Direct-Store-Door Delivery Program

2016
"World's best" DSD program - The PLAN B Success Story

*Customer Satisfied* → *Value*

- ↑ sales volume
- ↑ order size

*Value* →

- ↓ price
- ↑ quality

- Better prod line
  - Wide long selection
  - Anchors
  - Branded

- Ease of biz
  - Low %
  - Minimal effective comm.
  - Support
  - Technology
  - Quick response

*Partner satisfied* → *Basic op. efficiency*
- Profitability of truck runs

*Branding*

*Backhaul*
During our Plan B pilot from June 20th – October 24th, we sold over 14,000 cases of produce from 17 farms in Massachusetts, Connecticut, New York and Vermont.

That’s over $320,000 in sales to 20 grocery stores and 17 schools.
Where we felt Pain in the program.

- Gross Margin
- Staff Timing
- Scalability
# Direct-Store-Delivery Sales (Including Kilduff & HNF Harvest Sale)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>35,956</td>
<td>22,890</td>
<td>13,066</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$721,006</td>
<td>$513,408</td>
<td>$207,598</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>3.62%</td>
<td>3.11%</td>
<td></td>
</tr>
</tbody>
</table>
We worked with 6 different distributors and trucking companies to make these connections happen...

...and when that failed, we rented a van!
RED TOMATO
righteous produce!
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- Food Hub DSD Program

- Supporting Value Chain Development

Rebecca Dunning
Center for Environmental Farming Systems, North Carolina

- Retail DSD Program
- Questions and Answers
- Upcoming Opportunities, etc.
A Center for Environmental Farming Systems Initiative (CEFS)

To strengthen the economics of small and mid-sized farm and fishing operations and their communities and increase access to local foods

By bringing more locally grown foods into mainstream retail and food service supply chains


Initial Contact
Identifying Synergies & What’s Achievable
Building Capacity
Lessons Learned, Recommendations

University and Other 3rd-Party Support in Building Farm to Store Supply Chains
~ 100 stores in the Carolinas; privately owned, based in Winston-Salem NC

Merchants Distributors Inc. (MDI), co-owned regional warehouse/distributor Serves Lowes Foods and independent grocers in the mid-Atlantic, based in Hickory, NC
**Initial Contact**

**Spring 2012** Lowes Foods becomes a member of the NC 10% Campaign

**Summer 2012** Richard McKellogg, Lowes Foods Director of Produce Merchandising, contacts Dr. Nancy Creamer, professor in NC State’s Dept of Horticulture and Director of the Center for Environmental Farming Systems, seeking an intern to work on building a local program.

**Fall 2012** Ariel Fugate, senior at NC State University, begins internship.

**Spring 2013** NCSU/CEFS receives USDA/NIFA award. Ariel Fugate hired as Lowes Foods first full-time Locally Grown Accounts Representative.
Prerequisites: There is a business case.

You have an internal business champion who shares an objective.

You have a project staff person to be the consistent point of contact.
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   You have an internal business champion who shares an objective.
   You have a project staff person to be the consistent point of contact.

Goals may differ:
Project (NCGT) Goal: Food security through small/mid-scale farm economic viability
Business Partner (Lowes Foods) Goal: Be more competitive by offering authentically local food

Objective is Shared:
Bring source-identified products from more small/mid-scale local growers into the partner grocery stores.
Prerequisites: There is a business case.

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Bring source-identified products from more small/mid-scale local growers into the partner grocery stores.

The reason we have a meeting: To figure out the way to meet the shared objective

What works given constraints in the short term

Fully understand and be empathetic to the business constraints

How to pilot that in the short term

Who’s responsible for what – single points of contact;

Monthly meetings with shared staff
Prerequisites:

- There is a business case.
- You have an internal business champion who shares an objective.
- You have a project staff person to be the consistent point of contact.

