



Selling to **RESTAURANTS** in South Carolina





SOUTH CAROLINA
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Introduction

Local products continue to be popular choices for restaurants and foodservice providers, with locally sourced meats, seafood and locally grown produce topping the National Restaurant Association's Top 20 Food Trends of 2013 (National Restaurant Association, 2013; Sharma et al., 2014). In a 2016 National Restaurant Association (NRA) survey, chefs ranked local produce as one of the hottest culinary trends. Though the jury may still be out on just how enduring the "local" trend will be, it seems to have more staying power than many early skeptics thought possible and increasingly savvy consumers seem to be requiring more proof of authenticity. Many other top restaurant trends identified in that survey of 1,800 chefs reflect market opportunities for local products at restaurants – from farm estate branded products to heirloom apples and artisan ice cream. For example, a survey in Alabama documented that more than 50% of the restaurants included in the sample purchased local foods (Reynolds - Allie and Fields, 2012). In South Carolina approximately 300 restaurants participate in the "Fresh on the Menu" program, where participating restaurants focus their menus around Certified South Carolina Grown, seasonal products (freshonthemenu.com/restaurants). Furthermore, restaurants are among the primary markets for local, especially small and medium scale, farmers. To illustrate, in a 2013 survey across three southern states (Georgia, Virginia, South Carolina), more than 20% of the farmers



identified restaurants as their primary market (Harrison et al., 2013)

These trends show continuing appeal, to both restaurants and their patrons, for food produced nearby. Moreover, consumers are willing to pay a premium for menu products that include local ingredients (e.g. Fash, Dipietro and Smity, 2015) Restaurants can take product volume over an entire year, creating potential for more farm profitability. Producers interested in pursuing restaurant markets for the first time – or in tuning up their current marketing strategies – need to consider several good business practices in order to be successful. This fact sheet provides an overview of several important considerations for local food producers selling products directly to restaurants in South Carolina, including:

- Relationships and Communication
- Product Branding
- Packaging & Labeling
- Pricing
- Product Presentation and Delivery
- Insurance and Risk Management
- Certification Requirements

Relationships & Communication

Good business relationships with chefs, kitchen managers and restaurant business staff are vital for successful, profitable farm sales to restaurants. Communication is essential for building those good relationships. Clear and timely communication – especially concerning product availability and delivery times – helps foster a strong farm-restaurant relationship.

For example, most chefs interviewed about buying local produce will tell you that prompt and professional communication about product availability as a very important part of the farm-restaurant relationship. When selling to a restaurant, farmers should recognize that they are dealing with chefs who are accustomed to purchasing products from professional vendors. Chefs are certainly interested in local products – and may even tolerate a certain amount of inefficiency in obtaining local foods. If that inefficiency remains

unaddressed, it may translate into costs to the restaurant's bottom line – potentially reducing premiums the restaurant is willing and able to pay for local products.

Farm producers should realize relationships with restaurants and other foodservice customers will usually need to be initiated by the farm. Chefs and restaurateurs are busy running their kitchens and establishments, so they usually depend on being approached by potential suppliers. In fact, the lack of available information about local food vendors is consistently cited by chefs and foodservice vendors as a barrier to “buying local.” (Shangwook, 2012). Producers should take the initiative to present information about their farms and products in a professional manner to potential restaurant clients.

One of the best ways to foster a good relationship with a chef is to regularly deliver high-quality product. In a 2011 survey, Alabama chefs rated consistent supply, consistent quality, food safety and product freshness as the most important factors for purchasing local produce (Raynolds-Allie and Fields, 2011). Chefs already accustomed to receiving regular, reliable deliveries from food wholesalers may wish to support local producers while obtaining desirable product, but poorly timed deliveries and bad communication will deter future purchases. Restaurants may also be unaware of locally-grown options, particularly for products such as meat, grains and other non-produce items.



Many farms delivering to restaurants quickly adopt the practice of sending weekly pricing/availability sheets to chefs via email. Online ordering has also picked up popularity as social media and Web-based systems have become easier to navigate. Still, many chefs simply prefer a quick weekly phone call to place their farm order; never underestimate the power of the personal order.

Farm producers should establish both a consistent, high-quality product delivery schedule and maintain a regular channel of communication with the person responsible for purchase at the restaurant. Quality

products and healthy communication frequently open the door to expanded product purchases and other synergies in the local farm-restaurant business relationship. Additionally, a farm's social media participation, highlighting products and practices, can help build credibility and acceptance among chefs and restaurateurs.

