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Sales of Locally Produced Foods to Grocery Stores in the Community

Hornbachers Grocery Store, Fargo, ND

Case study by

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Abstract

Grocery stores serve as an important link in the food distribution system. Some stores are eager to work with local producers for the benefits provided to the consumer and the community as a whole. Local producers can market their products through the grocery stores if they establish a trustworthy working relationship with them. Proving themselves to be reliable sources of high quality products is key to establishing this relationship. This case study shows that several local producers in the Fargo-Moorhead area have done just that. Although the trend for direct farm marketing to grocery stores may be on the decline, the market appears to be open to the producer willing to carve out a niche.

Introduction

This report is a case study of Hornbachers, a Fargo-Moorhead grocery store. The report includes a brief description of the business, its organization, and the basic principles and philosophies that guide its business practices. It describes the grocery store's relationships with local producers and possibilities for establishing future business relationships. Data were collected through a series of interviews with the store's general manager (Dean Hornacher), the Village West branch produce manager (Dave Brunsvold), and other staff in December 1999 and January 2000.

Hornbachers is a chain of five grocery stores located in the Fargo-Moorhead area that are owned and operated by the Supervalu distribution company. The first Hornbachers Grocery store was established in 1951. There were three stores in the local chain when they were purchased by Supervalu in 1975. Since then, two more branches have been added. Supervalu serves as the main distributor for the Hornbachers chain, however they are not limited to purchasing inventory from Supervalu alone. The branch produce managers have the option to supplement their inventories from other companies and local producers. Dean Hornbacher, the general manager of all five Hornbachers locations, describes the relationship with Supervalu as "tighter than in the past but not overly restrictive."

Hornbachers is one of three grocery chains in the Fargo-Moorhead area. They consider their prices to be competitive and about average. Each Hornbachers store has a series of department managers who serve under the general manager. Each department manager has the ability to make general everyday purchasing decisions without the direct influence of the general manager. This autonomy gives them the freedom to support good quality local produce growers on a "first come, first serve" basis.

Hornbachers' Relationship with Local Producers

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According to Dean Hornbacher, high-quality products, trusting relationships with producers and distributors, consistency, and supporting the local economy are the key philosophies and principles behind Hornbachers' business dealings. Delivering quality products to the customer is their first and foremost priority. Hornbachers believes that they can do this if they establish good relationships with their warehouse and with local producers. This results in consistently high quality goods, an established reputation, and customers that keep coming back. Boosting the local economy is a benefit to everyone, and Hornbachers wants to be a part of it.

Hornbachers currently uses local producers to supplement what they receive from their warehouse. Local growers who wish to sell produce directly to Hornbachers must keep in close contact with the branch produce manager through daily phone calls. The individual growers do not contract with the distributor. This gives all growers an equal opportunity to establish a relationship with Hornbachers. According to Dave Brunsvold, growers who prove themselves to be trustworthy will have no problems carving out a niche in the Fargo-Moorhead grocery market. Several area growers have done just that.

For example, Ben Larson of the Old Trail Market CSA in Moorhead, MN farms organically to grow unique varieties of fresh produce. Besides, a roadside stand, community supported agriculture, and farmers' markets, he also sells to Hornbachers through an informal farmers' alliance. Since Ben's farm is seasonal, he is only able to deliver in the summer months during the height of the growing season. Hornbachers relies on him to deliver high quality produce, which he consistently does.

Jodi Albert of Albert's Greenhouse in Erie, ND is another producer who established a relationship with Hornbachers. She uses the hothouse method to grow tomatoes and fresh flowers. She intends to add a variety of peppers and cucumbers to her list soon. Jodi currently supplies tomatoes to three of the five Hornbachers locations in Fargo-Moorhead. Her ability to grow year round gives her an edge when delivering consistently high quality products. She is also less susceptible to the weather problems that plague traditional growers.

Ben Larson and Jodi Albert exemplify the potential market for local producers within the local marketplace. Dave Brunsvold noted that the number of local producers declined in recent years. The decline is not necessarily because of decreased demand from local grocery stores, but because of the squeeze between prices and cost of production. Brunsvold stated that having one supplier typically gives Hornbachers convenience and increased quality in the products they market. However, they do not discourage local producers from trying to find a niche in the grocery market. As a local chain, Hornbachers has a strong desire to support the local community any way it can. Purchasing from local producers is one way they can make a financial impact on the community and leave a positive impression on their customers -- both important aspects of their basic philosophy. Dean Hornbachers stated that they are making a very important financial impact on the community by purchasing locally by buying from "the little man." He said, "There is no need to convince us of the benefits of local purchases for us, the consumers, the economy, and the general well-being of the community."

Barriers to Purchases from Local Producers

The barriers and problems associated with local produce growers marketing to a grocery

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store are few and rarely insurmountable. The general manager and produce manager of Hornbachers in Fargo both stated that there are no governmental laws or distributors' agreements that bar them from purchasing produce from local growers. Hornbachers and Supervalu set their own standards for freshness and quality. These standards are reflective of their customers' wants and needs. If a grower can meet these standards consistently, there should be no problem selling to the grocery store.

Meat and poultry producers are subject to federal regulations that make it much more difficult to sell their products directly to grocery stores. These products must all be inspected and approved by the USDA before they can be sold to the consumer. Fargo no longer has this capacity. According to Dean Hornbacher, local meats and poultry must be sent to Omaha, NE for government inspection. This process is much too costly for Hornbachers to consider as an option. Having a local inspector would make this a more financially viable option.

Local growers can be successful when selling to grocery stores, but they must be wary of competition. It is almost impossible to compete with large food companies like Dole Foods. They have the time, money, and resources to produce larger quantities of value-added products. For example, Dole created a very popular market for its ready made salad mixes. According to Dave Brunsvold, local growers should not consider trying to compete with this concept. This product would be far too expensive and time consuming for a small grower to produce.

The unpredictability of farming is one of the biggest dangers of trying to market through a grocery store. Disease and bad weather can plague crops making the produce unfit for sale. This, in turn, can cause a breakdown in the grower/distributor relationship. The circumstances are understandable but are no comfort when Hornbachers can consistently receive high quality deliveries from its warehouse. These are risks that the producer cannot predict. Hornbachers is aware of this risk and is willing to overlook unusual circumstances to support the local economy.

How to Local Producers Can Sell to a Grocery Store

Dean Hornbacher states that it is not difficult to establish a business relationship with their stores. They are happy to support a local grower who has a quality product to sell. The grower should start with a phone call to the produce manager or the general manager. Together, they can determine what would be a marketable product, decide what the quality standards should be, and do what it takes within reason to meet these requirements. It may take time to establish a trusting relationship.

Jodi Albert established a good reputation for producing high quality tomatoes for Hornbachers. She conducted research before starting her business, which made her produce more marketable. She keeps daily contact with the produce managers. They know she will call to check how much product they need. She established her reliability, and her tomatoes are consistently purchased by Hornbachers.

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Photograph 1. Dean Hornbacher, General Manager of Hornbacher's Grocery Store, Fargo, ND, Fall 1999.

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**Photograph 2. Dave Brunsvold, Produce Manager of Village West Branch
Hornbacher's Grocery Store, Fargo, ND, Fall 1999.**



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Photograph 3. Jodi Albert's Greenhouse, Erie, ND, Fall 1999.

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Photograph 4. Ben Larson (Old Trail Market), Fargo, ND, Fall 1999.



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For Further Reading

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