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- What works given constraints in the short term
- Fully understand and be empathetic to the business constraints

Approach the work as pilots

- Build on what works
- Pivot if it does not

Circle back around over time

Identifying Synergies & What’s Achievable
### Identifying Synergies & What’s Achievable

#### Growth in DSD Produce from Baseline to +3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Total DSD produce vendors</th>
<th>Total DSD stores</th>
<th>Number of DSD produce vendors and change by year and type of vendor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Single-fruit crop</td>
</tr>
<tr>
<td>2012</td>
<td>5</td>
<td>38</td>
<td>4</td>
</tr>
<tr>
<td>2013</td>
<td>20</td>
<td>62</td>
<td>+ 3</td>
</tr>
<tr>
<td>2014</td>
<td>36</td>
<td>76</td>
<td>+ 1</td>
</tr>
<tr>
<td>2015</td>
<td>30</td>
<td>70</td>
<td>No change</td>
</tr>
</tbody>
</table>

Building Capacity on the Buyer Side

**Time Investment** -- Shared staff and students w/close supervision; Supporting technical assistance

**Provide Structure** – Short efficient meetings; practical tools; opportunities to network

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**LOWES FOODS VENDOR INQUIRY FORMS**

Lowes Foods stores are interested in establishing relationships and buying from local farmers and ranchers. These forms were created by Lowes Foods to assist potential local vendors. If you are interested in selling to Lowes Foods, complete the form for your business or product and send it to the address provided on the form.

Lowes Foods Local Produce Vendor Inquiry

Lowes Foods Local Grocery Vendor Inquiry
Building Capacity on the Vendor Side

> **Time Investment** -- Project staff, Extension and other affiliates

> Provide **Structure** -- Convening and matchmaking; workshops and practical tools; opportunities to network

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Wholesale and Retail Product Specifications: Guidance and Best Practices for Fresh Produce

For Small Farms and Food Hubs

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**TIPS FOR PRODUCE GROWERS MARKETING FRESH PRODUCE TO RETAIL GROCERS**

UNDERSTANDING PLU AND UPC CODES

PLU and UPC codes are two widely used tracking mechanisms that help retailers efficiently sort produce into the register in the checkout line, track sales, control inventory, and manage products. Using information about these labels in advance of approaching a retailer shows a grower’s awareness of the retailer’s industry. This fact sheet contains information adapted from the Produce Marketing Association (Produce Marketing Association, 2013).

**PLU codes** are a five-digit code used by the fresh produce industry to identify and sort a particular produce item. PLU codes are based upon commodity type, variety, and item size. You will typically see these codes on items priced in the produce department.

**UPC codes** are a 13-digit code used by the retail industry for different classes of products. For example, there are several UPC codes used for tomatoes, based upon the brand, variety, size, region, and protection (bag, shrink-wrap, etc.). Retailers use these codes to stock specific items of produce as the different price can be entered to each item on the checkout register.

While PLU codes, stay the same for specific produce, grower innovators are always changing the price attached to the produce based on seasonality, marketing conditions, etc. So remember the PLU codes and hot keep up with ever-changing produce prices. The produce price remains consistent because items that are priced in the store is fixed. Once the PLU is entered into the register it will print the standard for the quantity or weight, as appropriate. Nearly the entire industry standard prices the produce based on the number of items being checked out. This is helpful for both the customer and retailer to ensure the correct price is assigned and we enter into the retailer’s inventory system.

Do you have a distribution partner? If you are selling tomatoes, use a “Tomato” name to a large retail store, it’s probably the buyer will expect that PLU sticker will not happen on areas items.

Many products have multiple varieties within the same name, same species, varieties, etc.—many require several different PLU codes that identify each class of produce with a separate code and price. Some easily identified varieties or single variety produce, such as an orange, peach, and cucumber, may not require a PLU sticker. For the particular single items, simply make sure you have the proper sticker on the produce. If you are using the PLU codes then they are often are clearly PLU stickers on the items of produce they expect you to provide.

What if it is not regulated? Even if a PLU sticker isn’t necessarily required for your farm, consider using the appropriate product price on a branding opportunity. A label can help sell your product while making your produce more efficiently in your picking process.
Lessons Learned, Recommendations

DSD Discoveries
• Build relationships farmer-to-store and farmer-to-produce-manager
• But centralize ordering above the store level
• Work with vendors where they are – not everyone wants to “scale”
• Work with stores and the company where they are—many store/produce managers want more local, for others not a priority
• Be fully aware and empathetic to the company’s constraints and respect their business practices
• Groceries don’t want extra marketing materials – seen as clutter
• Be the third leg in the farm to store relationship

Make the business case
Approach the work as pilots
Build on what works
Pivot if it does not
Circle back around over time
Greetings all,

Thanks for reading our monthly newsletter and please let us know what you think.

