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BEYOND FRESH & DIRECT

BENEFITS • CRITERIA • CONNECTIONS • STANDARDS • VALUE ADDED

STANDARDS

What Standards Must You Meet to Supply Ingredients to Specialty Food Manufacturers?

WHILE QUALITY (E.G., TASTE AND FRESHNESS) IS A HIGH PRIORITY FOR FOOD MANUFACTURERS WHEN SOURCING INGREDIENTS, IT IS OFTEN NOT ENOUGH. MANY FOOD MANUFACTURERS SEEK AN ASSURANCE THAT SPECIFIC STANDARDS ARE MET IN THE PRODUCTION OF THE INGREDIENTS THEY PURCHASE. CERTIFICATION PROGRAMS ARE MANAGED BY “THIRD-PARTY” ENTITIES THAT CERTIFY, THROUGH AN AUDIT, THAT A BUSINESS IS MEETING SPECIFIC STANDARDS. SOME COMPANIES ALSO CATER TO SEGMENTS OF THE MARKET THAT SEEK PARTICULAR VALUES-BASED STANDARDS RELATED TO SOCIAL, HEALTH, OR ENVIRONMENTAL CONCERNS.

FOOD SAFETY

Food safety tops the list of assurance standards for specialty food manufacturers. Attention to food safety increased with passage of the Food Safety Modernization Act that was signed into law in 2011. While this law requires larger food manufacturers and farmers to have food safety plans, compliance audits are not mandatory. However, some buyers and insurance companies are requiring some sort of certification to confirm compliance by food manufacturers and farms. Buyers also may include certification in their purchasing criteria even if they and the small farms that supply them are exempt from the law.

Following are two examples that shed some light on how these regulations are influencing business decisions:

- o A fermented foods company in California needed capital to expand its operation. It found investors who were willing to invest, but only if the company participated in a program that would verify that it was following strict food safety protocols. The company agreed to this stipulation, but as a result could only source ingredients from farms that also took part in the program. This meant that it could no longer buy vegetables from a neighboring farm unless that farm agreed to participate in the program.



- o A small farm selling to a California vegetable manufacturer decided to end the relationship when the manufacturer began to require that its ingredient suppliers participate in a food safety compliance program. The farm concluded that it was not worth incurring the additional costs and changes in its production and management practices required by the compliance program when most of its revenue was generated from selling produce at farmers markets.

In these examples, the requirements associated with participating in a compliance program resulted in the farms not working with the food manufacturers. Other farms, however, might see participating in the compliance programs as an opportunity to differentiate themselves and thus access new markets. As with any business decision, it is important to analyze the market potential and the costs before moving forward.

CERTIFICATIONS TO MEET CONSUMER PREFERENCES

A variety of environmental, social, religious and health considerations are important to consumers, and thus also to some food manufacturers. Certification systems have been

developed to assure consumers that products meet a specific set of standards, and more certifications are likely to arise as the public becomes more discerning.

Certifications provide assurance that products are being raised or manufactured in a particular manner. Various types of certifications have been developed and are being managed by an array of entities. For example, in the United States, organic certification is overseen by the U.S. Department of Agriculture. Non-GMO Verified is a certification provided by a non-profit called the Non-GMO Project. A number of organizations provide certifications related to fair trade, gluten-free, animal welfare, kosher, halal, vegan, and the list goes on. Most certification systems use some sort of “third-party” auditor. These companies conduct periodic audits on farms to ensure that standards for a particular certification system are being met.

While the number of certifications are a bit overwhelming, they can provide business opportunities.

- o A California olive oil producer, who uses his own organic olives in the oil he makes, indicated that he has been trying to convince more local growers to transition to organic so he can buy their olives for his oil.





- o An Oregon manufacturer noted that a significant obstacle was finding suppliers who could reliably provide the paperwork required for non-GMO audits.
- o An Oregon cheese maker decided to buy a dairy farm and transition it to organic milk production in order to have the supply it needed to begin organic cheese production.

If you want to supply food manufacturers and already participate in one of these certification programs, you have an advantage. You can seek out manufacturers who have product lines that are certified or those looking to expand into these markets.

If you are looking into becoming certified, it is important to understand what is involved — and to realize that each certification system has its own set of requirements. Becoming certified under any program will likely require some changes in your production and management systems as well as additional recordkeeping and costs. You can find out more about certification systems at: www.consolidatedlabel.com/label-articles/food-label-symbols.

PERSONAL VERIFICATION

Some food manufacturers do not require third-party certification; instead, they personally verify how the ingredients are being grown.

- o A charcuterie manufacturer in Wisconsin doesn't require certification, but visits the farms that supply him. This way he can see first-hand how the farm operates and how the animals are raised. It also helps him establish a closer relationship with the farmer. He then feels confident that the standards he requires are being met.
- o A California cheese producer buys all of her milk direct and visits farms to observe the conditions under which the animals are raised. She notes that to get the quality of milk she wants, "You have to treat them like queens." By visiting the farms, she can verify that the conditions meet her requirements.

Personal verification seems to be most common with manufacturers who have staff with the time and knowledge to be able to visit their farmer suppliers and verify that the farms' practices meet their criteria or expectations.

KEY TAKEAWAYS

- o A growing number of food manufacturers require their ingredient suppliers to meet certain standards. If you want to sell to these manufacturers, get a clear understanding of what is required and evaluate if it makes sense for you from a business perspective.
- o Manufacturers seeking certifications such as organic or non-GMO are a relatively small but growing part of the marketplace. This may represent an opportunity if you already have or are willing to get these certifications.
- o Some manufacturers may be willing to rely on personal verification that your products meet their standards. If you want to work with these manufacturers, be prepared to have them visit your farm and observe your practices.

Ingredient quality assurance is almost always required by specialty food manufacturers. If you want to expand your market options, it may be worth investigating certifications for your farm. How farmers demonstrate that standards have been met will depend on the manufacturer. Developing a good working relationship that identifies the specific standards set by the manufacturer may, sometimes, be all that is required.



Photo by Scott Bauer, USDA Agricultural Research Service.

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This fact sheet is part of a project exploring the opportunities and challenges small and medium-size farms encounter when they seek to enter the rapidly-growing specialty food marketplace as either ingredient suppliers or manufacturers themselves. The project included a survey of specialty food manufacturers in California, Minnesota, Oregon, Washington, and Wisconsin in 2015 and interviews with selected manufacturers and farmers who supply manufacturers in four broad food categories: dairy; grain and baked goods; processed meats; and processed fruit, vegetables, nuts, and herbs.

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