

# BASKETS to PALLETS

## Teaching Manual



*16 Lesson Plans to Prepare Small and Mid-scale  
Farmers to Enter Food Hubs, Groceries,  
Restaurants and Cooperatives*



Cornell University  
Cooperative Extension



# BASKETS **to** PALLETS **Teaching Manual**

*16 Lesson Plans to Prepare Small and  
Mid-scale Farmers to Enter Food Hubs,  
Groceries, Restaurants and Cooperatives*

1<sup>st</sup> Edition  
2016

Cover Design by Violet Stone  
Front Cover Photography (right) by Dan Kent, Kent Family Growers

# About

The ***Baskets to Pallets Teaching Manual*** contains a series of presentations, discussions, activities, videos and other teaching resources that an agricultural service provider can adapt and tailor to local farmer audiences. The Manual incorporates two Case Study Farms, based on an actual produce and livestock farm currently operating in NY. Over the course of the Training, various Units examine the two farms from different angles, enabling trainees to understand real-life management, production, and promotion strategies through the lens of ‘wholesale’ marketing.

The Lesson Plans may be taught in sequence over the course of a two-day training, or excerpted for a series of shorter workshops. Companion teaching resources such as powerpoint presentations, videos, and additional handouts are available online. To request access, visit <http://smallfarms.cornell.edu/projects/wholesale/> and fill out the user request form.

## Target Audience

The Lesson Plans in this Manual are intended for an audience of small and mid-scale farmers in New York and the Northeast *who have been primarily direct marketing* but who are seeking to explore wholesale markets, specifically groceries, food hubs, restaurants or cooperatives.

## Acknowledgements

The Baskets to Pallets Training Manual was produced by the Cornell Small Farms Program, Northeast SARE (Sustainable Agriculture Research and Education) and Cornell Cooperative Extension. Additional funding was provided by the Beginning Farmer and Rancher Grant Program (National Institute of Food and Agriculture, U.S. Department of Agriculture, under award number 2015-70017-22882) and the Local Economies Project, an initiative of the New World Foundation.

# Table of Contents

## Training Introduction

Preface: Consumer Trends & the Demand for Local

## Module 1: Soft Skills

1.1 Mission and Vision: The Compass Charting Future Success

## Module 2: Marketing

- 2.1 Choosing & Evaluating Marketing Channels
- 2.2 Building Relationships with Buyers
- 2.3 Communication in the Wholesale Channel
- 2.4 Collaborative Marketing

## Module 3: Business Management

- 3.1 Assessing Business Strengths and Weaknesses
- 3.2 Assessing & Managing Human Capital
- 3.3 Record Keeping for Wholesale Enterprises
- 3.4 Decision Making

## Module 4: Production

- 4.1 Uniformity, Consistency and Scheduling
  - a. Produce
  - b. Livestock
- 4.2 Labeling, Grading and Packaging
- 4.3 Record Keeping

## Module 5: Food Safety

- 5.1 Introduction to Produce Safety
- 5.2 Food Safety Risks on the Farm
- 5.3 Meeting Your Market's Produce Safety Requirements

# Authors & Contributors

Project Coordinator		Curriculum Videographer	
 <p><b>Project Coordinator</b> <b>Violet Stone</b> Program Coordinator, Cornell Small Farms Program. NY State Coordinator, NE SARE</p>	 <p><b>Farmer Buyer Video Series</b> <b>James Monahan</b> CALs Cooperative Extension Area Specialist</p>		
Soft Skills Module			
 <p><b>Unit 1.1 Soft Skills</b> <b>Author: Bobbie Severson</b> Extension Associate and Program Leader, Charles H. Dyson School of Applied Economics and Management, Cornell University</p>			
Marketing Module			
 <p><b>Unit 2.1 Market Strategies</b> <b>Author: Matt Leroux</b> Ag. Marketing Specialist Cornell Cooperative Extension of Tompkins Cty</p>	 <p><b>Unit 2.2 Building Relationships with Buyers</b> <b>Author: Cheryl Thayer</b> Ag Econ Devel. Specialist, Cornell Cooperative Extension, Harvest NY Team</p>		
 <p><b>Unit 2.3 Communicating in the Wholesale Channel</b> <b>Author: Jim Manning</b> Farm Business Management Educator, Cornell Cooperative Extension of Oneida County</p>	 <p><b>Unit 2.4 Collaborative Marketing</b> <b>Author: Laura Biasillo</b> Ag Econ Devel. Specialist, Cornell Cooperative Extension of Broome Cty</p>		
 <p><b>Marketing Module Reviewer</b> <b>Reviewer: Challey Comer</b> Chief of Staff at NYS Department of Agriculture &amp; Markets - NYS Department of Agriculture &amp; Markets</p>			

## Business Management Module



### Unit 3.1 SWOT Analysis and Unit 3.4 Decision Making

**Author: Steve Hadcock**

Beginning Farmer & Market Development, Cornell Cooperative Extension of Albany County



### Unit 3.3 Human Capital

**Author: Bob Weybright**

(formerly) Agricultural Business Development Specialist, Cornell Cooperative Extension, ENY Commercial Horticulture



### Unit 3.4 Keeping Records

**Author: Jesse Strzok**

Production Economics Specialist, Cornell Cooperative Extension, ENY Commercial Horticulture

## Production Module



### Unit 4.1a Uniformity, Consistency & Scheduling (Produce) & Unit 4.4 Field Records

**Author: Crystal Stewart**

Regional Vegetable Specialist, Cornell Cooperative Extension Eastern New York Commercial Horticulture Program



### Unit 4.1b Uniformity, Consistency & Scheduling (Livestock)

**Author: Rich Taber**

Grazing/Ag Econ Development Specialist, Cornell Cooperative Extension of Chenango Cty



### Unit 4.2 Grading, Sorting, and Labeling

**Author: Meg Burley**

Farm Business Management Educator, Cornell Cooperative Extension of Erie County

## Food Safety Module



### 5.1 Intro to Produce Safety | 5.2 Food Safety Risks on the Farm | 5.3 Meeting Your Market's Needs

**CoAuthor: Gretchen Wall (left)** Coordinator, Produce Safety Alliance, Cornell University

**CoAuthor: Elizabeth Bihn (right)** Director, Produce Safety Alliance, Cornell University



# Case Study Farms: Introductions

## *Produce Case: Stick and Stone Farm, Ithaca NY*

Chaw Chang and Lucy Garrison are the owners and managers of Stick and Stone Farm, an organic vegetable farm in Tompkins County just outside of Ithaca. Chaw began farming in 1996, a year after his friends had established a farm on rented property in Enfield, NY. He moved the operation to its current location in 2003. For the first several years, Chaw sold mainly to farmers markets in the area, often four or five days a week, but eventually he decided it was not worth the time spent traveling to and sitting at the markets selling directly to customers. Therefore, he began to engage in more and more wholesaling, first to local restaurants like Just a Taste or Renee's, and eventually to cooperatives and food stores like Wegmans.



Chaw and Lucy currently sell to Regional Access, Greenstar and Finger Lakes Farms, among other smaller buyers, and only need to spend about four hours a week marketing. Instead of using social media for their business, they distribute a weekly newsletter to their wholesale customers describing current products and prices. Wholesaling has allowed Stick and Stone to diversify their market, giving them greater flexibility with the types of crops they grow and any surplus they might have at the end of a growing season. Over the years, they have gained experience with many types of vegetables, adapting to market volatility by experimenting with different crop varieties such as napa cabbage, beets, and squash, among a multitude of others.

Although the farm no longer follows GAPS guidelines, Chaw and Lucy take precautions to ensure that their food is safe for consumption; they pay great attention to drainage issues and sources of manure fertilizer which could pose health problems. They have been very successful in collaborative marketing, and are members of the Full Plate Collective, an LLC partnership that brings together different farmers growing various crops to provide diverse shares for the 600 members of the CSA. The Collective allows the participating farms to share not only risk, but also knowledge, resources, and customers.

Stick and Stone Farm currently brings in about \$300,000 of gross revenue, 35% of which is from the Full Plate Collective; another 35% comes from wholesaling, and selling to farmers markets brings in an additional 15%. While they have had to overcome difficulties with transportation scheduling, surplus produce, and buyer reliability, Chaw and Lucy have been very successful in finding markets for their products and diversifying what they grow so they can continue to make a profit and provide their customer base with an array of well grown organic vegetables.

## *Livestock Case: Great Northern Farm, Lebanon NY*

Rich Taber, of Great Northern Farm and Meadow Raised Meats, runs a retail and wholesale pasture-based poultry/livestock business with his wife, Wendy, on their farm in Lebanon, NY. Since Rich bought the farm in 1980, he has dabbled with several different types of livestock including beef cattle, dairy replacement heifers, and sheep, but in 2013 he and Wendy combined their agricultural endeavors and, shortly after, were married. They now raise beef cattle,



sheep, heritage turkeys, laying hens, and broilers, most of which is marketed directly either online through their website, meadowraisedmeats.com, or on-site at the farm by appointment. They also do engage in wholesaling, mainly for their sheep, which are picked up and slaughtered by wholesale buyers. They hope to wholesale a greater portion of their livestock in the future, especially beef cattle. In addition, Wendy sells her products directly at the Regional Market in Syracuse. About 80-90% of the business's gross revenue is derived from retail, while wholesaling accounts for the rest of their profits. They bring in about \$100,000 of gross revenue annually, but as they do most of the farm work themselves, they incur very low labor costs. Rich and Wendy have extensive contacts across the northeast and the Metropolitan area, and have a large market with specialty grocery stores in the New York City/New Jersey area. Although they are not certified organic, they engage in many organic and sustainable farming practices, and have found no shortage of markets for their products. This spring, they plan to raise hogs and possibly meadow raised veal calves, further diversifying the types of livestock raised on the farm. While their livestock business is very successful and profitable; Rich and Wendy are making sure to enjoy their lives in the 165-acre farm as well; as Rich puts it, "our professions, livelihoods, lifestyle, and interests all blend into an odyssey of rural living and fulfillment."

# MODULE 1: SOFT SKILLS

# MODULE 1: SOFT SKILLS

## UNIT 1.1: Mission and Vision: The Compass Charting Future Success

### UNIT OVERVIEW

*Soft skills can be described as interpersonal skills that characterize how people relate to one another. They are a mechanism by which we navigate change. Change is constant and provides new opportunities for businesses in the way they conduct business and the markets they serve. For business owners, managers, and employees, change can create feelings of anxiety or euphoria. Soft skills are the emotional intelligence to manage change. Developing business mission and vision statements are other tools to manage change. When developing these statements it is appropriate to identify the personal values and goals of the owners and management team. Personal values influence how individuals both view and interact with the world around them. When incorporated into mission and vision statements, personal values help align the lifestyle goals of the business leadership team with the goals of the enterprise.*

This module provides a framework to identify personal values and goals that will lead to the creation of business mission and vision statements. These statements are tools that clarify the purpose of the present business and the desired state of the future business. These statements are useful when branding the business, describe the culture of the enterprise and can be a useful tool in the hiring process. Mission and vision statements can reduce conflict in

the long run and when necessary prioritize the use of limited resources.

### MODES OF INSTRUCTION:

**WORKBOOK (60 minutes):** The workbook should be disseminated in advance of the training. The workbook consists of six tasks. The first task is a self-assessment of the farm's capacity to move from direct marketing to wholesale marketing. The remaining tasks to be completed provide an opportunity for program participants to identify values and goals that are important to constructing mission and vision statements. The workbook will provide some background and build familiarity with the topics addressed through the presentation.

**PRESENTATION VIA POWERPOINT (60 minutes):** The presentation discusses the importance of developing business vision and mission statements for a farm business moving from direct to consumer sales to wholesale markets. Important to the development of mission and vision statements is to understand the personal values and aspirations of the farm owners. Goals and strategies for the success of the farm business can then be developed to support the personal ambitions of the operators. The presentation allows opportunity for group discussion. A flip chart and markers should be available.

## **RESOURCES**

Ehmke, C. et. al. 2004. Developing Vision and Mission Statements. Department of Agriculture Economics. Purdue University. West Lafayette, IN. EC-720. May.

## **LEARNING OBJECTIVES**

### **CONCEPTS:**

- Moving from direct marketing to wholesale marketing has risks.
- Personal values and lifestyle goals should be considered when making changes in a business.
- Goals need to be S.M.A.R.T.

- Mission statements focus on the present state of the business and vision statements focus on the desired future state.
- Analysis of resources available and the capacity of people to support a business scaling to sell in wholesale market channels is appropriate.

### **SKILLS:**

- Identify personal values
- Identify lifestyle goals
- Create mission and vision statements
- Assess readiness to move into wholesale market channels

# SOFT SKILLS WORKBOOK

*for the instructor and the farmer*

## TABLE OF CONTENTS

Task #1. Hands-on assessment, “Is Wholesale Marketing for Me?”

Task #2. The Hats We Wear

Task #3. Identifying Personal Values

Task #4. Defining Our Goals

Task #5. Developing the Business Mission Statement

Task #6. Developing the Business Vision Statement

## 1. HANDS – ON ASSESSMENT: IS WHOLESALE MARKETING FOR ME?

*Directions: Read each of the following statements. Circle yes, no or unsure. Total up the number in each column. For those marked unsure – what action needs to be taken or information that needs to be found in order to check the box ‘yes’.*

	QUESTION	YES	NO	UNSURE	What info needs to be found, or action taken to check the box “Yes”?
1	Will I have sufficient quantity of product to sell into wholesale market channels?	YES	NO	UNSURE	
2	Do I have access to capital to scale up to sell into wholesale market channels?	YES	NO	UNSURE	
3	Do I have access to labor to scale up to sell into wholesale market channels?	YES	NO	UNSURE	
4	Do I have access to a sufficient land base to scale up to wholesale market channels?	YES	NO	UNSURE	
5	Am I willing to produce quality products to industry standards?	YES	NO	UNSURE	
6	Can I predict with reasonable certainty the quantities and harvest dates for delivery of each of my products?	YES	NO	UNSURE	
7	Would I prefer that someone else market my product to the end user?	YES	NO	UNSURE	
8	Can I trust that the wholesaler will give me good information about what the market wants?	YES	NO	UNSURE	
9	Can I trust that the wholesaler will give me the best price in the market on any given day?	YES	NO	UNSURE	
10	Am I willing to keep up with seasonal fluctuations and offer products that my customers want?	YES	NO	UNSURE	
11	Am I willing to follow stringent post-harvesting handling practices?	YES	NO	UNSURE	
12	Am I willing to grade and pack my product at the farm?	YES	NO	UNSURE	

					Additional information needed to check "Yes."	
13	Am I willing to become FSMA/GAPS compliant?	YES	NO	UNSURE		
14	Am I willing to forego the retail prices I receive through direct marketing?	YES	NO	UNSURE		
15	Can I be price competitive in a wholesale market channel?	YES	NO	UNSURE		
16	Am I willing to allow someone else to market my product?	YES	NO	UNSURE		
17	Do I have the ability to develop a relationship with someone else to sell products produced on my farm?	YES	NO	UNSURE		
18	Am I willing to contact buyers for appoints, meet with them, and take free samples to build credibility?	YES	NO	UNSURE		
19	Am I willing to be persistent in finding new buyers?	YES	NO	UNSURE		
20	Am I willing to accept rejection from a buyer?	YES	NO	UNSURE		
21	Can I get my products to market on time?	YES	NO	UNSURE		
22	Am I willing to drive an hour or more to deliver product to a facility for resale?	YES	NO	UNSURE		
23	Am I willing to develop additional procedures required by the market such as bar or QR codes?	YES	NO	UNSURE		
24	Am I willing to give up face time with my customers, the end-users of my products?	YES	NO	UNSURE		
25	Am I willing to accept that my farm name may not be on the point of purchase materials?	YES	NO	UNSURE		
26	Do I know my competition?	YES	NO	UNSURE		
27	Can I identify existing gaps in the marketplace?	YES	NO	UNSURE		
28	Am I willing to take very low prices for products that are not top quality?	YES	NO	UNSURE		
29	Am I willing to identify buyers and develop secondary outlets (processing/lower-end) markets a year in advance of production?	YES	NO	UNSURE		
30	Am I willing to drive in the very early hours of the day to deliver my products?	YES	NO	UNSURE		
31	Am I willing to explore partnerships with processors to gain access to the marketplace?	YES	NO	UNSURE		
32	Am I willing to explore membership in a cooperative to expand access to the marketplace?	YES	NO	UNSURE		
	<b>SCORE:</b> <ul style="list-style-type: none"> <li>➤ <i>Less than 16, direct to consumer sales continues to be best option;</i></li> <li>➤ <i>16 to 21, working towards wholesale;</i></li> <li>➤ <i>22-28 ready for wholesale market channel</i></li> </ul> <b>TOTAL:</b>					

Adapted from:

Brumfield, Robin, G. 2005. To Market, To Market: A Workbook for Selecting Market Options and Strategies for Agricultural Products. Rutgers Cooperative Research and Extension, New Jersey Agricultural Experiment Station, New Brunswick. January.