Contractual agreements may also be beneficial for restaurant owners and producers alike (nationalaglawcenter.org/wp-content/uploads/assets/articles/SCdirectfarm.pdf). Two commonly utilized contractual types include requirement and output contracts.

COMMUNICATION CASE STUDY

An open, two-way conversation between producers and chefs is absolutely critical to growing a farm's restaurant market. And a farm's response to that two-way communication is coveted by chefs. Phone calls or voice mail, text messages, and email orders were cited by chefs around the country as being easiest to access.

Still, nothing beats the personal touch. "I trust the local farmer whose face I know," said an executive chef at an Illinois country club who bought pork from a local farmer.

For that chef, it was essential for the farmer to keep in touch. "Some initiative (from the grower) is certainly helpful to me because it makes things easier," said the chef. "It's great when someone can call me up and say, 'This is what I've got, what do you want?'"

Growers also find that offering some degree of flexibility is helpful to developing the business relationship with the chefs. "I'm willing to work with him if he wants to try something different," said the farmer supplying the country club. "I'm just a mile-and-a-half down the road."

That relationship helped the Illinois chef and producer work together, moving from the chef's purchase of chops and other higher-priced cuts to planning events featuring half- and whole-hogs. This is an example of how producers find working closely with chefs can increase a restaurant's purchase of lower-priced items; some restaurants may even purchase fresh produce for preserving for later use.

Product Branding

A product brand “is the combination of name, words, symbols or design that identifies the product and its company and differentiates it from competition.”¹ Product branding has often been emphasized for value-added farm products and agritourism marketing. More recently, restaurants have increased the practice of listing farm names and brands on their menus, thus, enhancing the opportunity for product differentiation and brand development for producers (Schmit and Hadcock, 2010). Restaurants may also feature local products using a state or regional designation, like Certified SC Grown (certifiedscgown.com). South Carolina also has the “Fresh on the Menu” program for restaurants offering Certified SC Grown foods. More information and a list of restaurants participating in the program may be found at freshonthemenu.com.

Branding that features more than one brand designation on a product is called “co-branding.” A product including a farm brand, along with a designation like Certified SC Grown, would be co-branded. Some effective co-branding also features unique geographic or regional designations, such as wines produced in Napa Valley, California.

When considering branding products, local food producers should realize selling to restaurants involves two categories of customers: 1) the chef or establishment purchasing the food for preparation; and



2) the consumer buying the food at the restaurant. When purchasing from a local food producer, chefs are likely to evaluate the product based on whether they are receiving a consistent, reliable quality product from a producer they have some relationship with. Research in Missouri indicates local vegetable farmers can differentiate themselves to chefs by offering products with regularity, quality and freshness (Arbindra and Onyango, 2011).

That relationship with the farm can then result in promotion of the farm’s brand at the restaurant level. Excellent product

¹ Giddens, Nancy. “Building Your Brand.” *Ag Decision Maker*, Iowa State University. extension.iastate.edu/agdm/wholefarm/html/c5-50.html

quality can make a restaurant more willing to advertise certain products from local farms on the menu. Restaurants that change menus daily or weekly may print the farm name beside products offered on the menu or include the farm name listed in a menu item description (e.g. “Local Meat’s heritage breed pork chops glazed with Local Bee Farm honey and served with new baby potatoes from Local Produce Farm”)

Offering farm-branded products at restaurants has helped some farms build a more robust local brand. To avoid confusing

consumers, it is usually advised to use similar branding materials across all market channels, aiming for consistency in the way in which a farm brand is presented across local restaurants, farmers markets, grocery stores and other retailers.

More information about successfully developing farm product brands can be accessed in a publication from Iowa State University Extension, “Building Your Brand,” located at extension.iastate.edu/agdm/wholefarm/html/c5-50.html



Packaging & Labeling

Restaurants, especially standalone establishments or small chains, may be largely indifferent to how fresh products are packaged and labeled – as long as the packaging fits into the restaurant’s receiving and storage systems. However, farmers should consider clearly labeling and packaging their products to differentiate their deliveries from those of other suppliers.

