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Local Food Distribution in the SC Midlands: Identifying Barriers to and Opportunities for Food Producing Farmers Entering Wholesale Markets

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Abstract

Many farmers in the Midlands of South Carolina are interested in expanding their market reach by selling to wholesale markets, but there are challenges associated with this expansion. The Midlands Local Food Collaborative conducted interviews with regional food distributors to better understand their relationships with local farmers. This paper highlights hurdles and opportunities for farmers entering wholesale markets gleaned from these interviews. Hurdles to distributors included food safety standards, quality of product, quantity of product available, the amount of food production in the area, and consumer understanding of the benefits of local food products.

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Background

In 2014, small-scale food-producing farmers in the Midlands region of South Carolina were surveyed to understand their interest in and barriers to growth (Welborn and Draper, 2014). A major finding included their interest in expanding by selling to wholesale markets. To gain an understanding of hurdles and opportunities for small-scale producers to sell to these markets, we conducted interviews with a sample of food distribution companies in South Carolina. We present the major hurdles identified from these interviews, which include food safety standards, quality and quantity of products, the amount of food production in the Midlands, and consumer understanding of the benefits of locally produced foods. Also presented are recommendations from interviewees for overcoming these hurdles.

Food Safety

Food safety is one of the largest hurdles to distributors purchasing products from local farmers. Midlands distributors regularly receive calls from growers who lack food safety plans and are unsure about food safety certifications such as USDA GAP (Good Agricultural Practices). One distributor noted that if a grower is rejected, it is typically because of their inability to be audited for food safety. At the same time, another distributor shared that they do take the risk of buying from SC growers who are not GAP certified to meet some of their customers' demands for local food because they do not have enough farmers to choose from who meet these food safety certifications. Their choices are to either buy from non-GAP growers in SC, buy from food-safety certified farms elsewhere, or to abandon this line of business. Food safety will continue to be an increasingly important issue as the Food Safety Modernization Act, "which aims to ensure the U.S. food supply is safe by shifting the focus from responding to contamination to preventing it" is enforced (U.S. Food and Drug Administration, 2011). Midlands distributors do not directly take on the role of educating farmers on how to reach specific food safety certifications.

Recommendations from distributors included increasing awareness of discounted or prorated food safety audit options for small growers from third-party audit companies (e.g., PRIMUS), state budgeted free or discounted food safety audits for growers, and hiring someone in the Midlands who understands food safety to link growers and distributors and to work through the various nuances involved as the levels of food safety requirements vary across firms.

Product Quality

Distributors noted that during the growing season they turn away farm products that are not up to USDA No. 1 standards or packaged or delivered in the way that they require. According to the USDA's Agricultural Marketing Service, "U.S. Grade Standards for vegetables are voluntary and provide the fruit, vegetable, and specialty crop industry with uniform language for describing the quality and condition of commodities in the marketplace" (U.S. Department of Agriculture, 2016). Many distributors are accustomed to or required by their customers to accept products that meet, or appear to meet, these standards. Some distributors have strict procedures on how products should be delivered, with distributors having the right of refusal upon delivery.

One distributor spoke about much food is wasted, not only at distribution warehouses as a result of the quality of product that farmers sometimes attempt to sell to them, but also in the fields where growers must leave product that they know do not meet requirements for wholesale distribution.

Recommendations from distributors included farmer training to collectively educate growers on wholesale standards and how various distributors need USDA No. 1 product delivered and setting up bulk buying systems or cooperatives so farmers could collectively purchase and share costs of appropriate packaging materials.

Sufficient and Consistent Supply Considerations

Wholesalers typically work with larger quantities at cheaper prices as opposed to limited quantities at retail, niche market prices. Distributors must often purchase a certain quantity of product to make it worthwhile, particularly if they are going to pick up on-farm. Some distributors have minimum delivery requirements for growers delivering product to them and some do not. Typically, a distributors' customers will receive better prices on a larger orders. It is easier for distributors to aggregate from smaller farms that join together as one entity because it simplifies purchasing and pickup for the distributor. Even so, this approach could disrupt farm- or parcel-level traceability if not managed well.

Recommendations from distributors included farmers forming cooperatives and/or creating food nodes (local food drop off locations for growers with appropriate storage where distributors can pick up their products) and having someone in the Midlands specifically tasked with crop planning between distributors and area farmers.

Consumer Demand for Local Products

Wholesale distributors face strong demands for local products, yet the general public does not understand how difficult it is to meet these demands or that what they request as local product is not grown locally. The end consumer's understanding of what is local and in season, as well as the understanding of entities purchasing from distributors were identified as hurdles to motivating distributors to aggregate local products. Some produce vendors can and do advertise and sell their products alongside the "Certified SC Grown" label or call their products local, even when the product is not grown in South Carolina.

Distributors shared examples of consumers requesting local options for products that do not typically grow in South Carolina. One distributor was asked to provide a school district with SC Grown bananas. Certain products—such as pineapples and bananas—simply do not grow best in South Carolina; at present there is no choice other than to buy outside the state. Besides the basic economics involved, many consumers do not have much knowledge of the production process involved in bringing specific products to market. Distributors have found that older generations have more knowledge about produce and what is in season, while younger generations do not seem to cook or know about produce.

Recommendations from distributors included educating consumers and decision makers that the supply from food producing farmers in South Carolina and the infrastructure at present are not conducive to meeting all of their demands for local product.

Summary of Recommendations

- Increase food safety training supports and funding for farmer food safety audits.
- Educate farmers about general wholesale standards as well as standards for each individual distributor in South Carolina.
- Hire a Midlands organizer to build relationships between distributors and growers and coordinate crop planning according to farmer capacity and distributor needs.
- Conduct a feasibility study for the Midlands to assess farmer capacity and needs as well as distributor capacity and needs for aggregation and distribution of locally farmed products at wholesale prices.
- Organize local food aggregators (such as farmer cooperatives or food nodes) throughout the Midlands with the intention of selling to distributors, the developing food hub network in South Carolina, and other market opportunities.

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