## 2. THE HATS WE WEAR:

What hats do you wear?

On any given day farm operators wear many hats...manager, weed or insect specialist, marketer, hand laborer, veterinarian, facilities designer, or labor supervisor. Farm operators are also spouses, parents, partners, in-laws, friends, and community leaders. Some roles and the responsibilities associated with them change through time. The hats one wears provide insights into understanding who one is and what one wants to do or accomplish in their lives. The combination of roles one plays are what makes each person unique. The roles individuals play are where they will make their greatest contributions and where they gain most self-satisfaction. One can feel satisfaction by what one does and how it makes him/her feel. Understanding the roles that one plays helps one to understand what they value. Roles and priorities will change through time.

### TASK #2. LIST AND RANK YOUR HATS

*Suggested directions: List your roles. Rank the roles in order of importance (thumbs up...so-so...thumbs down). Use another piece of paper.*

CASE STUDY: Spouse, teacher, farmers, marketer, sales person, mechanic, agronomist, bookkeeper, community leader

<p>HATS WORN AT HOME:</p> <ol style="list-style-type: none"><li>1.</li><li>2.</li><li>3.</li></ol> <p>HATS WORN IN THE COMMUNITY</p> <ol style="list-style-type: none"><li>1.</li><li>2.</li></ol> <p>(continue on another piece of paper)</p>	<p>HATS WORN IN THE BUSINESS:</p> <ol style="list-style-type: none"><li>1.</li><li>2.</li><li>3.</li><li>4.</li><li>5.</li><li>6.</li></ol> <p>(continue on another piece of paper)</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### 3. IDENTIFYING PERSONAL VALUES:

What are personal values?

Values are standards or beliefs. They are the way “one views the world.” Consciously or unconsciously, they influence behavior and how one approaches his or her life. They influence lifestyle choices, business strategies and decisions. They define what is important. The values held by one person may not be equally valued by another in the same business or family. Awareness of shared values held by each person in the business will make goal setting easier. Addressing differing values in the present will reduce conflict in the future. The common values shared by all or agreed upon by all persons involved in the business can provide the foundation for a business ‘values’ statement.

#### TASK #3. LIST YOUR VALUES

*Suggested directions: Each person involved in a leadership position within the business should complete this section. Similar values from each person completing the section can be used as a value statement for the business. If writing a list is difficult, write down what it means to be a ‘successful’ wholesale farm business or when recalling a critical turning point in your life, what values guided you through that decision process? Or consider answering the questions, when my life is over what would I be glad to have accomplished and what would I have wanted the business to accomplish? Use another piece of paper if necessary.*

#### CASE STUDY:

- Respect for each other’s’ skill sets
- Once animals get in your blood, you can’t get them out
- Focus on providing an natural environment for livestock to develop at their own pace and foods that their bodies are built to utilize
- We do things that go along with sustainable agriculture, cover crops, crop rotations, that sort of thing.

#### MY PERSONAL VALUES:

#### 4. DEFINING OUR GOALS:

Goals describe what one wants to accomplish. A goal defines what one wants to do and values illuminate why one chooses to invest resources needed for achievement. Goals describe the 'what' and the 'who.' Values describe the 'why.' Goals can be economic, environmental, and social or community oriented. Clearly defined goals not only motivate what one or ones family or business partners want to accomplish, they can also motivate and inspire. They can help mitigate conflict and help to direct limited resources when necessary Goals do not describe the 'how.' **The 'how' is identified through the business plan.**

#### TASK #4. WHAT ARE YOUR PERSONAL GOALS?

*Directions: Each person involved in a leadership position within the business should complete this section. Think about the roles that one plays. In each of those roles, what does one hope to accomplish? What does success look like? One can think about economic or financial goals, environmental goals, and family/social/community goals.*

##### **Goals need to be: S.M.A.R.T.**

- SPECIFIC – Who is involved? What is to be accomplished? Where will it be accomplished?
- MEASURABLE – How many? How much? How do I know when it is accomplished?
- REALISTIC/REWARDING – Must be an objective worthy of the time and effort
- ATTAINABLE – What are the skills I have or need to be successful? What are the small steps for success?
- TIMELY/TANGIBLE – What are the deadlines to complete smaller objectives towards the larger goal?

<p>CASE STUDY:</p> <ul style="list-style-type: none"> <li>• "Slow down and smell the roses of rural living."</li> </ul>	<p>CASE STUDY (For the business):</p> <ul style="list-style-type: none"> <li>• Less direct marketing</li> <li>• More wholesale marketing</li> </ul>
<p>FOR MYSELF:</p>	<p>FOR MY/OUR BUSINESS:</p>

## 5. DEVELOPING THE BUSINESS MISSION STATEMENT:

Mission statements reflect the business in the present. Mission statements tend to be posted on the wall of the farm office or the break area. The mission statement can be part of brand development and used on promotional materials for customers, the community, and potential employees. The statement should be no more (less is better) than 5 or 6 short statements, in a positive, active voice, general in content and short in length.

### TASK #5. Developing a mission statement

*Directions: Answer the questions below. Weave the answers into one or more sentences to create a mission statement.*

<p><b>CASE STUDY:</b></p> <p>What is the present purpose? ANSWER: Produce humanely raised birds and animals.</p> <p>What are the primary objectives of the owners? ANSWER: Live on the land and enjoy a rural lifestyle.</p> <p>What is the objective to serve customer needs? ANSWER: Provide top quality foods</p> <p>How do you get to where you want to go? ANSWER: Produce high quality grass and pasture.</p>	<p><b>CASE STUDY MISSION STATEMENT:</b></p> <p><b><i>“The mission of Great Northern Farm is to produce grass and pasture-based, humanely raised birds and animals to provide top quality foods for our customers and for us to live on the land and enjoy a rural lifestyle.” – Rich and Wendy</i></b></p>
<p><b>WHAT IS THE PRESENT PURPOSE?</b></p> <p><b>WHAT ARE THE PRIMARY OBJECTIVES OF THE OWNERS?</b></p> <p><b>WHAT IS THE OBJECTIVE TO SERVE CUSTOMER NEEDS?</b></p> <p><b>HOW DO YOU GET TO WHERE YOU WANT TO GO?</b></p>	<p><b>THE MISSION OF _____ FARM BUSINESS IS:</b></p>        

## 6. DEVELOPING THE BUSINESS VISION STATEMENT:

The vision statement helps to communicate the goals of the farm to employees and management. It can serve as a foundation for or stimulate strategic decision planning. It should be 1) concise – able to be easily remembered and repeated; 2) clear – defines the primary goal; 3) future oriented – describes where the farm business is headed, rather than its current state; 4) stable – offers a long term perspective and unlikely impacted by external forces; 5) challenging – attainable but not easily achieved or discarded (when achievement is easily attained or when the goal is insurmountable); 6) abstract – general enough to encompass all of the interests of the business; and 7) inspiring – motivates employees and owners towards something that is desirable.

### TASK #6. Developing a vision statement

*Directions: Answer the questions below. Weave the answers into one or more sentences to create a vision statement.*

<p><b>CASE STUDY:</b></p> <p>What are the values important to the owners? ANSWER: Live a rural lifestyle.</p> <p>What is the reason for the existence of the business? ANSWER: Farm utilizing sustainable agriculture principles to harvest excellent quality crops.</p> <p>What will the business look like when it achieves success? ANSWER: Provide a good return for our efforts</p> <p>Who will be involved? ANSWER: Rich and Wendy and their retail customers.</p>	<p><b>CASE STUDY VISION STATEMENT:</b></p> <p><b><i>“The vision of Great Northern Farm is that for the years to come we will live and farm in an ecologically-based manner using commonly accepted principles of Sustainable Agriculture, providing us with a good return and allow us to live a rural lifestyle while providing excellent quality products for our retail customers.” – Rich and Wendy</i></b></p>
<p>WHAT ARE THE VALUES OF THE OWNERS?</p> <p>WHAT IS THE REASON FOR THE EXISTANCE OF THE BUSINESS?</p> <p>WHAT WILL THE BUSINESS LOOK LIKE WHEN IT ACHIEVES SUCCESS?</p> <p>WHO WILL BE INVOLVED?</p>	<p>THE VISION OF _____ FARM BUSINESS IS:</p>

# MODULE 2: MARKETING

# MODULE 2: MARKETING

## UNIT 2.1: Choosing & Evaluating Marketing Channels

### UNIT OVERVIEW

Marketing channels have different levels of performance based on 6 factors. The unit discusses channel performance and assessment. Informed decision making based on channel assessment methods leads to improved returns, less labor and/or great enjoyment of marketing work.

### MODES OF INSTRUCTION

POWERPOINT/PRESENTATION (30 MINUTES)

The powerpoint will discuss the factors of channel performance as well as the method and reason for measuring them.

### LEARNING OBJECTIVES

#### CONCEPTS

- The 6 main factors of channel performance
- Why channel assessment pays off
- How to improve channel performance

### SKILLS

- How to conduct a market channel assessment

### RESOURCES

- Guide to Marketing Channel Selection: How to Sell Through Wholesale and Direct Marketing Channels:  
<http://smallfarms.cornell.edu/files/2014/07/Guide-to-Marketing-Channel-1ib5phn.pdf>
- Evaluating Marketing Channel Options for Small Scale Fruit and Vegetable Producers: Case Study Evidence from Central New York.  
[http://publications.dyson.cornell.edu/outreach/extensionpdf/2009/Cornell\\_AEM\\_eb0903.pdf](http://publications.dyson.cornell.edu/outreach/extensionpdf/2009/Cornell_AEM_eb0903.pdf)
- Marketing Channel Assessment Tool (MCAT) Benchmark Performance Metrics  
<http://publications.dyson.cornell.edu/outreach/extensionpdf/2014/Cornell-Dyson-eb1413.pdf>

# MODULE 2: MARKETING

## UNIT 2.2: Building Relationships with Buyers

### UNIT OVERVIEW

*This unit highlights principles of marketing as they relate to building and maintaining relationships with wholesale buyers. Included in this unit is a PowerPoint presentation identifying the key steps in relationship building, best practices, as identified by Stick and Stone Farm, and two videos depicting the buyer/grower relationship. Also provided are instructions for a role-playing activity.*

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (20 MINUTES)

This presentation will foster a better understanding of the best practices associated with building and maintaining relationships with wholesale buyers. Stick and Stone Farm is interwoven throughout the PowerPoint to further emphasize best practices as identified by a farm that has successfully built many wholesale customer relationships. Educators are encouraged to read the Stick and Stone Farm background information prior to presenting this material.

Two videos have been designed specifically for use in this section. One is a video highlighting the relationship between Wegmans, a regional grocery store chain, and Blackman Farm Homestead, one of their farm partners. The second video highlights the relationship between Fisher Hill Farm and Headwater Food Hub. The intention of both of these videos is to serve

as additional case studies that exemplify the general best practices and should be used as platforms to launch group discussions about what themes arose from each video. Depending on the amount of time you have allotted to this section and the market landscape of your region (i.e. it may not make sense to show the food hub video if there isn't a food hub in your region to sell to). You may choose to show one, or both of these videos.

#### ROLEPLAYING ACTIVITY (10 MINUTES)

During this activity, farmers will be asked to split into groups of 3-4 people. Tips on how to initially approach wholesale buyers is provided for the groups to review. Two volunteers will be asked to simulate the initial call between a farmer and potential buyer. The audience should be prepared to offer feedback about the pros and cons of the exchange.

### LEARNING OBJECTIVES

#### CONCEPTS

- Best practices for building wholesale customer relationships

#### SKILLS

- Tips on how to approach a wholesale buyer
- Learn no no's in wholesale buyer relationship building
- Observe best practices in action and identify areas for improvement

## UNIT 2.2 Roleplay Activity *for the instructor and farmer*

### OVERVIEW

*Being able to effectively build relationships with buyers is critical to the success of a farmers' ability to sell through wholesale market channels. Once a farmer has identified possible wholesale buyers, the first step is making the connection, which often begins with a phone call. Cold-calling is something that gives many people a certain amount of anxiety. The best way to prepare for a cold call is to practice, practice, practice! If unrehearsed, cold calls can result in a lack of interest on the buyer's part in doing business with a particular farmer. Remember that first impressions count.*

### DIRECTIONS

Break into groups of 3-4 people and review the "Tip Sheet for Buyer Outreach Cold Calls". Discuss best practices for a farmer to use when reaching out to a new buyer, given lessons learned from the PowerPoint that's just been reviewed. Ask for two volunteers to participate in a roleplaying activity, one being the farmer and one being the buyer. Following lessons learned and the tip sheet, the farmer should initiate a call to the buyer.

The buyer can either be a restaurant, grocery store or food hub, but it's safe to assume that the buyer in this case is interested in source-identified farm products. The buyer is not capable of doing on-farm picks, which means that the farmer has to assume responsibility of getting the product to the end market. The audience should listen to the conversation and be prepared to highlight best practices and identify areas for improvement.

### TIP SHEET FOR BUYER OUTREACH COLD CALLS

#### *Tips for the Initial Call*

- Research the buyer in advance of the call
- Practice your elevator speech prior to picking up the phone. Note: An elevator speech is a clear, brief message or "commercial" about you. It communicates who you are, what you're looking for and how you can benefit a company or organization. It's typically about 30 seconds, the time it takes people to ride from the top to the bottom of a building in an elevator.<sup>1</sup>
- Ask to speak with the appropriate buyer
  - If calling a restaurant, you'll likely want to speak with the Chef or Sous Chef
  - If calling a grocery store, you'll likely want to speak with a department head, i.e. produce, meat, bakery, etc.

---

<sup>1</sup> <http://sfp.ucdavis.edu/files/163926.pdf>

- If calling a food hub or distributor, just ask who the best person to speak with would be about selling product
- Once you get the appropriate person on the phone, introduce yourself, ask if the buyer has time to chat. If so, deliver your elevator speech. If not, ask when a better time would be to call back.
- Determine if the buyer has an interest in working with a new farm partner
- If they don't, leave contact information should their needs change. If they do, begin to talk about their needs and your needs, remembering Stick and Stone Farm's advice- price and logistics (delivery) are the two most important things to flush out during this initial call.
- Make a judgement call about how in depth you want to go on the first call. If the buyer is chatty and has lots of questions, be sure to answer them and engage in the dialogue. If they just want to have a brief chat, offer to follow up with a list of products you can provide and set up a time to talk further.
- End the conversation with a call to action, either an in-person meeting, an offer to send more information, a promise to follow-up in a certain amount of time, etc.
- Follow up!

*General No-No's in Wholesale Buyer Relationship Building:*

- Not following through with what you say you'll do
- Not having a good quality product
- Exhibiting poor communications when problems arise

*General Tips for Keeping Buyers Interested*

- Cold call both new, active and previous customers
- Send out weekly newsletters and pricelists
- Rely on other marketing channels for additional promotion, i.e. grocery stores and restaurants that source identify. This is a great way to educate potentially new buyers on your farm product and quality.

# MODULE 2: MARKETING

## UNIT 2.3: Communicating in the Wholesale Channel

### UNIT OVERVIEW

Marketing communications in the wholesale context needs to address both communications to the consumer and communications to your wholesale partner. Different communications strategies will apply depending on whether your product is “source-identified” (i.e, whether it carries your brand. Communications to the intermediary (channel) may be technical and the emphasis is on accuracy, completeness and timeliness. The producer’s challenge may be to select an intermediary whose marketing communications are consistent with the producer’s goals. In the case of source-identified wholesale, communications through the channel to the end-consumer need to convey the qualities and values embodied in the product “from a distance”, i.e, without the benefit of direct contact.

In each case, the means of communication (brand assets, websites, social media, etc.) need to be deployed appropriately to accomplish the producers’ goals.

### MODES OF INSTRUCTION

#### POWERPOINT PRESENTATION (30 MIN)

The presentation walks the farmer through communication best practices, marketing tools and how to develop a brand.

### LEARNING OBJECTIVES

#### CONCEPTS:

- Difference between anonymous and source-identified marketing
- Best practices for communicating with a wholesale buyer
- Marketing tools such as social media and websites
- Difference between regulatory labels and labels to add value

#### SKILLS:

- How to make a Sell Sheet
- How to develop a brand for your product
- How to choose appropriate labels for your product

#### DISCUSSION QUESTIONS:

1. What product or service benefits do you as a producer have to offer your wholesale customer?
2. Do you have an established brand presence for your product or service? If so, what are the pros and cons of working with a wholesaler in your case?
3. Review the sell sheets in the powerpoint presentation and discuss what key features the producer is communicating.

