

DISTRIBUTORS

Food distributors are a key component of the food system in the United States. Restaurants, caterers, convention centers, school and college food services and other types of food services all rely on distributors to supply the food and food-related products needed to serve their customers. Often, all needed food and food-related products can be ordered from one or two distributors.

Opportunities for farmers to sell their food products to local or regional food services are limited by time, staffing and money constraints for farmers and food services, alike.

Distributors meet the needs of food services for specific quantities of specific products at a specific time. Distributors can also meet the needs of farmers by handling marketing, ordering, billing and delivery tasks, thus allowing the farmers to concentrate on production. If you would like to tap into the food service market, consider working with a distributor.

If farmers choose to sell to both distributors and their potential retail customers, they may be asked to sign a non-compete agreement that the farmers will charge their retail outlets the same base price the distributor does.



Photo courtesy of Harmony Valley
Marketing through distributors allows you to sell a large of quantity of product to one location.

We went to the stores ourselves and didn't use distributors. But distributors can save you a considerable amount of cost and you can't deliver it for what they can. It's going to cost you well over 30% to deliver to outlying areas.

Troy DeRosier, Crystal Ball Farms

Selling to Distributors

Benefits

- Sell large quantities of product to one location
- Can concentrate on production skills rather than marketing
- Fewer contacts needed to sell products
- The distributor can smooth out the problem of seasonal availability by buying from local farmers in season and sourcing products elsewhere when the local products are unavailable

Challenges

- Less farmer-to-consumer connection
- Less brand identification
- Price for product will be competitive

We will give our wholesale markets a one- to two-week notice of what will be available. If you can't supply it, let them know ahead of time. They don't want empty shelves and if they're expecting something from you and you don't provide it without letting them know ahead of time, they won't buy from you again. They're very unforgiving if you don't communicate your situation with them, and you need to understand that.

Richard de Wilde, Harmony Valley Farm



PROFILE

Crystal Ball Farms

Troy & Barbara DeRosier
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Photos courtesy of Crystal Ball Farms

Crystal Ball Farms delivers directly to stores in a 90-mile radius and provides home delivery in a 50-mile range.

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Troy DeRosier, Crystal Ball Farms

Glass-bottled milk and home delivery are making a resurgence in Wisconsin. Dairy farm families bottle their own milk, while adding value to their farms and communities. Troy and Barbara DeRosier have found new markets for their milk bottling business.

The DeRosiers decided they needed a better income from their 100-cow dairy herd near Osceola. They wanted something more substantial where they had more control over the end product. Their search led them in the direction of home bottling and seeking new markets.

“We felt bottling our own milk and marketing it ourselves was the best option to maintain a decent price and control our destiny,” Troy DeRosier explains. “We made the transition in the fall of 2003 and it’s worked very well for us.”

Adding a bottling facility to an existing farmstead took extensive planning. It requires three full-time and six part-time employees. “We started our organic farm at a time when there wasn’t a good market for organic milk. That’s certainly changed, as the organic market has expanded greatly since then,” Troy says.

Making Plans

To get ideas he could apply to his farm, DeRosier spent time visiting East Coast farms that were bottling and marketing their milk. “There was no software or business plan anywhere for what I wanted to do,” he relates. “It was a couple-year process and we hired an outside source to do a business plan and the financials, and it took about nine months to get up and running.”

Getting out and viewing other successful operations helped give them a concept of what goes on in a bottling plant. They needed to know where the labor was required and DeRosier says it also gave them some ideas about marketing. “I’m pretty good at marketing anyway so it was helpful in many little things,” he notes.

Although the DeRosiers couldn’t find resources to help them, there are now several programs available. He remarks, “DATCP has a value-added focus in their programs. They’re very good at helping direct people as far as whom to talk with and where to go.”

Recovering production and distribution costs was always at the front of their decision. “We used our cost of production and the margin we felt we needed for it to be worthwhile,” DeRosier explains.

Before one bottle was filled, DeRosier commissioned a survey at stores to determine what customers were looking for and how they liked it packaged. “We worked with a few key stores before we built our plant,” he notes. “Then, because we worked with those stores, they were willing to stock our product after they saw the results and knew we were serious about what we were working on.”

Creating Their Market

Crystal Ball dairy provides some of its products for sampling at stores. “That gives us a close touch with the consumer,” he says. “The stores set up a special day for us to give demonstrations and samples of our products. We get a chance to talk about our farm and how we handle our cows. We get to tell them our story and that’s what really sells.”

Crystal Ball Farms literally created its market. Taking its milk, processing and bottling it on the farm, and delivering it to stores changed their financial position and may fuel a further expansion now that they’re able to market all the milk they produce.

“We deliver directly to stores in a 90-mile radius and home delivery in a 50-mile range,” DeRosier explains. “About one-third of our business is deliveries, and we have two trucks on the road most days. We’ve made changes to more efficient vehicles, but we have to pass along the increase in fuel prices. I hate to do that because I’m still farmer-oriented, but I don’t have any choice.”

Decision to Use Glass Bottles

“The survey we did determined that we were going to use glass bottles for our milk,” he says. “Glass fits very well with the organic and high-end markets. We market half-gallons because if we went to gallons we would have to go to plastic. The way we set up the plant and process the milk all fits together. If we were going to use plastic containers we’d have to set the plant up differently and we’d have a different price point. You can get more for a half gallon because the smaller container has a higher value.”

Crystal Ball customers pay a deposit on the glass which DeRosier hopes they will return because the price of each glass bottle has risen above the cost of the return. “We have our label on all our bottles so we don’t do much advertising anymore,” he adds. “Any expansion of our market is mostly by word of mouth.

“We’re working with the state [of Wisconsin] now to put in a receiving bay to bring milk in to add to our supply,” DeRosier says. “We’re not sure we want to expand our herd because it’s easier to get help in the creamery than for the farm.”

Working with Distributors, Schools, Hospitals

DeRosier suggests that anyone looking to enter this market consider using distributors instead of doing deliveries themselves. “We went to the stores ourselves and didn’t use distributors. But distributors can save you a considerable amount of cost and you can’t deliver it for what they can. It’s going to cost you well over 30% to deliver to outlying areas.

“I think there’s room for other bottling dairies in Wisconsin,” he notes. “But I would look at other markets. I think the glass bottle market is pretty well saturated. There’s some room but only so much market because it’s a high-end product. With high fuel prices we’re working with hospitals now because they’re trying to buy more local products because it costs so much to haul it in.”

There’s a federal mandate requiring schools to improve their nutrition and they’re emphasizing doing it locally. “We are doing a pilot program with one school,” he says. “We’re not sure where it’s going yet because of the nine-month market with three months down. But it is a possibility for further expansion.”



Milk from DeRosiers’ 100-cow dairy is packaged in glass bottles and is also made into butter, ice cream and cheese products.

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The dairy has an on-farm processing facility and retail store.