Sincerely,
The NC GT Management Team

NCGT Monthly Project Update

April 30, 2016

In This Issue:
Upcoming Events: Pasture Workshop 2016
NC GT Supporting Farm-to-Base, Base-to-Farm Efforts at Camp Lejeune
GroupSAP: A New Food Safety Option for Small Ranch Systems
Peer Learning Across the Supply Chain - NCSA Activity Connect Small-Scale Farmers, Mainstream Buyers

May 25, 2016 | Pasture Workshop, Winston-Salem, NC
June 16, 2016 | Good Agricultural Practices One-Day Workshop; Navigating the USDA GAP Audit | Location: TBA

For more information, visit the NC GT website’s Event Details page.

About NC GT

GOAL: Bring more locally-grown foods - produce, meat, dairy, and seafood - into mainstream retail and food service supply chains, thus enhancing food security by increasing access to local foods and improving food safety.

NC Growing Together is strengthening farm-to-base and base-to-farm connections with new project partner Marine Corps Base Camp Lejeune in Jacksonville, NC. NC GT matched funds with Onslow County Cooperative Extension and Onslow County Farmers Market Association to hire a full-time Farmers Market and Incubator Farm Manager for 2016-2017. The new position will provide leadership at the incubator farm and strengthen efforts both to supply the Marine Corps base with farm-grown produce, as well as recruit base personnel, spouses, and retirees to participate in the farm.

Rebecca Dunning, rebecca_dunning@ncsu.edu
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Retail DSD Program

Rebecca Dunning
Center for Environmental Farming Systems, North Carolina

Krista Morgan
Lowes Foods

- Questions and Answers
- Upcoming Opportunities, etc.
NONSTOP: Two Approaches to Direct Store Delivery to Retail
Company History

- ~75 Lowes Foods stores in NC, SC, and VA
- ~25 Just Save stores in NC
- Alex Lee, Inc based in Hickory, NC
- MDI based in Hickory, NC
- Lowes Foods based in Winston-Salem, NC
Store and Vendor Map

Blue – DSD or Warehouse Vendor
Green – Lowes Foods store

- Manage which stores order from which farms
- Manage which farms deliver to which stores
- Support over 200 local vendors
Application Process

- Fill out and return application
- Include Liability Insurance
- GAP certification is required
- Pricing, quality standards, & deliveries discussed
- Farm Visit during harvest required
C. V. Pilson Farm – Cliff Pilson
Cameron, NC

- Starting with 1-5 stores
- Stay up to date on food safety certifications
- Monitor pricing and choose crops wisely
- Work with produce managers
- Get involved with in-store events and tastings
- Gradually add more stores
- Scale up to warehouse overtime
Eastern Carolina Organics
Durham, NC

-Farmer-owned food hub that focuses on local and organic produce. Their business model has made

-Food Hubs and Co-ops ideal for DSD

-First pallet promotion happening this week
  -Provide stores with variety of local products
  -Large quantity order
  -Gives stores a local display
- DSD allows you to work with vendors other than produce.

- Separate application

- Major difference is the food safety requirements

- Not subject to warehouse slotting fees

- Unique product for guests
Community Tables and In-store Tastings

- All remodeled stores have community tables
- Constructed with reclaimed NC farm wood
- Scheduled events each day
- Learn about new products and vendors get extra attention
- In-store tastings most important factor
- How to maintain vendor-store relationship
Carolina Crate

- Community Supported Agriculture (CSA box)
- 4th season
- DSD to 1 location for packing
- 100% fresh and local produce
- No subscription

- Available to guests every weekend during season
- Specialty Items
- Not everyone can make it to a farmer’s market
- 6-8 varieties of produce
Social Media

We're proud to partner with more than 250 Carolina-based farmers to source uniquely local products for you. Among some of the many we visited, we caught up with Cliff of C.V. Plison Farm to see how things have been since his Dad passed the farm down to him. #localLowes #SupportLocal

Randy of Ran-Lew Dairy Farm, LLC in Snow Camp, NC is one of the many local farmers we partner with who absolutely loves his cows. Readers having a beloved pet cow can ask Big Robo, his non-homogenized milk is pretty unique to his business. #localLowes #SupportLocal
Questions and Answers

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3:30p EST (12:30p PST)

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