## UNIT 2.3 Supplementary Resources *for the instructor and farmer*

### Marketing Communications – Additional Resources Branding

- Small Food Brands, Big Successes: [www.nytimes.com/2015/08/26/dining/start-up-food-business-changing-appetites.html](http://www.nytimes.com/2015/08/26/dining/start-up-food-business-changing-appetites.html)
- Farmers' Market Federation of NY – Marketing Course Materials: [www.nyfarmersmarket.com/request-course-materials/](http://www.nyfarmersmarket.com/request-course-materials/)
- Reputation as your brand – Henehan (Smart Marketing newsletter): <http://agribusiness.dyson.cornell.edu/SmartMarketing/pdfs/henehan2-05.pdf>
- How to create a great sell sheet: <http://gredio.com/blog/how-to-make-a-sell-sheet-for-your-food-business/#.VwsD-xMrKRt>

### Free media

- National Sustainable Agriculture Coalition FARM (Farm and Agriculture Resources for Media) <http://sustainableagriculture.net/blog/nsac-announces-the-farm-and-agriculture-resources-for-the-media-farm-project/>

### General

- Wisconsin Local Food Marketing Guide: [http://datcp.wi.gov/uploads/Business/LocalMarketingFoodGuide\\_1\\_16.pdf](http://datcp.wi.gov/uploads/Business/LocalMarketingFoodGuide_1_16.pdf)
- Marketing Local Food – Minnesota Institute for Sustainable Agriculture (Intermediate Marketing chapter): [www.misa.umn.edu/prod/groups/cfans/@pub/@cfans/@misa/documents/asset/cfans\\_asset\\_299652.pdf](http://www.misa.umn.edu/prod/groups/cfans/@pub/@cfans/@misa/documents/asset/cfans_asset_299652.pdf)

### Wholesale marketing case studies

- Grassfed Livestock Alliance – by affiliating with the Alliance producers “outsource” many communications requirements: [foodshedguide.org/cases/grassfed-livestock-alliance/](http://foodshedguide.org/cases/grassfed-livestock-alliance/)
- Organic Valley – well-known marketing cooperative provides branding as well as market access and other benefits of scale: <http://foodshedguide.org/cases/cooperative-regions-of-organic-producer-pools/>
- Red Tomato - HBS Case Study: <http://tinyurl.com/hbrredtomato>

### Value Chains

- USDA Report: Moving Along the Value Chain – Innovations in Regional Food Distribution <http://tinyurl.com/usdavaluechain>

## **Labeling (Regulatory)**

- New York State Food Labeling: [www.agriculture.ny.gov/fs/pdfs/fsi514.pdf](http://www.agriculture.ny.gov/fs/pdfs/fsi514.pdf)
- US Food & Drug Administration Food Labeling Guide: [www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm2006828.htm](http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm2006828.htm)([www.fda.gov/downloads/Food/GuidanceRegulation/UCM265446.pdf](http://www.fda.gov/downloads/Food/GuidanceRegulation/UCM265446.pdf))
- USDA Food Safety & Inspection Service: [www.fsis.usda.gov/shared/PDF/Labeling\\_Requirements\\_Guide.pdf](http://www.fsis.usda.gov/shared/PDF/Labeling_Requirements_Guide.pdf)

## **Labeling (Value-added)**

- Specialty Food Association - 36 food labels you should know: [www.specialtyfood.com/news/article/36-food-labels-you-should-know/](http://www.specialtyfood.com/news/article/36-food-labels-you-should-know/)

# MODULE 2: MARKETING

## UNIT 2.4: Collaborative Marketing

### UNIT OVERVIEW

*This unit will emphasize the collaborative marketing of agricultural products and outline considerations for collaborative marketing in terms of logistics, farm mission/vision, and how farms cooperate to ensure quality. Farmers will learn about the importance of understanding what collaborative marketing is, how wholesale buyers view it, and how to gauge if it fits within the farm's vision for expansion of marketing channels. The Unit contains a presentation on collaborative marketing, a hands on activity to illustrate collaborative marketing considerations, and a group discussion activity of role-playing scenarios related to collaborative marketing.*

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (30 MINUTES)

This presentation will enable understanding of collaborative marketing in the greater scheme of marketing to a wholesale buyer. Through a case study example farmers will be able to relate concepts introduced in the presentation.

**HANDS-ON ACTIVITY #1: Collaborative Marketing Checklist (40 MINUTES)**  
During this activity the farmers will have the opportunity to explore logistical and

personality related aspects to collaborative marketing in order to make a decision as to whether they would like to pursue it.

#### HANDS-ON ACTIVITY #2: Role Play Scenarios (15 MINUTES)

This activity will enable the farmers to understand the importance of the group dynamic in collaborative marketing, as well as common issues which may arise, including food safety, quality control, financing, etc...

### LEARNING OBJECTIVES

#### CONCEPTS

- What is collaborative marketing?
- Why, how, & when this fits best in a wholesale channel
- Common challenges in collaborative marketing

#### SKILLS

- How to identify personal and logistical farm-based criteria for collaborative marketing
- How to identify potential collaborative marketing partners
- What to put into a contract

## UNIT 2.4 Presentation Outline *for the instructor*

*This powerpoint/presentation will enable understanding of collaborative marketing as a potential way to enter wholesale without totally committing to all aspects, through the introduction of concepts and then applicability to a farm case study.*

### **PRESENTATION OUTLINE: Collaborative Marketing**

- a. (Slide 3) What is collaborative marketing
- b. (Slide 4-5) Who, Why, What, When & How of collaborative marketing
  - a. When is it the best fit
  - b. Importance of Documentation
  - c. Formalizing the relationship
- c. (Slide 6) Examples/types of collaborative marketing
  - a. Collaborating around product, transportation, aggregation, point of sale
- d. (Slide 7) How to Set up Successful Collaborative Marketing Relationships
  - a. What do you bring to the table?
  - b. What do you value?
  - c. Need to understand who your ideal & target customers is/are
- e. (Slide 8) Responsibility of Marketing
- f. (Slide 9) Case study with Stick & Stone farm
- g. (Slide 10) Group exercises (can do one or both – depending on group interest)

## UNIT 2.4 Hands-on Activity #1: Checklist & Contract

*Understanding how a farm's values and current business operations fit within collaborative marketing is imperative to whether the farm should move forward with collaborative marketing. This checklist will help farms decide whether collaborative marketing is for them.*

**PREPARATION TIME:** 5 Min | **ACTIVITY TIME:** 40 Min

### **PREPARATION AND MATERIALS**

1. Break farmers into groups of 3-4 each (depending on class size)
2. Instruct each group to pretend they are exploring collaboratively marketing a specific product (or type of products) to a grocery store.
3. Ask each group to work through the following two collaborative marketing worksheets: A) Checklist for Evaluating Collaborative Relationships and B) Green Acres Collective Farmer Questionnaire (15 minutes)
4. Then, instruct the groups to see how they could structure a contract that would make all the farms happy by filling out worksheet C) Collaborative Marketing Contract for Green Acres Collective (10 mins)
5. Have farmers come back as a group and then talk about common challenges or points of discussion among the group.

## Worksheet A: Checklist for Evaluating Collaborative Relationships

### Marketing:

- Who is responsible for marketing the product(s) within the group and once it leaves?*
- How will my product be marketed?*
- Will my product retain it's identity?*
- Labels?*
- How will my product be displayed?*

### Transportation:

- Who is responsible for transportation of product(s)?*
- When is liability assumed?*
- When is product required to be delivered?*

### Reimbursement:

- What price can I expect to get for my product(s)?*
- How will I be reimbursed?*
- When will I be reimbursed?*

### Types of Products, Amounts, Timing, etc...

- What types of product(s) are looking to be purchased/sold?*
- How much?*
- How often would delivery occur?*
- Am I the only provider of this type of product? Are there competitors?*
- Any food safety or other certification requirements?*

### Alignment of farm mission, values, personality

- Does this farm/business mission, values, personality align with mine?*
- Am I comfortable being confrontational when necessary?*
- Is there adequate financing (either human or \$\$) to keep the group going until \$\$ comes in?*

### Where will Products be sold?

- Farmers Market stand*
- Farm store*
- Health food store*
- Restaurant Menu*
- Grocery Store*
- Through a food hub*
- Through a distributor*

### How will products be sold?

- Consignment*
- Outright purchase*
- Am I locked into selling for a certain period of time?*
- What recourse does either partner have to back out of agreement?*

### Risk Management:

- Insurance Requirements?*
- Dispute Resolution methods*
- Responsibility for losses/damage*
- Does proper storage exist for products to maintain quality?*

## Worksheet B: Green Acres Collective Farmer Questionnaire

Green Acres Collective is currently seeking additional farm partners. Please fill out this questionnaire so that we can learn more about you and evaluate your fit with our group.

### Contact Information:

Farm Name: \_\_\_\_\_

Farmers Names: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

County: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Website: \_\_\_\_\_

Social Media: \_\_\_\_\_ (Facebook)

\_\_\_\_\_ (Twitter)

\_\_\_\_\_ (Pinterest)

\_\_\_\_\_ (Instagram)

### Number of Acres:

\_\_\_\_\_ Fruit

\_\_\_\_\_ Vegetables

\_\_\_\_\_ Pasture

\_\_\_\_\_ Managed woodlot

\_\_\_\_\_ Other (please specify): \_\_\_\_\_

### Number of Years Farming (for each farmer named above):

Please describe the history of your farm, including the year founded, the evolution of the operation, length of tenure on current land, and the past experience of each farmer:

Do you have a farm mission and vision statement? \_\_\_ Yes \_\_\_ No

If yes, please share either/both here: -

---

---

Current Markets:	
Market Type	Approx. % of Sales (must sum to 100%)
Farmer's Markets	
CSA	
Wholesale	
Other:	
Other:	

Do farm owners actively work on the farm? YES NO

Full Time Staff #: \_\_\_\_\_

Wage Range: \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Part Time Staff #: \_\_\_\_\_

Wage Range: \$ \_\_\_\_\_ - \$ \_\_\_\_\_

Unpaid Interns #: \_\_\_\_\_

Do you use other forms of labor on the farm (WWOOF, H2A, etc.)? YES NO

If yes, please explain:

**What other benefits are provided to farm workers (housing, food, health insurance, retirement, etc.)?**

**How would you best describe the growing practices on the farm? What, if any, certifications do you have?** (Eg. Certified Organic, Naturally Grown, Fair Trade, Certified Humane, Animal Welfare Approved, Biodynamic, etc.)

**Do you utilize season extension techniques? Please explain which and for what products/varieties.**

**Do you routinely test water (annually)?**

**Do you store product in a cooler? Do you keep a temperature log?**

**Do you wash produce before packing?**

**Where do you pack product (field pack, pack house)?**

**Do you have a food safety plan?**

**Does the farm have any food safety certifications (GAP, HACCP, etc.)?**

**For meat producers: Where do you process your meat? Is it a USDA certified facility?**

**Do you use a 20C kitchen? Or do you operate under home exemption?**

**Would you welcome visitors and Green Acres Collective farmer members onto your farm for scheduled visits? YES NO**

**What products are you hoping to sell through the Green Acres Collective?**

<i>Are you interested in or currently able to supply any of the following items:</i>				
<i>Check each column as applicable</i>	Able to Supply	Interested	Varieties	Seasonal Availability
Grassfed beef				
Grassfed lamb				
Pastured pork				
Pastured chicken (meat)				
Pastured chicken (eggs)				
Annual vegetables				
Annual fruits				
Perennial fruits				
Storage/Winter crops				
Early spring crops				
Dry beans, grain, corn				
Dairy/Cheese				
Fermented/Preserved foods				
Honey/Maple				
Prepared Foods				
Baked Goods				
Flowers				
Other:				
Other:				
Other:				

## Worksheet C: Collaborative Marketing Contract for Green Acres Collective

\_\_\_\_\_ (Farm A) and \_\_\_\_\_ (Farm B) agree to enter into a collaborative marketing relationship to sell \_\_\_\_\_ (product 1), \_\_\_\_\_ (product 2), and \_\_\_\_\_ (product 3) to \_\_\_\_\_ (famous grocery store). \_\_\_\_\_ (Farm A) agrees to provide \_\_\_\_\_ (acres, pounds, pallets, bushels, quarts, etc... - pick one) at a price of \_\_\_\_\_ (\$x/unit) and \_\_\_\_\_ (Farm B) agrees to provide \_\_\_\_\_ (acres, pounds, pallets, bushels, quarts, etc... - pick one) at a price of \_\_\_\_\_ (\$x/unit). \_\_\_\_\_ will be responsible for all marketing aspects of the products, including speaking with potential buyers, etc.... \_\_\_\_\_ ( \_\_\_\_\_ ) will be responsible for transportation of the product to \_\_\_\_\_ (grocery store). \_\_\_\_\_ ( \_\_\_\_\_ ) will be responsible for safe (food safety-wise) storage of the product until it is transported to the buyer. Each farm must supply proof of the following: \_\_\_\_\_ (product liability insurance \$\$), \_\_\_\_\_ (proof of food safety plan -y/n), \_\_\_\_\_ (proof of GAPs/HACCP - y/n), \_\_\_\_\_ (certified kitchen/other). Liability for the product is assumed at the point of \_\_\_\_\_ (farm drop off at store, farm drop off with partner farm, other). Product guarantees will be provided to the buyer \_\_\_\_\_ (yes/no).

## UNIT 2.4 Hands-on Activity #2: Group Role Play

*Collaborative marketing is based almost exclusively on relationships and a high degree of trust among partner farms. There are common challenges which arise when groups are working together in this type of atmosphere: quality control, food safety, financing, etc... These role plays will help the group think through potential solutions and then brainstorm as a larger group on other ideas.*

**PREPARATION TIME:** 5 minutes | **ACTIVITY TIME:** 15-20 minutes

### PREPARATION AND MATERIALS

1. Using the table below, make a copy of each challenge and approach separately (so a group can look at one without seeing the other).
2. Divide farmers into groups of 4 and give each a copy of one of the problems.
3. Have small group discussion about each of the problems and potential approaches (10 minutes)
4. Have each group share out their proposed approaches to see how they match with the provided (but not only) answer (3-5mins/group)
5. Have larger group share any additional thoughts on approaches and process (5 mins/group)

### Collaborative Marketing: Problem Scenarios

<p><b>Scenario 1: Matching the needs of the buyer with the capacity of the collaborative</b></p> <p>Marketing as a farmer group has the advantage of increasing the supply of product, but it has the disadvantage of increasing the scale of mistakes. The collaborative could run into a misalignment of what the buyers want and what the collaborative has available.</p>
<p><b>Scenario 2: Inadequate post-harvest handling</b></p> <p>A collaborative marketing group could wind up with a lot more product than their storage can handle. When products are aggregated, temporary storage capacity (dry, refrigerated, or frozen) has to be able to keep up.</p>
<p><b>Scenario 3: Variability in certification and credentials</b></p> <p>Some farms in the collaborative may be certified for organic labeling, food safety credentials, or other designation. With multiple certification programs, the “least common denominator” may drive what the group can accomplish.</p>
<p><b>Scenario 4: Lack of money: Small farm marketing collaborations need to spend money to develop the collaboration fully.</b></p> <p>There are expenses related to changes in production practices (e.g. more mechanized equipment), storage (e.g. new cold storage units), and staffing (e.g. coordinator).</p>

Turn page for answer key >>>>>

## Collaborative Marketing: Proposed Approaches

### **Scenario 1: Matching the needs of the buyer with the capacity of the collaborative**

Designate one of the collaboration members as a communications coordinator. Their duty is to stay in touch with buyers regarding product availability, timing, transportation, and other logistics. The coordinator of communications needs to know what the buyer is expecting and work with the other farms to meet the expectations. If the collaborative may fall short, then the communications lead needs to handle that right away with the buyer.

### **Scenario 2: Inadequate post-harvest handling**

Long before harvest, establish several options for storage of larger quantities of farm products anticipated by the collaborative. The cooling, packing and storage facilities can be centralized to one farm or rented from another business or entity. Make sure that security and sanitation are maintained.

### **Scenario 3: Variability in certification and credentials**

Documents and operating agreements should include specific expectations of maintaining whichever certifications the collaborative will use for marketing. For example, if the collaborative has a food safety certification standard, the consequences of one of the collaborating farms losing those credentials should be clarified in writing. Certifications need to be consistent among all participating farms.