The size of a restaurant’s food preparation area and available cooler space will likely dictate how, when, and in what amounts the product is delivered. Producers should understand each chef’s needs and deliver

product in a way that makes handling convenient for the producer and hassle-free for the chef or kitchen staff. Reusable containers that are clearly marked with the producer’s name are often helpful. Avoid packaging that is difficult to stack in coolers, like plastic bags. Consideration should be given to how well the packaging and labeling integrity will hold up under the conditions of a working restaurant.

Meat and poultry products should be labeled in accordance with state guidelines. South Carolina guidelines are available at: clemson.edu/public/lph/scmpid/



Pricing

Chefs have often connected with local farms by first purchasing items at a farmers market stand. The chef may then ask the producer whether she or he can supply bulk quantities on a regular basis. During that conversation, chefs may request a price break for quantity purchases. Before hesitating at offering farm products to chefs at a lower-than-retail price, farmers should consider the following:

- Most chefs are accustomed to buying fresh produce, meat and value-added ingredients from food brokers or wholesalers at wholesale prices.
- Many chefs indicate they are willing to pay more for local products that are superior in freshness and quality, but that the higher price must include clear benefits. “As local producers will likely charge higher prices than large distributors, it is imperative that the producer provide the chef with additional value through such activities as on-time deliveries of the quantity agreed upon (Curtis and Cowee, 2009).”
- Expanding a farm’s offerings to a local restaurant can help increase net farm income when the restaurant is willing to pay a price above the costs of producing and marketing the farm’s products.
- Producers should understand chef and restaurant needs before engaging in direct sales to restaurants (Reynolds-Allie and Fields, 2012).
- Even if chefs offer a lower price, producers’ income may still increase since they will have the opportunity of a reliable market and eliminate the cost of middlemen (Reynolds-Allie and Fields, 2012).
- Local restaurants may be more willing to pay a higher percentage price premium over wholesale prices paid for fruits and vegetables than for less-perishable items, like meat and value-added products.²

Providing larger quantities to restaurants at prices below local retail prices can result in higher economic returns to the producer. Small farms frequently

² A 2010 survey of Illinois independent restaurants indicated much greater willingness to pay up to a 10 percent price premium for local meat products than price premiums over 10 percent. Foday et al., 2010) Surveys of restaurants in Missouri and Kentucky have indicated a majority of chefs in some areas are willing to pay premiums as much as 30 percent for produce, especially when fresher produce results in less shrink (product loss) at the restaurant.

underestimate or neglect to account for the value of the producer's time spent in marketing or selling. Farm businesses that desire to "scale-up" production often find they either need 1) to participate in even more time-intensive direct marketing venues; or 2) sell larger quantities to less time-intensive markets. Producers should always have a solid understanding of their actual costs of production (including the cost of their time) when entering into a discussion of pricing with any customer.

Finally, and in relatively few instances, some fine dining restaurants may be willing to regularly pay retail or above-retail prices for hard-to-find or superior products. Though not the norm, these restaurants may be accessible to some farms and local food producers.

A comprehensive guide to pricing farm products at both wholesale and retail levels is available from the University of Tennessee at utextension.tennessee.edu/publications/Documents/PB1803.pdf (Bruch and Ernstst, 2011).

Product Presentation & Delivery

Consistent product presentation and regular delivery times are important for attracting and retaining restaurant and foodservice customers. Producers should discuss product specifications with the chef or kitchen staff before beginning delivery and periodically "check in" concerning product quality and cleanliness.

Producers should notify the restaurant as soon as possible if fresh product deliveries will be delayed by weather or other factors. "I'm depending on my suppliers to deliver the product when they say they're going to," said a chef interviewed in a University of Kentucky focus group. "If they don't show up on time, I may have to change my dinner menu—and if they're always late, I'm not going to want to keep doing business with them."

Good communication is vital in the longer term, chefs need advance time to get local products on the menu. A North Carolina chef said, "I need to know when a crop is coming in 4 weeks

before it is available so I can get it onto the menu. Most farmers are not used to this timeline."

If a producer has a contractual agreement with a restaurant and he/she is unable to fulfill the agreed obligations then a possible alternative is for the producer to purchase the production that cannot be delivered from another farmer and satisfy the contractual agreement (nationalaglawcenter.org/wp-content/uploads/assets/articles/SCdirectfarm.pdf).

An invoice should accompany farm products upon delivery to restaurants. Producers must work with the restaurant to ensure that the invoice reaches the proper person. Local food producers should also realize that restaurants often pay vendors in a timeframe that can range from 7 to 45 days after product delivery; producers should be prepared for such payment terms.



