

# DIRECT MARKETING STRATEGIES

## SELLING TO GROCERY STORES AND FOOD COOPERATIVES



Washington has over 395 independent grocers, according to the Washington Food Industry Association. And, as of 2019, there were 23 member-owned food co-op grocery stores in Washington, according to the National Co-op Directory. These independently owned stores, including specialty markets, natural food stores, co-op grocers, and some super markets often have more flexibility to buy directly from farms and are good outlets for moving larger volumes of product. Working with local farms is often a core element of the independent grocery business and marketing plan, which makes them a potentially great customer.

### This factsheet includes information on:

- Getting started with grocery sales.
- Setting prices.
- Delivery requirements.
- Universal Product Code (UPC) and Product Look Up (PLU) Numbers
- Benefits and challenges.
- Additional resources.

### Getting started with grocery sales

When approaching a grocer, call ahead to find the buyer for the department or grocery category that matches your product, and make an appointment. Be prepared to share:

- Your farm story.
- Product samples.
- List of planned products for the full season.
- Business card or way to contact you.
- Any applicable certifications like organic or Good Agricultural Practices (GAP).

Other details to discuss include:

- Required level of general commercial or product liability insurance.
- Any product or packaging specifications the buyer has in mind.
- Expected process for placing orders and invoicing.
- How you might work together to increase your product visibility in the store.

Overall, the goal is to form a strong relationship and find out how to work best together. Once you have established your farm as a vendor to a grocery buyer, plan on a meeting each off-season to evaluate the previous season and plan for the upcoming year.

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Before a first meeting, it is wise to check the grocer's website for any information for vendors. Many grocers post a vendor application form which outlines requirements. Even if you hope to negotiate some of the terms, it can go a long way to show you've done your research.

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### Setting Prices

To set your prices, consider subtracting 35-45 percent from your retail or farmers market price to create a wholesale price for a grocery store. You can also check local distribution outlets and with other area farmers, as crops sold in urban centers might command different prices. Wholesale prices are extremely low compared to retail and should be considered a minimum price. With that in mind, your pricing should be based on your costs, being competitive, and on what the particular market-area customer will pay for high-quality, local products.

It is vital to be able to explain your prices to the grocer so that they are more likely to pay what you need and can explain it to the end customer. Locally owned grocery businesses thrive on differentiating themselves with a sense of place, fresh high-quality produce, and unique products. Grocers may pay more if there is a good reason such as a special flavor, variety, or something else that makes your product special.

Farmers may also work with grocers to increase sales and customer awareness by producing point-of-sale signage featuring farm photos and ads. Other ways to increase sales include special events and in-person promotions, such as a sampling day with the producer or farm representative.

As you establish a working relationship, they may also offer feedback and support as your business evolves.

## Delivery Requirements

Grocery stores generally require deliveries in boxes labeled with your farm name, a product description, and the amount of the product. For example, if the product is sold in bulk by the pound, the weight of product in the box should be listed (e.g., 25 lbs.). If the product is sold bunched, like fresh culinary herbs, or by the “each,” like a head of lettuce, the quantity of those units should be listed (e.g., 25 bu.). Products may also need to be sized or graded to industry standards. Find standard product specifications such as size of pallet, units, and labels and packaging at [ams.usda.gov](https://ams.usda.gov) and search for “Product Specs.”

It is a good idea to find out if new packaging or label purchases are necessary with as much lead time as possible. Delivery can take a while, and the cost may need to be added into the price of the product.

An additional element of delivery is the farm’s own recordkeeping system. Farmers selling to grocery stores and food co-ops need a bookkeeping system that includes invoicing and an accounts receivable process. This is particularly important as most grocery stores pay 15-30 days after delivery. It is important to keep track of your deliveries and accounts, and always be sure to get a signed delivery invoice in duplicate. File one copy for yourself.

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Some farms join together in producer marketing co-ops or aggregation food hubs to effectively market to grocers. The Okanogan Producers Marketing Association, [okanoganproducers.org](https://okanoganproducers.org), (OPMA) formed in 2006 and is a successful example of how five small family farms formed a co-op to market and deliver a large variety of fresh fruit and vegetables to grocery stores around the state—in one truck with one invoice.

Marketing as a co-op can be beneficial if your intended customer is a food co-op; one of the seven international co-op principles of operation is “cooperation amongst cooperatives.” Our region’s Rural Cooperative Development Centers can assist.

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## Universal Product Code (UPC) and Product Look Up (PLU) Numbers

Grocery store point-of-sale (POS) technology at the cash register may require a UPC on products or a PLU number. A UPC is used primarily on packed products, and is a unique eight- or twelve-digit number accompanied by a barcode that identifies a manufacturer and their product. UPCs can be purchased from a UPC generating business. UPC’s can be expensive, so check with the grocery store to make sure they are required. If so, to minimize the long-term costs, plan ahead to purchase the right supply to match the various packaging sizes and flavors you will want to use. The product number for jam, for example, would vary to represent each different size of the same flavor and to distinguish flavors of the same size.

Most grocers use the universal PLU numbers to identify bulk produce and bulk dry goods, such as herbs, beans, and nuts. Growers, packers, and shippers are reminded to check before ordering labels with a PLU code on them to ensure the PLU information is current. A complete list of Global PLUs is available at [plucodes.com](https://plucodes.com). Look under “Produce Coding.”

## Benefits and Challenges

### Benefits of Selling to Grocery Stores

- Great market for larger quantities of quality items.
- Opportunity to reach a larger customer base and educate consumers about your farm and products.
- Can be a strong outlet when harvest is more abundant than planned.
- Possibility for long-term relationship and feedback for new products.
- Opportunity for custom growing or forward contracts.

## Challenges of Selling to Grocery Stores

- Communication with buyer needs to be constant, and may need to be daily. Build relationships with everyone who handles your product.
- Making the first sale can be difficult, because grocery stores have a limited amount of shelf space, existing supplier relationships, and prefer to buy from fewer suppliers.
- Must meet orders and delivery deadlines and be consistent.
- May not be able to sell enough quantity for profitability.
- May need standard sizes; labeling and packaging.
- May have high insurance requirements.
- May require GAP or other food safety assurance.
- May need to get a PLU or UPC code and label on your product.

## Additional Resources

- Washington Food Industry Association, [wa-food-ind.org](http://wa-food-ind.org).
- National Co-op Directory, [coopdirectory.org](http://coopdirectory.org)
- Rural Cooperative Development Centers:
  - Northwest Co-op Development Center, [nwcdc.coop](http://nwcdc.coop), 360-943-4241
  - Northwest Agricultural Business Center, [agbizcenter.org](http://agbizcenter.org), 360-336-3727
- “Wholesale Success Manual” and training from [FamilyFarmed.org](http://FamilyFarmed.org); check with local agricultural resource provider about loaner copies, [familyfarmed.org/farmer-training/](http://familyfarmed.org/farmer-training/)



5. Licensing

9. Insurance

11. Direct Marketing in Washington State

17. Selling to Schools and Other Institutions

18. Selling through Food Hubs

22. Good Agricultural Practices

23. WSDA Food Processor License and Facilities