### **Scenario 4: Lack of money: Small farm marketing collaborations need to spend money to develop the collaboration fully.**

Develop an enterprise budget with thoughtful figures about how much money needs to be spent each month. All collaborators should have a chance to review, edit, and eventually agree on the expense projections for the expected duration of the venture. Some expenses to anticipate include: \$ Labor – coordination, bookkeeping, recordkeeping, marketing, communications, quality control, transportation and delivery. \$ Equipment and supplies – cooling, washing, packing, and product handling. \$ Building – use of storage, rental, construction expenses. \$ Management – compensation for leadership roles, consulting, and legal & accounting fees. In most cases, the funds for the collaboration expenses will be shared by the participating farms. Efforts to obtain grants and other incentives incur new expenses for grant administration and reporting.

# **MODULE 3: BUSINESS MANAGEMENT**

# MODULE 3: BUSINESS MANAGEMENT

## UNIT 3.1: Assessing Strengths and Weaknesses

### UNIT OVERVIEW

*A good understanding of the current business environment (internally and externally) is necessary to move a business forward. One method to gain this insight is to conduct a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.*

This Unit covers the concepts to successfully conduct a SWOT analysis. Presentation, self-analysis tools, self-reflection and group discussions will be key to facilitate the Unit

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (20 MINUTES)

This presentation will introduce key concepts shared during this section, to establish a foundation upon which to build meaning.

#### SELF ASSESSMENT (5 MINUTES)

Determining knowledge/skill level of key person (people) is important to learn if the business is making a transition. Does the key person (people) already have knowledge/skills for a smooth transition?

#### GROUP DISCUSSION (20 MINUTES)

Peer learning is an important tool to help participants derive meaning out of some activities.

#### WORKING INDIVIDUALLY (10 MINUTES)

Allow participants an opportunity to start work on some activities while able to ask instructors for clarity.

### LEARNING OBJECTIVES

- Gain an objective and extensive assessment of the current business.
- Identify skills participants are competent and comfortable in.
- Identify skills needed to grow or delegate to another in the business.
- Evaluate the appropriateness of wholesale marketing for the business.

### RESOURCES

- Appendix A – F are available for download at <http://smallfarms.cornell.edu/projects/wholesale/b2p>
- USDA SWOT Analysis Brochure: [http://www.rma.usda.gov/pubs/2011/swot\\_brochure.pdf](http://www.rma.usda.gov/pubs/2011/swot_brochure.pdf)

## UNIT 3.1: Instructor's Notes

### OVERVIEW

To assist a farmer to evaluate a new business strategy (i.e., wholesale marketing), some information about the current status/health of the business is necessary. What is working in the business? What barriers/issues are holding back farm growth?

A comprehensive view of the farm business is beneficial to examining what is happening. One method that is popular at this time is looking at the **Strengths, Weaknesses, Opportunities and Threats** the business faces.

The purpose of this Unit is to empower participants with confidence to complete a SWOT analysis for their business. Not all the factors necessary to complete a SWOT analysis successfully will be covered in this unit. Other factors that should be considered in a SWOT analysis (i.e., production, market channels, etc.) are covered in other Units in the Teaching Manual. This Unit will also help farmers to determine how they wish to evaluate the Strengths, Weaknesses, Opportunities and Threats they have. While not an exhaustive discussion of SWOT analysis, this Unit will develop a firm foundation and hopefully motivate participants to conduct a more thorough SWOT in the future.

### **PRESENTATION: INTRODUCTION TO SWOT ANALYSIS Presentation** (5 Minutes) (No PowerPoint)

- Brief discussion of what a SWOT analysis is and how to conduct it.
- Ask participants if they are aware of SWOT analysis.
- Ask if they have conducted a SWOT analysis before.
- What was their experience doing it?

If none are aware of or conducted a SWOT analysis, the instructor can highlight some key parts from the resources listed in this section.

Strengths and Weaknesses are in general an internal evaluation of the business. The first three activities of this section help participants learn, in part, to identify the strengths and weaknesses of their business.

### **GROUP DISCUSSION: SKILLS/KNOWLEDGE ASSESSMENT** (10 Minutes) (No PowerPoint)

One of the resources that bears assessment is the key person (or key people) in the business. If feasible, *it is recommended to send this assessment to participants at least two weeks prior to the date it will be taught. A copy of the assessment can be found in Appendix A.*

Fostering a group discussion about this may be difficult as people may not want to verbalize to

others their weaknesses. Gauge the comfort level participants have with each other and try. When facilitating discussion around this assessment, the instructor may ask several questions.

- What knowledge/skills/abilities do they possess (Strength)?
- What knowledge/skills/abilities might they need to enhance (Weakness)?
- Do I have the skills/knowledge to move to wholesale marketing?

**PRESENTATION: GAUGING THE FINANCIAL POSITION OF THE BUSINESS** (30 Minutes) (See PP presentation)

Any meaningful assessment of the financial position of a business requires the preparation of financial statements. In this exercise, balance sheets and income statements will be used. May be difficult to get through the bulk of this presentation in 10 minutes, depending on interaction with participants. Ideally want to leave time (20 minutes or so) to go through the exercise. There is not enough time to complete the exercise, but hopefully enough time for participants to see the value of using this method to create an income statement for their business.

### **PRESENTATION NOTES**

**Slide 3 (Question Mark):** Ask participants how they measure the financial health of their business. May answer:

- Benchmarking
- Financial Ratios
- Financial Goals
- Trend Analysis
- “Rules of Thumb”

**Slide 4 (Three Legged Stool):** Introduction to financial statements. Can think of the three statements as a “three legged stool.” In order to remain balanced on a three legged stool, need all three legs. Same for preparation of the financial statements. Each statement completes a different part of the financial health picture.

Description of each “leg:”

- Income statement will help you figure how profitable the business is.
- The balance sheet can help one know if have borrowed too much money (solvency) or if the business has financial resources to weather an unexpected loss in income (or unexpected expense) (liquidity).
- May have heard the term “will it cash flow?” One way to interpret this statement is that if I make a change in my business, will I generate enough income to cover any additional expenses I might have.

**Slide 5 (Relationship Between Financial Statements)**

- Cash income and expense is a place to start in construction of an income statement.

Income and expense values can come from financial record keeping system or a cash flow statement.

- To more accurately reflect profitability, adjustments in the change of assets and liabilities (from the balance sheet) is reflected in the Income Statement
- Profitability should be reflected in the net worth (what you own completely and debt free) whether it is positive or negative.

**Slide 6 (Financial Ratios):** Some of the best way to measure financial progress of a business is to compare information in current financial statements with established financial goals. A farm business could also look at several years' worth of financial statements to see if any trends can be identified. One more method for evaluation is to use some generally accepted financial ratios. Ratios have been developed for each of the five financial measures mentioned in the previous slide.

**Slide 7 (Setting the Stage for Financial Statement Preparation):** Having given an explanation of the importance of creating the financial statements and the use of financial ratios, it is now time to explain what is needed to prepare these documents. What is needed is:

**Asset and liability values** should be recorded as close to the beginning and ending of the accounting year as possible. Include only **farm** assets, liabilities, and any property or investment that generates returns included in farm income.

For calculating the financial performance ratios, farm assets should be valued at their current fair market value, minus any potential selling costs and income tax payments.

**Scheduled principal and interest payments** on term debt include interest and principal that will have to be paid during the next year on intermediate and long-term farm loans. Do not include operating or other short-term loans. For loans amortized on an equal annual payment schedule, simply use the total payment due in the next year. For other loans add the principal portion due in the next year to the amount of interest that will have to be paid. Also include any long-term lease payments for machinery and equipment (but not land) that will come due.

**Gross farm revenue** refers to total farm sales and miscellaneous farm income. Cash income should be adjusted to reflect changes in inventories of crops, livestock, and accounts receivable. Gross farm revenue does not include nonfarm income, loan funds received, nor income from sales of machinery, equipment, and real estate.

**Net farm income from operations** is the difference between gross revenue and total farm expenses, including interest and depreciation. **Farm capital gains and losses** is the difference between the selling price of any depreciable asset sold during the year and its adjusted basis (depreciated value).

**Interest expense** is equal to the cash interest paid plus or minus the change in the amount of accrued interest owed at the end of the year. **Depreciation expense** should be the same value as used on the farm income statement, whether calculated for income tax purposes or by other accounting methods.

**Nonfarm income, family living expenses, and income tax payments** can be estimated from personal records. Common farm wage rates in the community can be used to value **unpaid labor** and **management**.

**Value of Labor and Management** Many farm business owners/operators do not “pay” themselves a wage that represents accurately the value of the labor and management they contribute to the business. Ask participants to think about what would be the annual salary you would have to pay someone to replace them. Another way to look at determining this value is what salary they would expect to receive if they went to work for a similar farm business.

**Slide 8 (Introduce Example):** S&S Farm is a vegetable farm that has been in business for five years or so. They have graciously shared with us information to determine their net farm income and enough information to calculate some financial ratios for their business.

They have shared:

- Schedule F
- Beginning and Ending Asset Values
- Machinery Values
- Other information necessary to complete ratios

Appendix C contains the handouts necessary to complete this exercise. You should find in Appendix C:

- Schedule F, 1040 (Page 1)
- Year End/Beginning Balance for various assets (Page 2 & 3)
- Income statement worksheet (Page 4)
- Worksheet helpful on calculating ratios worksheet (Page 5)
- Partially completed Key Ratio Worksheet (Page 6)
- Completed Key Ratio Worksheet (Page 7 & 8)

A copy of the S&S Income Statement and Ratio Analysis Excel file is available in the Teaching Manual online resource portal at [www.smallfarms.cornell.edu](http://www.smallfarms.cornell.edu). Using the Excel file is an alternative to using slides 9-11.

**Slide 9 (Schedule F Example):** Ask participants to use the Schedule F asset listing to complete Income Statement Worksheet. They can work by themselves or with others to complete. Give them 5 minutes to work on this. Provide guidance as questions arise about how to complete the form.

**Slide 10 (Key Ratios Worksheet):** Show partially completed Key Ratio Worksheet and encourage participants to transfer information from the Income Statement to the Worksheet. Allow 5 minutes for this.

**Slide 11 (Completed Key Ratios Worksheet):** Distribute copies of the completed Key Ratios Worksheet. Lead a brief discussion with participants. What ratios look like the business is “good to go?” Are there any that may require more “caution?” Any that need to “stop” and examine quite closely? To make it easier to complete this task, an Excel spreadsheet is available to be shared with the participants. A copy of the spreadsheet will be located at the document repository for this curriculum.

**PRESENTATION: INFRASTRUCTURE/ASSET & MACHINERY ASSESSMENT (5 minutes) (No PP )**

Another activity to assist in obtaining a “360 degree view” of the business is an objective evaluation of the tangible assets of the business. This activity is only meant to introduce the participants to the concept of infrastructure/asset assessment. Two key components of the infrastructure of the farm business are part of this exercise. However, depending on the farm, other key assets should be evaluated as well. For example, an apple farm should evaluate the quality of their fruit trees. A livestock producer may evaluate the performance of breeding animals on the farm. Assessment of those types of assets may be done in other Modules of this course.

Ask a volunteer to suggest a piece of equipment (or a building) as an example to work through on one of the worksheets. Ask participants what other infrastructure/assets might they wish to evaluate for their business? Participants will hopefully share apple trees, perennial flowers, breeding livestock, etc.

Worksheets can be found in Appendix D: Building/Infrastructure & Machinery Evaluation

**PRESENTATION: OPPORTUNITIES/THREATS TO MOVE TO WHOLESALE MARKETS (5 minutes) (No PP)**

Opportunities and threats are in general an external evaluation of the business. This activity will elevate the awareness of participants on how to assess the opportunities and threats for their business.

To introduce this activity, share with participants how opportunities and threats (as part of a SWOT analysis) are characterized. Ask the participants first for examples of opportunities. Some examples you might get are: farm location, plenty of water, soils at the farm, etc. Ask the participants what are some examples of weaknesses. Some examples you might get are the weather, the economy, etc.

Share with participants that another method to assess opportunities and threats is to conduct an analysis of your competitors. Distribute the Competitor Analysis Worksheet. (Appendix E: Competitor Analysis Worksheet) Provide a brief orientation to participants on how they might use the worksheet.

**PRESENTATION: TYING IT TOGETHER – SWOT MATRIX (5 min) (No PP)**

Share the SWOT Matrix grid in Appendix F. Ask participants to start identifying some items to put on the matrix.

## **UNIT 3.1: Appendix A-F Table of Contents**

**Appendix A – F are available for download at**

**<http://smallfarms.cornell.edu/projects/wholesale/b2p>**

**APPENDIX A: SKILLS ASSESSMENT**

**APPENDIX B: FINANCIAL PERFORMANCE USING 5 MEASURES (Full document can be found at:**

**<https://www.extension.iastate.edu/agdm/wholefarm/pdf/c3-55.pdf>**

**APPENDIX C: RATIO ANALYSIS HANDOUTS**

**APPENDIX D: BUILDING/INFRASTRUCTURE & MACHINERY EVALUATION**

**APPENDIX E: COMPETITOR ANALYSIS WORKSHEET**

**APPENDIX F: SWOT GRID**

# MODULE 3: BUSINESS MANAGEMENT

## UNIT 3.2: Assessing and Managing Human Capital

### UNIT OVERVIEW

There are various components to making a decision that will have long term consequences for a business. In this section, identifying and clarifying what human based resources are needed, as well as clarifying those that are available. This will be used as part of the total business evaluation process to help make decisions as to what the current level of human capital can realistically consider for wholesale expansions, understand what the future need for human capital can be expected to be.

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (30 MINUTES)

This presentation will provide insight into the wide range of considerations when assessing human capital needs. There are a number of included worksheets that are meant to be used as a means of helping individuals begin to think in terms of their own businesses.

#### BUSINESS SELF ASSESSMENT (RECOMMENDED TO BE DISTRIBUTED AND COMPLETED PRIOR TO ATTENDING THIS SESSION)

This assessment is designed to begin asking all the necessary questions to clearly and objectively assess the realistic possibilities and opportunities when considering wholesale distribution.

#### HANDS-ON ACTIVITY #1: REVIEW SELF-ASSESSMENT (3 MINUTES)

This activity is intended to validate the self-assessment completed prior to the session. The primary objective is to encourage participants to begin looking realistically, objectively, and holistically at their business. Ultimately the desire is for a business to learn their strengths and manage to them, as well as understand where they need to manage for deficiencies.

#### HANDS-ON ACTIVITY #2: ORGANIZATION STAFFING WORKSHEET (3 MINUTES)

This activity will begin the process of clearly identifying all staff of a business and what their function/responsibilities are

#### HANDS-ON ACTIVITY #3: BUSINESS NEEDS REVIEW (3 MINUTES)

This activity will begin the process of looking at what management functions that are directly related to personnel and staffing should be in place. The focus is to better understand where critical deficiencies may exist – develop a strategy to correct the problem.

#### HANDS-ON ACTIVITY #4: OUTSIDE/CONTRACTED STAFFING NEEDS (3 MINUTES)

This activity will provide a strategy to help participants identify ways to supplement their staff with other ways to complete all the identified skills without necessarily needing to hire additional staff.

## LEARNING OBJECTIVES

### CONCEPTS

- Does going into wholesale marketing make sense for my current business structure?
- Does going into wholesale marketing make sense for my lifestyle?
- What human capital is needed to enter wholesale marketing
- More clarity on how to decide if wholesale marketing is right for the business and how that will affect the people involved with the business

### SKILLS

- Enhanced decision making skills to choose a strategy for current and future business operations
- Learn to evaluate skills needed by personnel for successful business operations
- Learn to identify deficiencies in skills of personnel and develop a plan to train or obtain the necessary skills
- Begin understanding the technical and soft skills of managing personnel
- Develop a better understanding of the formal and informal layers of management in a business, develop strategies to better manage these resources

## UNIT 3.2: Instructor's Notes

*This PowerPoint/presentation will help to develop an understanding of what Human Capital is, why it is important to understand and actively manage for, as well as how it relates to other aspects of business operation and management*

### SUPPLIES

- Assessments, and blank charts as indicated in each section below
- Examples printed to handout of Organization Charts

### PRESENTATION OUTLINE: Assessing and Managing Human Capital

**Slide 3 (What is Human Capital?)** Explanation to help the participants begin understanding what comprises Human Capital

**Slide 4 (Why is Human Capital important):**

- Human Capital is company specific
- Human Capital is the foundation of any business's operations
- Human Capital is not an easy subject to deal with
- Human Capital should be dealt with on an individual and company specific basis

**Slide 5:** When broken down into smaller and sequential tasks, with simple and clear work sheets it becomes easier to begin understanding, assessing, and managing Human Capital. Also, look for other trainings and support organizations to help a company develop the necessary skills and understanding of Human Capital

**Slide 6:** Here the tasks are beginning to be broken down into the individual tasks identifying where a company is in understanding and management of Human Capital for the business

**Slide 7:**

 **Activity #1.** Introduce the Self-assessment that was sent out prior to the program.

- Discuss how this was meant to help a company understand the current situation and start to think holistically about the business. It should also be clarified that many of the considerations from the assessment are used in other parts of this program including financial statements, production, and selling.
- Be sure to explain that the provided assessment is but one of many resources available to help a business.
- Refer to the Risk Management tool referenced in module 3.1 as an example of another piece of material that could be used part of SWOT and here as well.