Insurance & Risk Management

Like other customer segments, chefs may exhibit a high degree of trust in local producers and may perceive that locally produced products are “safer” than products purchased wholesale. Some chefs even request personally inspecting farms or processing facilities to verify that production or processing meets their personal standards.³

However, restaurants also operate under standard food safety guidelines and practices. Larger chains and institutional

customers, like schools and hospitals, usually require producer-suppliers to carry a specific level of product liability insurance. Others may insist on third-party certifications indicating certain practices being followed on a farm.

As for sales to any market, producers selling to restaurants should evaluate the potential liability risks and discuss appropriate risk management tools with a knowledgeable professional.

³ See e.g. Shoshannah Inwood et al. “Building Capacity for Local and Organic Ohio Proud Foods for Retail and Restaurant Distribution in Ohio.” September 2003. OARDC.

Certification Requirements

In addition to product liability insurance, restaurants purchasing directly from a farm or producer may require GAP (Good Agriculture Practices) Certification, third-party food safety audits or other certifications. GAP Certification and third-party programs, like PRO*ACT, that verify fresh produce safety are becoming food industry standards. Meats and value-added products must be prepared in properly inspected facilities and follow specific regulations, which may vary by state.

In South Carolina, meat and poultry products (including value-added products containing more than 3% raw or 2% cooked beef, pork, chicken or lamb) are regulated by the South Carolina Meat and Poultry Inspection Department.

More information about these regulations may be found at clemson.edu/public/lph/scmpid/.

Non-cheese dairy items, soft drinks and water products (bottled water, ice, etc.) are regulated by SC DHEC Food Protection Dairy Division. Additional information about these regulations may be found at scdhec.gov/food-safety/food-safety-dairy-safety-south-carolina.

Shellfish products are regulated by the SC DHEC Shellfish Division. Go to scdhec.gov/food-safety/shellfish-monitoring-program-overview for more information.

Products containing 7% or more alcohol are regulated by the Alcohol, Tobacco, Firearms Tax and Trade Bureau. For more information about these regulations, go to ttb.gov.

All other food items sold wholesale, including value-added food products, are regulated under the South Carolina Department of Agriculture. For more information about these regulations, go to agriculture.sc.gov/divisions/consumer-protection/food-safety-compliance/.

Many farmers are beginning to turn their harvests into value-added food products, and chefs often value adding these types of local specialty foods to their menus to complement fresh locally grown meats and produce. Examples of value-added foods being produced under the jurisdiction of the SC Department of Agriculture include BBQ sauce, hot sauce, marinara sauce, pickles/pickled products, jams, jellies, and fruit preserves. These products also require testing by a process authority before they can be produced and sold. In South Carolina, process authorities are at Clemson University, where product testing is coordinated by Clemson University Extension Service's Food2Market program available at clemson.edu/extension/food2market.

Products classified as acidified (i.e. pickles) and low acid (i.e. green beans) require the processor to have a Better Process Control



School certificate and registration of their facility and process with the Food and Drug Administration. This is a requirement of the FDA and must be done before registering the product with SCDA.

Furthermore, producers need to comply with a set of USDA - AMS requirements to claim that their fresh produce and/or vegetables are of specific grade (carolinafarmstewards.org/wp-content/uploads/2012/10/CFSA_RegGuide-SC2012_08-webres2.pdf)

Conclusion

Selling farm items directly to restaurants can be an effective and profitable marketing channel that can help increase a farm's sales volumes while diversifying market channels. Restaurants may be willing to pay a premium over wholesale prices for high-quality local produce. It is vital for farms to establish clear communication channels and a good business relationship with the chefs and foodservice establishments being served; consistent deliveries of high-quality product are especially important when servicing

Other certifications that may be of value to farms selling direct to restaurants include certifications of production practices. These can include, but are not limited to, certifications from the USDA Certified Organic Program, the peer-reviewed Certified Naturally Grown program, and kosher or halal designations. Some restaurants may themselves be operating as certified organic facilities and might require a similar certification from product suppliers.

restaurant clients. Farms should also seek to appropriately manage risk and obtain any certifications necessary for selling to local restaurants.

Many chefs value building relationships with local farmers, and farms should maintain clear communication channels with the chef and restaurant personnel responsible for product purchases. Featured products on restaurant menus can also be effective brand-builders for growing local food businesses.

Selected Resources

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