(Slide 8)

 **Activity #2.** Introduce the Organization Staffing worksheet

- Discussion should focus on what people and positions are needed to operate the business, both in the present and in the future when any growth or expansion plans are introduced
- Points to highlight here are that they roles and responsibilities may differ between Management making larger and more strategic decisions, Operations staff who are running the day to day and regular activities of the business, and outside advisors who most often supplement management.
- The focus of this slide and exercise is to begin developing an organization chart so that all individuals in a company are aware of their respective chain of command, which equates into job function. With the focus being clarity of work flow, becoming more efficient and able to explore additional business opportunities
- Distribute example organization charts (Appendix 3). Explain that there are many different formats easily accessible via Word, Excel, etc. What is important is not so much how it looks but that it make sense to the staff of the company and reflect the chain of command relationship

**Slide 9:**

 **Activity #3:** Introduce the Human Capital Needs worksheet and exercise to help participants to objectively understand and consider the many specific tasks it takes to effectively run a business.

- An advantage of using this form is any future training needs and estimated costs are simultaneously identified. This information can then be tied back and used in the financial assessment of the business.
- It is beneficial to clarify at this point in time that not having all knowledge or understanding of who or how some of these tasks are being completed is not unusual. That is a key reason for doing this type of activity is to learn where additional resources might be needed

**Slide 10:**

 **Activity #4:** Introduce the Contracted/External Services worksheet. This is the final step in clarifying what is being done and by whom.

- A key point is that it is possible to use outside resources to complete the skill set needed to run the business
- These outside resources can be considered permanent, or temporary depending on the future plans, strategy, and resources of the business.

**Slide 11:** The reason for all of the prior worksheets and assessments is to begin looking at what systems and processes are in place to run the daily operational and needs of the staff and personnel.

- Developing all the processes and procedures from scratch for a business can be daunting. It is important to look for supporting resources available to make this work manageable
- The Iowa State link is a great source of information to help with these tasks

**Slide 12 – 14:** Prior to presentation of this material the instructor should review what other resources and agencies are available to assist them. This would include the SBDC, University of Wisconsin Veggie Compass, UMN Risk Management, ATTRA, SARE, etc. It is advisable to review the material to be sure any referrals have current and relevant material related to this topic

- It is important to explain and make locally relevant what agencies and resources are available to minimize the level of work and effort to perform these activities
- Once completed they should be updated yearly to keep the work relevant and useful to the business
- Clarify when appropriate where any of the bullet points in these slides has been shared with other modules and aspects of the training curriculum

**Slide 15:** Summarize and tie any comments into questions and response of the participants throughout the module presentation

## **Activity #1: Self-Assessment** *for the instructor*

*A self-assessment of the company provides a foundation of knowledge as to where the business is both in terms of staff abilities, systems in place or needed, and where needs or deficiencies are present. Essentially this is the foundation of knowledge by which a company can better manage for their needs as well as manage to their strengths.*

**PREPARATION TIME:** 5 Minutes | **ACTIVITY TIME:** 3 Minutes

### **PREPARATION AND MATERIALS**

- Print and distribute the Assessment body as well as the instructions (Appendix 1)
- Mail material to program participants ahead of time for completion. Be sure to ask them to bring the material to the session

## **Activity #2: Organization Staffing Exercise** *for the instructor*

*Understanding what individuals are needed to operate a business, and what functions they perform is critical to provide management with a clear understanding of the present staffing and needs in the future. A review of who is doing what provides the company a foundation of understanding where the business is both in terms of staff abilities, systems in place or needed, and where needs or deficiencies are present. Essentially this is the foundation of knowledge by which a company can better manage for their needs as well as manage to their strengths.*

**PREPARATION TIME:** 5 minutes | **ACTIVITY TIME:** 3 minutes

### **PREPARATION AND MATERIALS**

- Print and hand out the Organization Staffing chart (Appendix 2)
- Encourage participants to begin filling in the boxes as they think of things as other modules in the training are presented. Acknowledge and let participants know that it may take some time and thought to be able to completely list who is responsible for what, and when.
- Any confusion or discussion around not knowing how to complete this worksheet should be validated as a positive benefit to the exercise

## **Activity #3: Business Needs Review** *for the instructor*

*Understanding what specific skills are needed to operate a business, and who will be performing them is critical to provide management with a clear understanding of where there may be any shortcomings in the business processes. A review of the specific skills as well as who is doing what provides the company a foundation of understanding where the business is both in terms of staff abilities, systems in place or needed, and where needs or deficiencies are present.*

*Essentially this is the foundation of knowledge by which a company can better manage for their needs as well as manage to their strengths.*

**PREPARATION TIME:** 5 minutes | **ACTIVITY TIME:** 3 minutes

#### **PREPARATION AND MATERIALS**

- Print and hand out the Organization Staffing chart (Appendix 4)
- Encourage participants to begin filling in the boxes as the rest of the training is presented as may take time and thought to be able to completely list who is responsible for what, and when.
- Any confusion or discussion around not knowing how to complete this worksheet should be validated as a positive benefit to the exercise

## **Activity #4: Outside Human Capital Needs Review** *for the instructor*

*This is a follow on sheet for activity 3. It is to begin clarifying where or how a business might supplement any needs or deficiencies identified as part of that exercise so that all aspects and needs to operate an effective and efficient business are covered. Understanding what specific skills are needed to operate a business, and who will be performing them is critical to provide management with a clear understanding of where there may be any shortcomings in the business processes. A review of the specific skills as well as who is doing what provides the company a foundation of understanding where the business is both in terms of staff abilities, systems in place or needed, and where needs or deficiencies are present. Essentially this is the foundation of knowledge by which a company can better manage for their needs as well as manage to their strengths.*

**PREPARATION TIME:** 5 minutes | **ACTIVITY TIME:** 3 minutes

#### **PREPARATION AND MATERIALS**

- Print and handout the Contracted/External Services Worksheet (Appendix 5)
- Encourage participants to begin filling in the boxes as the rest of the training is presented as may take time and thought to be able to completely list who is responsible for what, and when.
- Any confusion or discussion around not knowing how to complete this worksheet should be validated as a positive benefit to the exercise

## **UNIT 3.2: Appendix 1-5 Table of Contents**

Appendix 1 – 5 are available for download at

<http://smallfarms.cornell.edu/projects/wholesale/b2p>

### **APPENDIX 1:**

- Self-assessment

### **APPENDIX 2:**

- Organization Staffing Chart

### **APPENDIX 3:**

- Example Organization Charts (PP)
- Example Organization Chart (Excel)

### **APPENDIX 4:**

- Human Capital Needs

### **APPENDIX 5:**

- External Human Capital needs assessment

# MODULE 3: BUSINESS MANAGEMENT

## UNIT 3.3: Record Keeping for Wholesale Enterprises

### UNIT OVERVIEW

*An old adage “you cannot manage what you do not measure” is sound advice. In this section we emphasize various parts of business record keeping to manage wholesale farm operations. With a good record keeping system in place it will make it easier to conduct business as-well-as monitor and track how well (or not) the wholesale marketing enterprise is performing.*

### MODES OF INSTRUCTION

POWERPOINT/PRESENTATION (20-30 MINUTES)

This presentation will enable understanding of necessary records, record keeping, and options in the greater scheme of marketing to a wholesale buyer.

### LEARNING OBJECTIVES

#### CONCEPTS

- Transitioning records to include a wholesale channel
- What record keeping options exist for operations and marketing?
- How to separate and optimize wholesale from other market channels

#### SKILLS

- Minimal requirements for what records are needed to be kept for wholesale marketing
- Sales and prices records to have for marketing

- Insurance and food safety recommendations for wholesale operations

### INSTRUCTOR/PARTICIPANT RESOURCES

- BLS data  
[www.bls.gov/iif/oshwc/cfar0020.pdf](http://www.bls.gov/iif/oshwc/cfar0020.pdf)
- GAPs application  
[www.agriculture.ny.gov/rfps/GAP/GAP-Application.pdf](http://www.agriculture.ny.gov/rfps/GAP/GAP-Application.pdf)
- GAPs report  
[www.gaps.cornell.edu/documents/GAPs\\_report.pdf](http://www.gaps.cornell.edu/documents/GAPs_report.pdf)

### PARTICIPANT RESOURCES

- CenterPoint  
[www.redwingsoftware.com/rwssn/home.aspx/](http://www.redwingsoftware.com/rwssn/home.aspx/)
- Sage 50 (previously Peachtree)  
[www.sage.com/us/sage-50-accounting/](http://www.sage.com/us/sage-50-accounting/)
- QuickBooks  
<http://quickbooks.intuit.com/>
- Terminal Markets website  
[www.terminalmarkets.com/](http://www.terminalmarkets.com/)
- USDA market/pricing data  
[www.ams.usda.gov/market-news](http://www.ams.usda.gov/market-news)
- NOFA-NY market/pricing data  
[www.nofany.org/priceindex](http://www.nofany.org/priceindex)
- Veggie Compass  
[www.veggiecompass.com/](http://www.veggiecompass.com/)
- Richard Wiswall Farm Business  
<http://richardwiswall.com/>
- AgSquared  
[www.agsquared.com/](http://www.agsquared.com/)
- FINPACK  
[www.cffm.umn.edu/FINPACK/](http://www.cffm.umn.edu/FINPACK/)

# UNIT 3.3: Instructor's Notes

## POWERPOINT/PRESENTATION: Record Keeping for Wholesale Enterprises

### Slide 4 (A Transition to Wholesale Channels):

- As introduced earlier in the Business Management module, business and financial records are extremely important as “you cannot manage what you do not measure.”
- Detailed records for understanding the costs of production for each product make it necessary to help make decisions of which products to grow.
- Performing an analysis on profits and losses of the different farm enterprises and market channels on a regular basis with farm management will help keep the business running efficiently.
- Keep in mind many farmers grow and sell products knowing they are going to see a loss to help stimulate other more profitable goods.
- When keeping detailed records for the first time the results often tell a very different and interesting story than one might imagine.

### Slide 5 (Record Keeping):

- If your farm operated strictly with payment upon delivery of goods you likely did not accept or have “IOUs” (also referred to as accounts receivable) to “cash-in.”
- As your farm transitions into wholesaling you will likely enter new areas of record keeping.
- Although many record keeping options will help with different areas of farm management, the new wholesale accounts will likely require other options including invoicing and inventory management (AR aging reports etc.) not offered in many products.
- Lines of credit to customers (or providing loans) are likely to occur or become necessary for some clients.
- Accounts receivable (AR) is an accounting term which refers to money owed by customers in exchange for goods or services that have been delivered or used but not paid for (essentially the opposite idea of accounts payable or AP).
- In case you have forgotten – on the balance sheet the A/P often include your loans under current liabilities.

### Slide 6 (Record Keeping – A/R and Invoicing):

- On the balance sheet presented earlier in this module, AR was considered an asset.
- Most companies allow some portion of their sales to be on credit to frequent or special customers who are periodically invoiced.
- When your farm sells goods on credit your farm sets a term for its AR.
- A term is defined as the number of days given to honor the paying of the bill.
- Be very clear with length of the term and what actions will be taken if not honored in the agreed upon time limit.
- Take caution when supplying goods and services on credit and only supply reliable clients.
- Remember to follow up with the clients to ensure repayments.

### Slide 7 (Record Keeping Options): Many different options exist including:

- CenterPoint from Red Wing Software is suggested by Farm Credit East and allows for payroll, inventory management, balance sheets, cash flow, budgeting and farm specific per unit analysis. Farm Credit is available to help with using Center Point.
- Sage 50 (previously known as Peachtree) from Sage Software is intuitive and user friendly offering the necessary financial functions.
- QuickBooks from Intuit Inc. is frequently considered the easiest software for individuals without an accounting background and offers the necessary financial functions.
- Quicken Home and Business etc.

#### **Slide 8 (Farm Management):**

- Effective management of your farm depends on accurate measurement; records are not only for reporting taxes!
- Accurate financial records are necessary for both financial and operation performance, to apply for insurance or a loan, planning and valuation, etc.
- As your farm becomes more diversified by entering more market channels you should focus on what channels provide the greatest returns for each product.
- With detailed records you will easily be able to optimize your sales paths.

#### **Slide 9 (Strictly Management Record Keeping Options):**

- For whole farm management many systems already exist which you may already be using. These can be a good basis to start with before you add in the details your business needs. These include the following:
- Veggie Compass is a whole farm profit management system created by the University of Wisconsin-Madison and Jim Munsch, an organic farmer in Wisconsin ([veggiecompass.com](http://veggiecompass.com)). Based in Microsoft Excel, Veggie Compass has excellent training videos and a built-in user manual to help guide its user.
- Richard Wiswall's farm business management files from "The Organic Farmer's Business Handbook" are another option ([richardwiswall.com](http://richardwiswall.com)). The book includes a companion CD with enterprise budgets, payroll calculators, timesheet examples, and financial documents. Somewhat more in-depth and broader than Veggie Compass, Wiswall's spreadsheets also use Microsoft Excel. The book also provides advice on managing employees and operations, marketing strategies, business spending and investment.
- AgSquared is an online (cloud-based) farm planning, management and record keeping system ([agsquared.com](http://agsquared.com)). Covering everything from day-to-day operations, crop rotation, bed layouts, to future projections by being cloud-based you'll never lose your records!
- FINPACK from the Center for Farm Financial Management at the University of Minnesota ([cffm.umn.edu/FINPACK](http://cffm.umn.edu/FINPACK)) offers many additional resources such as farm financial and production benchmark information, business plans, and generation transition help.
- If adding in a new system it is beneficial to have your new and old programs able to easily transfer information from one to another, e.g., FINPACK has an accounting interface with QuickBooks.

#### **Slide 10 (Sales – Historic Records and Sales Records)**

- Keep a historical record of all the products you produced, planting and harvest dates, GDDs and GDUs, to be able to help forecast dates and yields when making contracts with buyers.
- Keep track of your sorted production numbers, i.e., Grade A, Grade B, U.S. No. 2, etc.

- Some purchasers such as restaurants who are going to further process the product don't want or need the highest grade.
- This can help you move more product.
- Have your farm's sales records and prices as well.
- Remember to update the prices to cover your costs.
- Keeping up on current prices, trends, and weather along with the other records at your beck and call will set you aside from many other growers and suppliers – be as prepared as possible.
- Have the quantities and prices you need to make it worth your time to make a sale/contract with a buyer.
- The ordering CANNOT be difficult for the buyer.
- Communication is extremely important not only verbally and physically as covered in other modules but also with all ordering sheets, software, etc. – all interactions.

#### **Slide 11 (Sales – Pricing)**

- The USDA's Agricultural Marketing Service provides daily price reports from terminal markets. A terminal market is central site for trading of commodities, often in a metropolitan area.
- Due to our unique location on the East Coast we have some of the world's largest terminal markets for agricultural commodities nearby.
- Hunts Point Cooperative Market in the Bronx covers 60 acres and is the largest terminal market in the world.
- The USDA reports daily prices which are accessible online via the USDA's website (with a little searching around) or TerminalMarkets.Com which publishes links to the reports.
- NOFA-NY has an additional price resource showing retail, wholesale and restaurant prices and ranges.
- Savvy growers should take these current market prices into consideration when pricing, discussing contracts, planning for the future, etc.
- A good use of these resources is to determine what is happening the world of produce prices. For our region in particular, the Hunts Point Market report is useful in that it gives a daily price range, usually posted each morning. A key reason to monitor these price resources is to verify that you are pricing your products properly and receiving the best price for your work and effort. Every year can see a wide range of prices as determined by early frosts, weather restricting trucking from the larger production areas, and disease pressures at the end of a growing season that may restrict or eliminate suppliers shipping across the country.

***The old adage in the produce world is – “You will get the highest price for the lowest quality and the lowest price for the highest quality as it relates to availability in early and late season!”***

#### **Slide 12 ( Sales – Risk and Insurance)**

- Businesses strive to minimize risk whether reputational and financial or other. Most purchasers require a considerable amount of liability insurance. I suggest having minimum coverage of between one and two million dollars and having as much as five to seven million dollars depending on your purchasers. Not all purchasers will require liability insurance; ask the purchasers what they require.
- The Bureau of Labor Statistics rates farming as one of the ten most dangerous occupations (<http://www.bls.gov/iif/oshwc/cfar0020.pdf>). Speak to your financial advisors to make sure you have the proper coverage for your farm covering the different entities and enterprises to minimize risk.
- If your business does not already have key person insurance policies it is something to look into.

### **Slide 13 (Food Safety and Traceability [1/2])**

- It is recommend all farms transitioning to wholesaling become GAPs certified as purchasers are demanding the certification and it can be considered a competitive differentiating factor.
- Not all purchasers require GAPs but the trend is towards some form of food safety certification.
- Your costs are likely to increase by becoming GAPs certified but this likely to be outweighed by the benefits.
- “Initial analysis of [...] data shows that there is a positive gain for investing in GAPs, regardless of farm size, meaning that money spent implementing GAPs results in larger returns despite the initial and on-going costs” ([http://www.gaps.cornell.edu/documents/GAPs\\_report.pdf](http://www.gaps.cornell.edu/documents/GAPs_report.pdf)).
- Most purchasers are demanding GAPs or other third party audits on the conditions of farms and processing facilities.
- Purchasers such as Hannaford and Wegmans currently offer financial assistance to help cover the cost of becoming compliant and paying for recurring audits.
- Contact your prospective wholesale purchasers to see if they offer assistance.
- NYS Department of Agriculture and Markets is also offering assistance through their NYS GAP/GHP Certification Assistance Program on a first-come, first-serve basis (<http://www.agriculture.ny.gov/rfps/GAP/GAP-Application.pdf>).

### **Slide 14 (Food Safety and Traceability [2/2])**

- Look into Chipotle, Colorado cantaloupes, and Peanut Corporation of America for food safety examples.
- The ability of a farmer to trace their product to the particular field, row, bed, date and time it was harvested, the harvester, etc. is being demanded by intermediate purchasers and end consumers.
- Traceability is important for consumers who want to know if the product is kosher, halal, vegetarian, organic etc.
- It is not only helpful for the grower to help diagnose, treat and clear of liability in the event of a problem but it can also help with business analysis.
- If you're looking for some place to start the International Organization for Standardization (ISO) has standards specifically for food. These standards cover everything from agricultural machinery, manufacturing to logistics, transportation, labeling, packaging and storage.
- We may eventually see consumers and the government demand entire food chain traceability. The most important part of traceability is building trust with the consumers who want to know what they are eating. Keep records at least as long as the normal expected life of the product. Please see the Food Safety module for more information on traceability.

### **Slide 15 (Putting It All Together)**

# MODULE 3: BUSINESS MANAGEMENT

## UNIT 3.4: DECISION MAKING

### UNIT OVERVIEW

*Any decision to make a change in a business requires some thought and reflection. The decision making process to determine what change should be made depends on the size and scope of the proposed change.*

*Unit 3.4 strives to provide concepts that will allow participants to apply some new methods to their decision making process.*

*Presentation, self-analysis tools, work-in-class and group discussions will be key to facilitate this Unit.*

### MODES OF INSTRUCTION

POWERPOINT/PRESENTATION (10 MINUTES)

This presentation will introduce key concepts shared during this section. To establish a foundation upon which to build meaning.

SELF ASSESSMENT (5 MINUTES)

This is optional, but may lead to the participants having a better understanding of their decision making style.

WORK-IN-CLASS (10-15 MINUTES)

Time is allotted in this module to explore and try one of the decision making methods outlined in the presentation.

### LEARNING OBJECTIVES

- Ability to identify and appraise which proposed change will enhance the farm business.
- Understand that the magnitude of the proposed change will influence the decision making process used.

### INSTRUCTOR RESOURCES

- Estimating Retail Market Potential, Univ. of Maine, <https://extension.umaine.edu/publications/3012e/>

### PARTICIPANT RESOURCES

- Ag Decision Maker, Iowa State Univ. <https://www.extension.iastate.edu/agdm/decisionaids.html>

## UNIT 3.4: INSTRUCTORS NOTES

### PRESENTATION/POWERPOINT: MAKING THE DECISION TO LEAP

The PowerPoint presentation is used as a guide for the time for this module. There is one point to pause to let the participants start to learn what their decision making skill is, but not enough time to complete.

It is suggested to move as quickly through the slides so the majority of the time (15-20) minutes may be devoted to experimenting/using one of the decision making tools shared in this module. Facilitators should provide guidance and support to participants by answering questions about the application of the suggested methods.

Share the last slide in the PowerPoint presentation near the end of the time devoted to this module. It allows for a summary and final thoughts about this module.

At the end, mention that there are other tools that may assist students in making various decisions for their business. See <https://www.extension.iastate.edu/agdm/decisionaids.html> for pertinent decision making aides from Iowa State University

**Slide 3 (Question Mark)** The intent of this slide is to make participants aware that decision making is an everyday occurrence. Show only the first bullet – “How many does the average adult make each day? Allow participants to offer guesses. Then show what research suggests how many are made in one day. Some decisions are easy. Some are harder to make.

**Slide 4 (Risk vs Rewards)** Several factors influence how easy or hard a decision is to make. A decision that has high probability of a great reward with little risk will be fairly straight forward to make. A decision that has high reward, but greater risk will be harder to make. Can you live with the negative consequences if you guess wrong?

**Slide 5 (Question Mark)** To set the stage for discussion on decision making styles, ask participants how they make decisions. Are they able to share what factors/criteria they use to make a decision?

**Slide 6 (One Size Does Not Fit.....)** How we approach making a decision is influenced by our “decision making style.” There is not enough time to allow participants to learn about their predominant style, but could give them some time to start thinking about it. Appendix A contains the “My Decision-making Style” instrument.

The four styles are:

1. Sequential
  - Need lots of specific information, the details of what’s being asked, instructions on the best way of doing things, evidence that particular procedures work best, and steps for doing the task correctly.
2. Logical

- Want the specifics, but more than that they want reasons, defensible positions, and a clear understanding of the possible results of the different choices.
3. Global
    - Want to explore all the possibilities. This process includes what exists as well as that which can be imagined. They need the specifics, but more than that they need a feeling of “fit,” of elegance, of an expanded and more inclusive view of what’s possible.
  4. Personable
    - Need lots of specific information, good problem definitions, and the sharing of other people’s experiences. But even more than that they need to explore their own and other people’s feelings about the decision(s) being faced.

**Slide 7 (The Process)** Since different decisions may require different decision making processes AND we each have our own style, we use a different decision making process for each decision we make. While time does not allow us to explore and share a wide variety of decision making tools, the next three slides display three different tools that can be used in slightly different decision making process.

**Slide 8 (Decision Making Grid from Market Channel Analysis):** Appendix B is a copy of the grid. This grid is helpful in assisting making a decision about market channels. Ask the participants, what instances might they use this tool to make a decision about marketing?

**Slide 9 (Pros vs Cons Method of Decision Making):** Appendix C is a copy of the handout. This tool uses a more “qualitative” method to evaluate possible changes to the business. The proposed alternative is stated at the top. An example of how to start to use this decision making tool is included in the slide presentation.

The user then generates criteria (i.e., sell product to more wholesale customers) to evaluate the proposal.

There is space for the user to write down for the given criteria how the proposal supports (or is good for the business) the criteria in a favorable way.

They can also write down how the proposal does not support (or is not good for the business) the criteria in a favorable way.

Take a moment to field questions to make sure participants grasp how to use this decision making tool.

**Slide 10 (Decision Making Worksheets):** Appendix D is a copy of the decision making tool. Appendix E contains worksheets to help users with this decision making tool.

This decision making tool is offered for instances where a variety of factors need/should be considered when making a major change in a business. It should be pointed out that it is not necessary to use each section (i.e., production) in this tool.

This tool uses the stoplight metaphor to provide guidance to the user in the decision making

process. For each section, there will be several prepared statements to think about and evaluate. There is also room for you to write in other factors they wish to evaluate.

If the statement favorably supports implementing the proposed change, students should choose a “green light.” This means that they can move on to evaluate other statements in this and other sections.

If more information is needed to determine if what is stated supports (or not) the proposed change, use some “caution.” This may mean further analysis, gaining more information or talking to others before making a final determination about this statement.

A “red light” is an indication that one should stop and give the factors in the statement closer scrutiny. After closer examination, this “red light” may change to a “green light” once additional information is attained.

Take a moment to field questions to make sure participants grasp how to use this decision making tool.

**Slide 11 (Summary):** Needing to gauge the risk vs reward of decisions will impact the time necessary to make a decision.

“Filling the Tool Box” - Attempted to give participants ideas on what they may be able to use to help them make a decision for their business.

One size does not fit all – there are various tools that can be used.

May want to mention that there are other tools that may assist them in making various decisions for their business. The Supplementary Resource listing in this Unit contains a listing or pertinent decision making aides.

## UNIT 3.4: Appendix A-E Table of Contents

Appendix A – E are available for download at

<http://smallfarms.cornell.edu/projects/wholesale/b2p>

**APPENDIX A:** DECISION MAKING STYLE INVENTORY

**APPENDIX B:** MCA GRID

**APPENDIX C:** PROS VS CONS METHOD OF DECISION MAKING

**APPENDIX D:** DECISION MAKING WORKSHEET

**APPENDIX E:** DECISION MAKING SUPPLEMENT HANDOUTS

## UNIT 3.4: Supplementary Resources *for the farmer*

### Decision Making Resources for Farmers

- Marketing Outlet Analyzer – Assists in learning what market outlet is most profitable. <https://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-32.pdf>
- Value-Added Processing Start-up Costs - <https://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-113.pdf>
- Motor Vehicle Cost Analyzer - Use this decision tool to calculate ownership and operating costs for a vehicle per mile and per year. <https://www.extension.iastate.edu/agdm/crops/pdf/a3-40.pdf>
- Complete List of Decision Tools - <https://www.extension.iastate.edu/agdm/decisionaidsall.html>

# MODULE 4: PRODUCTION

# MODULE 4: PRODUCTION

## UNIT 4.1a: Uniformity, Consistency & Scheduling (Produce)

### UNIT OVERVIEW

This unit will emphasize some of the specific concerns and practices related to producing uniform vegetables for the wholesale market. Participants will learn about the importance of managing crops from seeding through harvest with uniformity, efficiency, and top quality in mind. The unit includes a short PowerPoint presentation highlighting management considerations that particularly important for wholesale production. A hands-on activity involves using a case study of one farm couple's journey from CSA farming and farmers' markets to wholesale production to brainstorm opportunities and challenges of this move.

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (20 MINUTES)

This presentation will help participants understand what production considerations deserve special attention when considering moving from retail to wholesale production. Information provided is meant as a broad overview.

#### HANDS-ON ACTIVITY (10 Minutes)

Using the case study and information from the powerpoint, Discuss in small groups

what production changes Chaw and Lucy will have to make to change to wholesaling storage carrots. How does this change compare to the changes that would be necessary for a crop such as broccoli?

### LEARNING OBJECTIVES

#### CONCEPTS

- Understanding of the importance of uniform scheduling of both planting and harvest
- Understanding of the impact cultural practices have on product uniformity
- Understanding of role post-harvest handling has on storability and quality

#### SKILLS

- Ability to choose a crop which the farm has the capacity to wholesale effectively and economically
- Ability to identify and implement key scheduling and cultural activities which will ensure timely delivery of the proper volume of top-quality produce

## UNIT 4.1a: Case Study: Scaling up with Wholesale Carrots

### *for the instructor and farmer*

Chaw Chang and Lucy Garrison of Stick and Stone Farm are certified organic vegetable farmers in Ithaca, NY. Stick and Stone Farm currently grosses \$300,000 annually. They provide about half the vegetables to the Full Plate Collective, a multi-farm CSA which serves 500 summer members and 300 winter members. They also sell produce to Regional Access and Fingerlakes Farms (regional distributors) and Greenstar Cooperative (a natural foods store) among other smaller buyers in NYS.

About 15 years ago, Stick and Stone were primarily direct-marketing via four farmers' markets per week. Eventually, Chaw realized he could not justify the huge amount of time spent transporting product and selling it to directly to customers at some of the markets. In 2001, he decided to devote more time to wholesaling to increase volume of sales without drastically increasing time spent marketing. Rather than hiring more people, he decided to drop the two slowest markets and focus on the two more profitable ones, while increasing wholesale production.

This Case Study steps back in time to take a closer look at Chaw and Lucy's decision making process as they diversified their marketing strategies to begin serving groceries, distributors and food hubs.

Stick and Stone started by wholesaling smaller quantities of a variety of their more durable crops such as bunched kale, winter squash, and root crops. Each crop needed to be assessed separately. One primary crop to examine was carrots. They identified a food hub and a couple of small grocery stores which purchased  $\frac{1}{4}$  acre (5,600 pounds) of storage carrots.

Chaw, who handles much of the marketing, looked at historical wholesale prices for organic carrots to make sure the proposed price of \$1.00/lb was reasonable. According to the USDA organics pricing, it was. Next, he and Lucy sat down with their previous enterprise budget for carrots to determine whether or not this price will allow them to make a profit. They already grew  $\frac{1}{4}$  acre of carrots, so planned to double production while reducing labor per acre due to increased efficiency from the economy of scale. Chaw says "It's much quicker to pick hundreds of bunches, or heads of lettuce than having to pick 20 heads of lettuce and then 20 bunches of greens and then move on to something else. That's especially true for our farm because it's scattered over several fields within a mile of each other."

The profit margins were slimmer than before, since they were charging \$2.00/lb for winter carrots at farmers' market and \$1.50/lb as part of the winter CSA boxes, while they received \$1.00/lb wholesale. However, marketing costs would drop dramatically. There weren't really any additional costs associated with marketing wholesale, since all carrots are stored in similar perforated plastic bags after washing, and in bins prior to washing. Crunching the numbers to include efficient labor and a good harvest, Lucy's wholesale enterprise budget (attachment 1) told them they should be able to gross \$5,600 and net about \$3,200.

**EXERCISE #1:** Discuss in small groups what production changes Chaw and Lucy will have to make to transition to wholesaling storage carrots. How does this change compare to the changes that would be necessary for a crop such as broccoli?

## **Record keeping:**

Chaw and Lucy decided not to pursue GAPS certification. This limits their ability to sell to chain stores, but they felt (and still feel) confident that their markets are strong enough without them. Chaw says “So far, we haven’t been limited by customers, we’ve been limited by how much we grow.” Therefore, record keeping is based primarily on maintaining a good crop rotation for the health of the farm and on business management related records to make sure the projections on profitability are accurate.

Chaw and Lucy used, and still use, excel spreadsheets to keep track of seeding and harvest dates as well as crop rotation, but they are also considering switching to a database system such as [Ag Squared](#) or [Farm Produce Manager](#).

As they grew, Chaw and Lucy really needed to look at their expenses carefully so that they could maximize efficiency. Up to this point they had not completely broken down labor and equipment costs to grow each crop, instead measuring success by the ability to provide an abundant, diversified share to members each week; being able to sell the rest at farmers’ market; and making a profit at the end of the year. They had labor numbers for an enterprise budget based on input costs and solid best guesses, but one of the tasks in this year was to keep track of how long it really takes to accomplish different tasks, and what the true costs are. Their enterprise budget included planned numbers, including an overhead labor number which included time for sales calls, record keeping, general equipment maintenance, etc. But this year, they would carefully track each of these numbers related to each crop, and might also separate out equipment usage and maintenance by crop as well.

**EXERCISE #2:** Examination of the various record keeping tools and prioritization of different record keeping tasks.

- What are the most important records to keep?
- How much does it cost to keep good records? How much does it cost not to?

## **Maintaining the Cold Chain**

Lucy and Chaw had been selling root crops to a winter CSA for a few years, and understood the need to maintain the high quality of their products through good post-harvest handling. Some of the resources they used to develop their best practices are the [UCDavis Produce Factsheets](#) and to [USDA Bulletin 66](#), both of which have an amazing amount of information about crops ranging from asparagus to peaches.

Lucy and Chaw’s harvest strategies are good, but they have concerns about their long-term storage options. They have been storing crops at a nearby food hub for many years, but they are losing this space. They are currently weighing their options to economically store root crops at 32 degrees and nearly 100 percent relative humidity. They are also considering how to accomplish winter washing of an increasing volume of root crops comfortably.

## UNIT 4.1a: Carrot Enterprise Budget, Stick and Stone Farm

Crop Specific Enterprise Budget- Stick and Stone Farm							
Crop: Fall Carrots (1/4 acre for wholesale)							
Cropping Year: 2015							
Expenses	Labor Cost Planned	Labor Cost Actual	Machinery Cost Planned	Machinery Cost Actual	Product & Materials Cost Planned	Product & Materials Cost Actual	Notes
							Labor: \$15/hour
<b>Soil Preparation</b>							
Chisel Plow	\$15.00						
Secondary Tillage	\$15.00						
Form Beds	\$15.00						
Cover Crop (prior)	\$7.50				\$12.00		
Compost							
Irrigation	\$30.00				\$18.00		Overhead Irrigation
Plastic Mulch							
<b>Seed/Transplant</b>							
Seed 1/4A	\$15.00				\$134.50		Bolero from Johnny's @600M seed/A
<b>Cultivation</b>							
Weeding	\$90.00						1 Pass Hand Weeding
Insect Control							
Disease Control							
Scouting							
<b>Harvesting</b>							
Harvest/bring to pack house	\$630.00						\$90 per 800 lb bin

Labor Costs should be calculated as hours worked times a standard rate. Remember to include benefits, taxes, etc. in this number. You can use excel to do this calculation by putting in this equation:  
 $=\text{sum}(\text{number of hours} * \text{hourly rate})$

Machinery Costs should be calculated to include annual maintenance costs and cost to operate (gas, etc.) by the hour. This number will vary by task because of the varied costs of each implement. Do these calculations in advance, and then add them to this spreadsheet. Cost by hour must often be figured as an average, since multiple crops will be cultivated at one time. Equation:  
 $=\text{sum}(\text{hours} * \text{hourly cost of operation})$   
 Depreciation for the item can be figured into the overhead costs, not into the machinery costs for these calculations.

Wash & Pack	\$525.00				\$56		\$.25/25 lb bag, 250 lbs (some break)
Material Handling	\$75.00						
<b>Retail Sales Costs</b>							
Farmers Market Staffing							
Sales Calls							
Farmers Market Fees							
<b>Overhead Costs</b>	\$525.00						
<b>Fixed Labor Costs</b>	\$234.50						Administrative & General Labor
<b>Total Costs</b>	\$2177.00		\$0		\$220.50		
<b>Grand Total Costs</b>	<b>\$2397.50</b>						
<b>Sales</b>	<b># Units</b>		<b>Price/Unit</b>		<b>Total \$</b>		Unit = lbs
Retail							
Wholesale	5600		\$1		\$5600		
Other							
<b>Total Sales</b>					<b>\$5600</b>		
<b>Net Profit</b>					<b>\$3202.50</b>		Total sales – Total cost

Overhead costs will include those costs that are a part of the farm but which do not relate specifically to just one operation, or which would incur expense regardless of whether you are in business or not. Examples include the house/barns, insurance (home, life, health), equipment depreciation, etc. These costs are not used for direct comparisons between enterprises, since they exist regardless, but they must be used when setting prices, since you must cover them.

# MODULE 4: PRODUCTION

## UNIT 4.1b: Uniformity, Consistency & Scheduling (Livestock)

### UNIT OVERVIEW

This unit will emphasize some of the specific concerns and practices related to producing uniform groups of animals for wholesale production. Participants will learn about the importance of developing management practices for their chosen species of livestock that will result in wholesale buyers being satisfied with the groups of animals offered for sale. Topics to be included will include a short PowerPoint presentation that will highlight different management practices to consider that might be different from a direct marketing perspective. A hands on activity will involve a case study of one farm couple's ways of managing for uniformity with short breaks between sections of the study with questions designed to get group participants to think of their own situations.

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (20-25 minutes)

This short presentation will have illustrations of several different management practices to consider for the group members involved. Beef cattle and lambs are shown in the presentation, but any class of livestock can also be mentioned, such as meat goats, veal, hogs, and poultry. Breed selection, crossbreeding, reproductive management practices, feeding practices, and seasonal uniformity will be briefly highlighted.

#### CASE STUDY/DISCUSSION: (25-30 minutes)

During this activity the group participants will be presented a case study of a farm couple who have successfully developed a management regime for the wholesale selling of lambs to different markets in the Northeast. The lamb project is one component of a multiple species product line on this farm which also includes beef, veal, hogs, pastured poultry, heritage turkeys, and egg production. The wife has long been a direct marketer in the Central New York area with an online, direct pickup, and Syracuse Regional Market participation. The wholesale activities have been developed to cut down some of the work load that direct marketing entails.

As the case study is presented, there are several short breaks for discussion so participants can ponder some of the management scenarios presented into their own situations. The activity is designed to make them think about what they could be doing differently in order to gear up for wholesale marketing.

### LEARNING OBJECTIVES

#### CONCEPTS

- Specific management practices needed to ensure more uniform crops of animals or birds
- How and why to accomplish these management practices

#### SKILLS

- Awareness of different management practices specific to a given class of

livestock to ensure marketing uniformity.

## UNIT 4.1b: Case Study: Great Northern Farms

### OVERVIEW

*This exercise shows how a farm couple manages one particular component of their farm mixture of livestock for sale to wholesale markets. Present the narrative in sections, and then spend time at the end of each sub-section for discussion among the group members.*

### CASE STUDY: GREAT NORTHERN FARM

This Case Study describes how Rich and Wendy Taber of Great Northern Farm ([www.meadowraisedmeats.com](http://www.meadowraisedmeats.com)) raise uniform batches of lambs on their farm in Southern Madison County, near Morrisville, NY. The Tabers grow lambs for sale to both wholesale and direct markets. When selling lambs to the wholesale market, it is much easier to satisfy buyers if the lambs are uniform in size, weight, and dressing percentages. The following are some of the methods that they use in order to achieve uniformity in their lamb crop.



*Lambs in late spring, off to a good start before the grazing season*

### BREEDING

The Tabers use consistent crosses in their breeding program. The sheep are basically Dorset/Dorset cross ewes. Dorsets have meaty carcasses, are good mothers, and if managed correctly many will have a high incidence of twinning, which is a desirable trait. They also can be managed to breed out of season if that is so desired. The Tabers have avoided infusing breeds that have multiple lambs, such as triplets and quads, commonly found with Finnsheep types of sheep. Such lambs are very hard to manage and take inordinate amounts of labor to raise. Extra lambs often cannot be raised by their mothers, or if they are, quickly fall behind in growth. The extra lambs must then be bottle fed with expensive milk replacer, and managed separately, and are raised without the benefit of their mothers. This can also be a very labor intensive and time consuming proposition, “stacked onto” already busy schedules.

They breed their ewes to several stud rams that are Dorset-Isle de France crosses. These rams came from the same farm, and are related to each other. They have now sired several hundred lambs over the last three years, and have thrown uniform crops of excellent quality lambs. The lambs show good amounts of hybrid vigor from this crossing regime.

➡ **DISCUSSION QUESTION #1:** How do you currently breed livestock on your farm? What changes would you make to achieve uniformity to serve a wholesale market? Feel free to use any livestock species, or even poultry for this discussion.

## **FLUSHING**

Before any sheep breeding season, a common management practice is to “flush” the ewes. Flushing refers to feeding the ewes a bit of higher quality feed so that you achieve multiple ovulations resulting with a high percentage of twin born lambs, which is what the Tabers aim for.

Flushing can be done by turning ewes into excellent quality pasture, or by feeding a little grain, just prior to breeding season. The Tabers see increasing desire from consumers to have only grass fed animals, so they use very little grain in their operation, unless forage quality demands a little supplementation. When needed in the non-grazing season, (6-7 months in Upstate NY) they substitute good quality pasture with as good quality hay, or baleage that they either make or buy. They make a fair amount of dry round bales themselves, but are always looking for surplus hay products from other farmers to supplement their stores. Due to the shortage of available land to grow hay crops on, and at this point in their careers, they reason that it is more cost effective to purchase some of their hay from others rather than trying to rent/lease/buy more land.

The Tabers regularly run the ewes through a squeeze chute to inspect them for body condition, and for foot trimming and worming. Any animals that need extra attention can be sorted out and placed into a different management group.

As a rule, only twin born ewe lambs are retained for breeding stock as there is a genetic correlation for twinning.

## **FEEDING & NUTRITION**

The Tabers feed a little grain just prior to the start of lambing, as their lambs are planned for the springtime, and grass is not yet available in March and April. This gets the ewes onto a higher plane of nutrition. Ewes are fed the highest quality hay, if grazing season has not started yet. If grass is available, ewes are turned into lush pasture. Getting lambs off to a good, healthy start results in strong and quick growth. Lambs are not fed supplemental grain, and the long term goal is to feed as little grain as possible, if any.

The Tabers bring their pastures up to speed by adding copious amounts of lime, with a healthy percentage of legumes in the grazing swards. They also add organic fertilizer on fields that need more inputs, in the form of pelleted chicken manure. Keeping organic matter levels high is critical to getting good crops of grass, as well as enhancing soil and water conservation.

They use liquid whey as a supplement. This is waste material from a local cheese making plant and is delivered to their farm by a tanker truck. They acquire the whey at no cost, and except for labor, it serves as an excellent supplemental source of nutrients. It also helps to maintain nutrient balances in the soil. It does take a certain amount of labor to load wagon mounted tanks of the

whey and to haul it out into the pastures with a four wheel drive tractor for the animals. The whey wagons have tremendous tonnage, and in our steep, wet upland soils the four wheel drive tractor is essential to accomplish this task.

 **DISCUSSION QUESTION #2:** Can any of you producers think of any free or low cost supplements that can be added to your feeding regime that could increase profits? (remember, nothing is ever “free”).

### **ROTATIONAL GRAZING**

The Tabers do multi-species grazing on their farm. They graze all of the sheep and their lambs with their herd of beef cattle. This results in better utilization of the pasture.

The animals are rotated into new paddocks every five days or so, so that they always have access to lush, nutritious pasture which results in excellent growth rates.

### **BUYER SATISFACTION**

All lambs are tail docked, and ram lambs are castrated a few days after birth. Wholesale buyers, as a rule, do not like intact ram lambs. Such lambs can be sexually active at very young ages and this can wreak havoc with their breeding management with all kinds of out of season lambing resulting. The tail docking adds to cleanliness, and contributes to batches of lambs looking clean and uniform.

In the fall, thanks to consistent management practices, most of the lambs will be about the same weight and have similar dressing percentages. The lambs that fall out of the norm are direct-marketed to customers. The Taber’s wholesale buyers have been very pleased with their lambs; many of which end up in the greater New York City area. The Tabers are frequently asked for more lambs than they can raise, and receive good prices for the consistent, uniform lambs that they market. In the fall of 2014, they shipped about 100 lambs weighing around 80-100 pounds each, and received \$130 each for the lambs. The lambs were picked up and loaded into a two tier tractor trailer truck and delivered to a packing plant in the New Jersey area, to serve the New York City markets. After the lambs left their farm, they had no further involvement in the marketing. They found a wholesale buyer from using the Cornell Sheep and Goat Marketing website. (See below for more information).

An additional market has develop to serve the large number of recently immigrated people from all over the world into the Utica region, which is just less than an hour’s drive from the farm. The Tabers have wholesaled lambs to many of these people in smaller numbers, as well.

 **DISCUSSION QUESTION #3:** Based of the species of livestock or poultry that you raise, how will you plan on finding wholesale buyers for your animals/birds?

## UNIT 4.1b Supplementary Resources *for the instructor and farmer*

**Cornell Small Ruminant Listserve:** To join, email [srmarketing-L-request@cornell.edu](mailto:srmarketing-L-request@cornell.edu) with a subject of “join”

**Cornell Sheep and Goat Marketing Directory:** Online website for farmers to promote their farms and products (dairy, fiber, meat and animals) <http://sheepgoatmarketing.info>

**Cornell Beef Program:** There are several exciting initiatives being developed in the wholesale arena for beef cattle producers in New York State. A feeder calf pooling project is entering its second year of existence, and a recent grant for the Southern Tier of New York State has been received to bolster the beef cattle stocker industry. The beef program is headed by Mike Baker, PhD., and he can be reached at [mjb28@cornell.edu](mailto:mjb28@cornell.edu). Website: <http://beefcattle.ansci.cornell.edu>

**NY Meat Suite:** <http://meatsuite.com/> This website, created by CCE of Tompkins County, is designed to increase “freezer trade” (the sale of whole, halves, quarters of animals and bulk bundles of meat). The goal is to give the consumer a platform to find a farm that fits his or her needs and preferences when sourcing locally raised meats. You can search for farms in your neighborhood or by species across the region. You will learn how each farm raises their livestock and about their farming practices; allowing you to choose the meats that meet your family’s wants and needs and, ultimately, Find your Farmer! For more information about this website contact:

- Matt LeRoux, Agriculture Marketing Specialist, Cornell Cooperative Extension – Tompkins. 607-272-2292 or [mnl28@cornell.edu](mailto:mnl28@cornell.edu)
- Kerri Bartlett, Dairy & Livestock Educator, Cornell Cooperative Extension – Steuben. 607-583-3170 or [ksb29@cornell.edu](mailto:ksb29@cornell.edu)

**Adirondack Grazers Cooperative:** Adirondack Grazers Cooperative is a group of beef producers from small to mid-scale, family farms in New York and Vermont that naturally raise grass-fed beef. The Cooperative works to maximize member revenue by developing sales in wholesale and specialty markets not easily available to individual farmers. The Co-op provides our customers with the highest quality pasture fed beef that is produced regionally. <http://adkgrazers.com>

# MODULE 4: PRODUCTION

## UNIT 4.2: Labeling, Grading & Packaging

### UNIT OVERVIEW

*This unit will emphasize the production of specific commodities and explain the process of labeling, grading and packaging for wholesale production. Farmers will learn about the importance of being consistent with labeling, grading and packaging and understand that this information is often based on buyer specifications. Topics to be included will include a presentation on labeling, grading and packaging, a hands on activity to learn about making correct labels and a demonstration of stacking a pallet (the instructor can make this a hands-on activity if time allows).*

### MODES OF INSTRUCTION

#### POWERPOINT/PRESENTATION (40 MINUTES)

This presentation will enable understanding of uniformity within wholesale vegetable production as well as wholesale livestock production. If the audience has both wholesale livestock and vegetable growers present split the group in two. The groups will use examples (pictures or actual product/labels) to learn uniformity when sorting, grading and labeling.

#### HANDS-ON ACTIVITY #1: LABEL-MAKING (5 MINUTES)

During this activity the farmers will have the option to make a label for a wholesale vegetable box or a packaged meat product sold in bulk

#### HANDS-ON ACTIVITY #2: STACKING PALLETS (15 MINUTES)

This activity will enable the farmers understand the importance of pallet stacking not only to maintain the quality of the product but also for ease of shipping as well as storing at the wholesale outlet

### LEARNING OBJECTIVES

#### CONCEPTS

- Specifications for labeling your product
- 'Do' and 'don't' packing methods
- How and why to grade your products

#### SKILLS

- How to identify the important elements of a label
- How to grade produce and meat based on the wholesale buyer
- How to stack boxes on a pallet according to industry standard

## UNIT 4.2: Presentation Outline *for the instructor*

### OVERVIEW

*This powerpoint/presentation will enable understanding of uniformity within wholesale vegetable and livestock production. If the audience has both livestock and vegetable producers present there is an option to split the group at slide 13 or give the whole presentation separately to different groups. The participants will use examples (pictures or actual product/labels) to learn uniformity when labeling, grading, and packaging.*

### SUPPLIES

- Actual product labels\*
- Actual peppers to show the difference in grades\*
- Different types of packaging\*
- Blank pieces of paper-Label Making activity
- Printed USDA document for Meat Grades
- Pallet\*
- Empty wholesale boxes\*
- Labeling, Grading, Packaging Flow Chart-used for review

**\* These supplies will enhance the presentation but there are pictures provided in the presentation for each supply noted if you do not have these products readily available.**

### PRESENTATION OUTLINE

#### Labeling

- h. (Slide 3) Why are labels important
- i. (Slide 4-7) Labeling for wholesale-Vegetables
  - a. Labeling is important for wholesale products
  - b. Especially if you are GAP certified-different specifications set for GAP certification
  - c. Example labels
    - i. \*use the labels from the supply list if applicable
  - d. Indicate appropriate certifications
  - e. Do not over label
- j. (Slide 8) Labeling meat
  - a. Slide notes what is required in NYS to be on the label
- k. (Slide 11) overview of labels used on NYS animal products
  - a. Is there anything about these products that stick out to you?

- l. (Slide 12) Make a label using the correct information (found on previous slides)
  - a. \*black pieces of paper from the supply list will be used for this activity- 3-5 minute activity
- m. (Slide 13) Break out session if you have a group of livestock and vegetable producers. You can reconvene at slide 29. This option is up to the individual educator, not a requirement but a suggestion.

## **Grading**

- a. (Slide 14) what is grading and the difference between meat and vegetables
- b. **Grading Meat**
  - a. (Slide 16)Beef
    - i. Video on YouTube.com click the hyperlink to take you to the video play video from 6:38-11:00min
    - ii. Answer questions if any
  - b. (Slide 17)Poultry
    - i. (Slide 15) information taken from the USDA meat grading stipulations (the participants should have a copy of this
      - 1. \*be sure and print the USDA Fact sheets from the supply list
  - c. (Slide 18) Pork
    - i. (Slide 19) will give information about grading pork also the USDA printout
- c. **Grading Vegetables**
  - a. (Slides 20-28) Example peppers

## **Buyer Specifications** (Based on NY wholesale buyers)

- a. (Slide 29-32)
- b. Examples of quality are shown within this part of the presentation. Quality not only matters for retail operations it also matters for wholesale!

## **Packaging**

- a. (Slides 33-41) Example of different packages
  - a. \*If you have examples of packaging display or pass around and ask the participants what is noted on the labels.
- b. (Slide 35&36)examples of good and bad packaging for vegetables
- c. (Slide 45) buyers may specify what kind of packing they want the product to come in
- d. Packaging-this provides the image of the product we are selling. People buy with their eyes.
- e. Examples of NYS "Local"
- f. (Slides 42-45) Pallet Stacking

- a. Potential to impact quality of product. Once your product is on a pallet it is often in the hands of someone else (off the farm) if a pallet is stacked incorrectly product could be destroyed.
- b. (Slide 46) Pallet stacking activity \*see step by step instructions on how to do this activity\*

## **UNIT 4.2: Hands-on Activity #1: Label Making** *for the instructor*

### **OVERVIEW**

*Labeling correctly is very important when a producer wants to sell wholesale. Labels specify style, size and what product you are selling. The labels can also show certain certifications of a product including: GAP certified, Organic, or USDA inspected. Labeling correctly can help prevent the spread of foodborne illness and provide traceability back to the farm. In this hands on activity the farmers will be asked to make a label for a meat or vegetable wholesale product.*

**PREPARATION TIME:** 5 Minutes

**ACTIVITY TIME:** 5 Minutes

### **PREPARATION AND MATERIALS**

1. Print 1 copy each of the “HANDS-ON ACTIVITY #1: LABEL-MAKING for the farmer” below.
2. Be sure to go through slides 3-11 of the presentation/powerpoint before completing this activity. These slides will give the farmers an overview of label making and provide the knowledge they need to do this activity.
3. If the group has both produce and livestock farmers have them make a label related to what they produce. The activity has two examples for label making - one for livestock the other for vegetables.
4. For the livestock farmers, you may want to review Slides 8-9 of the presentation. The farmers will be asked about the label that goes on the box of lamb chops - not a packaged product.
5. The specifications for the livestock producers are as follows: A box of USDA inspected, certified organic, lamb chops. (Not for Resale if not USDA inspected) from Great Northern Farm/Meadow Raised Meats (address: 654 Route 20A E, Warsaw, NY 14569)
6. For the produce farmers you may want to review slides 3-7 of the presentation. These farmers will be asked to make a label for the wholesale box.
7. The specifications for the vegetable producers are as follows: Make a label for A GAP certified 1 1/9 bushel of large green peppers picked on August 12<sup>th</sup> from Stick and Stone Farm (address: 1234 Smallwood Road, Ithaca, NY 14853).

## UNIT 4.2: Hands-on Activity #1: Label Making *for the farmer*

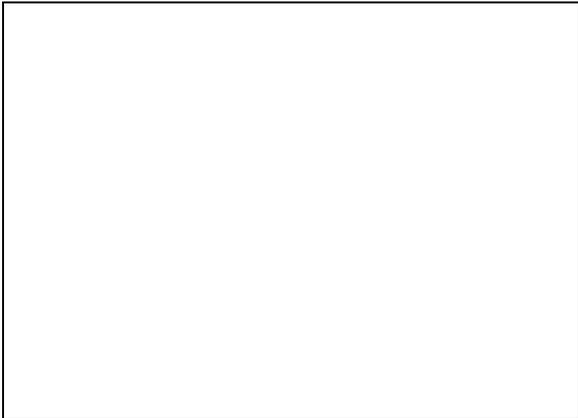
### MEAT LABEL INSTRUCTIONS

Design a label for a box of USDA inspected, certified organic, lamb chops. (Not for Resale if not USDA inspected) from Great Northern Farm/Meadow Raised Meats (address: 654 Route 20A E, Warsaw, NY 14569)

### PEPPER LABEL INSTRUCTIONS

Design a label for A GAP certified 1 1/9 bushel of large green peppers picked on August 12<sup>th</sup> from Stick and Stone Farm (address: 1234 Smallwood Road, Ithaca, NY 14853).

#### MEAT LABEL



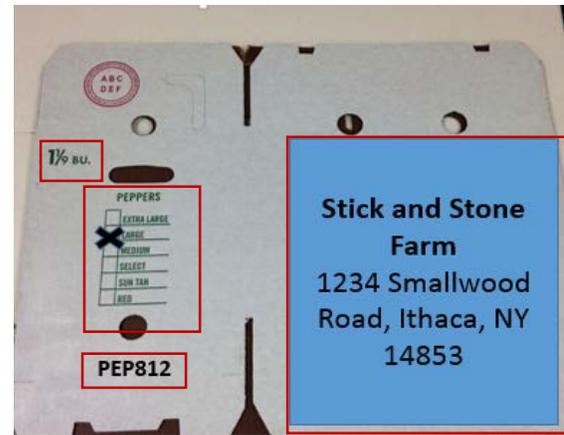
#### PEPPER LABEL



**FOLD UNDER AT LINE BELOW to hide Answer Key**

---

**ANSWER KEY.** The information outlined in red are what's required on each label



## UNIT 4.2: Hands-on Activity #2: Stacking Pallets *for the instructor*

### OVERVIEW

For ease of shipping and to maintain quality wholesale buyers look for certain stack patterns on pallets for different products being sold. The stack patterns are often associated with box size or product. This activity will give the farmers and understanding about the importance of pallet stacking. If a pallet is not stacked correctly the buyer can deny the product for sale.

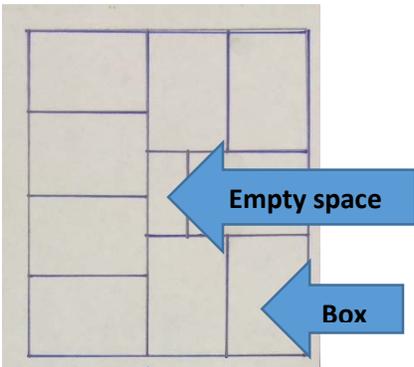
**PREPARATION TIME:** 15 minutes

**ACTIVITY TIME:** 20 minutes

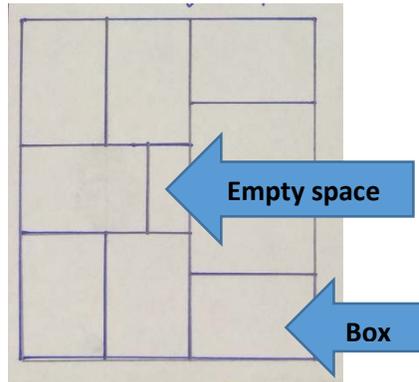
### PREPARATION AND MATERIALS

1. Collect 16-24 1<sup>1/9</sup> bushel boxes used for produce. This example uses produce boxes and the stack pattern example given uses these boxes. If you have knowledge to stack a different kind of box and the pattern to stack them you can substitute instead of using 1<sup>1/9</sup> bushel boxes.
2. Collect a standard North American Pallet (deckboards of 40 inches and stringers of 48 inches). This is the average pallet you would see used in vegetable production.
3. Assemble the 1<sup>1/9</sup> bushel boxes. You can have the farmers do this or you can do this before the hands on activity. This all depends on how much time you have available for this portion of the unit.

4. The stack pattern for the first layer of  $1\frac{1}{9}$  bushel boxes is shown below. 8 boxes per layer.

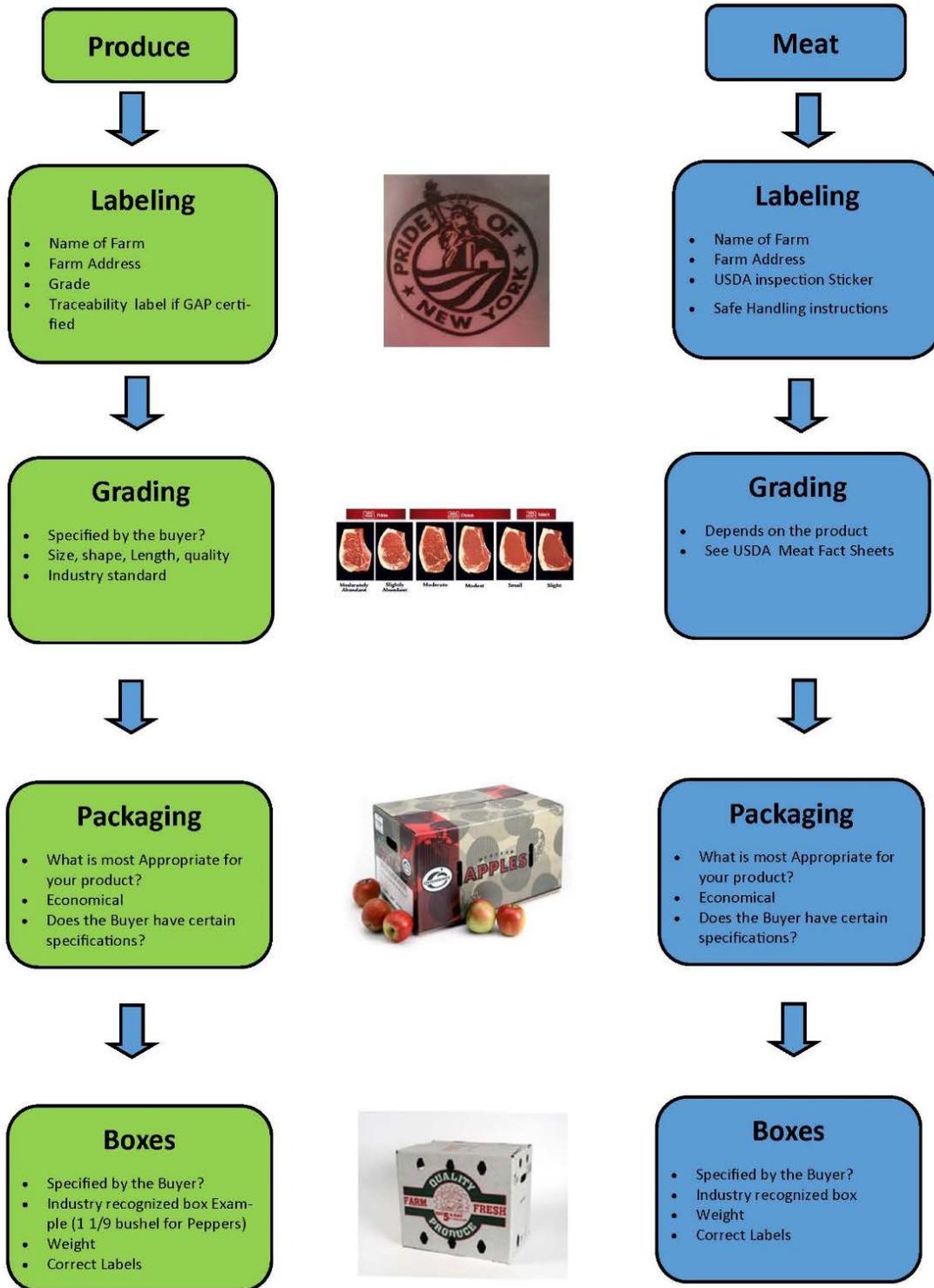


5. For the second layer of boxes you would do opposite of the first layer



6. For each consecutive layer continue to do the opposite stack pattern of the layer before. Most pallets stack 5-6 layers high. In this activity, if you use the maximum number of boxes, 24, you can stack 3 layers high.

# UNIT 4.2: Appendix #1: Flow Chart *for the instructor & farmer*



# MODULE 4: PRODUCTION

## UNIT 4.3: Record Keeping

### UNIT OVERVIEW

*This unit emphasizes the different kinds of recordkeeping necessary to implement profitable, sustainable, traceable wholesale production. It will introduce a limited assortment of record keeping tools meant to highlight differences in technique. It will also discuss the costs associated with not keeping various types of records.*

### MODES OF INSTRUCTION

POWERPOINT/PRESENTATION (20 MINUTES)

Powerpoint includes group discussion prompts.

Slide 3: How much does it cost not to know? Prompt participants to recall each of the types of records which were just shared, write them down at the front of the room, and ask participants to share possible costs of not keeping these types of records. Record these as well. (Allow 3-5 minutes for this)

Slides 6, 12, and 13: Ask farmers to share prior to talking about each software program about their experiences using software. Participants will often have the most up-to-date and detailed knowledge of the pro's and con's of various programs. Allow for a couple minutes of discussion before introducing the example programs.

Emphasize that they are being selected as examples, and are not representative of all programs which are available, nor are they endorsements.

CASE STUDY (for reference)

Note that a basic enterprise budget, with potential record keeping categories, is included with the case study. If there is time, ask the group how this enterprise could be improved (one answer: the machinery costs are not broken out for this enterprise, nor are some of the labor categories).

### LEARNING OBJECTIVES

#### CONCEPTS

- What record keeping tools are available to farmers? What criteria might be used to select a tool?
- What are the benefits and drawbacks of the various options?
- What are the costs associated with not keeping records?

#### SKILLS

- Identify records which should be kept for wholesale enterprise

# MODULE 5: FOOD SAFETY

# MODULE 5: FOOD SAFETY

## UNIT 5.1: INTRODUCTION TO PRODUCE SAFETY

### UNIT OVERVIEW

In the past 20 years, foodborne illnesses associated with fresh fruits and vegetables have been on the rise. The farming environment naturally presents a number of food safety risks, so to protect the fruits and vegetables that are grown and packed on the farm, every grower needs to know how to identify and reduce risks. Fruits and vegetables are promoted as part of a healthy diet and are often eaten raw (not cooked) – therefore preventing contamination of produce with foodborne illness causing microorganisms is critical to consumer health. Buyer demand for food safety practices and the first ever regulation of fresh produce, make knowledge about produce safety important to overall farm viability.

This Unit will discuss the challenges in produce safety and why produce safety outbreaks and illnesses have been increasing. Farmers will gain a basic understanding of the impact of foodborne illnesses associated with produce, including impacts to marketability and profitability of businesses as well as consumer confidence and buying preferences.

### MODES OF INSTRUCTION

#### PRESENTATION/POWERPOINT: INTRODUCTION TO PRODUCE SAFETY (35 MINS)

The presentation introduces the topic of produce safety and Good Agricultural Practices, including a brief history of the evolution of produce safety guidance, industry requirements, and the first federal regulation for the production, harvest, and handling of fresh fruits and vegetables – the Food Safety Modernization Act's Produce Safety Rule.

### LEARNING OBJECTIVES

#### CONCEPTS

- Introduction to produce safety and how it may impact your fruit and vegetable farm
- Foodborne illness outbreak impacts to the produce industry and consumers
- Evolution of produce safety requirements: guidance, buyer mandates, and regulations
- U.S. Food and Drug Administration Food Safety Modernization Act (FSMA) Produce Safety Rule
- Value of a farm's commitment to implementing food safety practices
- Introduction to monitoring, recordkeeping, and corrective actions

#### SKILLS

- Understand why prevention of contamination is critical to produce safety
- Identify the types of human pathogens that contaminate fresh produce and give an example of each
- Understand how the FSMA Produce Safety Rule or buyer requirements for produce safety may impact your farm
- Locate educational and informational resources related to produce safety

#### RESOURCES

- Produce Safety Alliance at Cornell [producesafetyalliance.cornell.edu](http://producesafetyalliance.cornell.edu)
- National GAPs Program at Cornell <http://gaps.cornell.edu>
- FDA FSMA Produce Safety Rule <http://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm334114.htm>

# MODULE 5: FOOD SAFETY

## UNIT 5.2: FOOD SAFETY RISKS ON THE FARM

### UNIT OVERVIEW

The purpose of implementing Good Agricultural Practices (GAPs) is to reduce the risks of microbial contamination of fruits and vegetables. This means keeping bacteria, parasites, and viruses that cause human illness off produce. Because most produce is grown in an open natural environment, among humans, animals, and microbes – there are many opportunities for contamination to occur at the farm level. Although not every risk on the farm can be controlled, growers can implement practices to reduce food safety risks to the crops they grow.

Many growers are overwhelmed with the multitude of farm food safety best practices and recommendations. With limited time, money, and available labor, produce farms must learn how to prioritize which practices to use on their farm to reduce food safety risks as well as how to achieve business goals. This module will help growers begin to identify food safety risks and practices that reduce these risks. The activity will introduce the concept of risk prioritization and how actions can be implemented to reduce the biggest risks first.

### MODES OF INSTRUCTION

**INDIVIDUAL ASSESSMENT: FARM FOOD SAFETY DECISION TREE PRIORITIZATION TABLE (10 MINS)**

Each farmer will fill out the 'Farm Food Safety Decision Tree – Checklist to Prioritize Practices' prior to starting the presentation. In Unit 5.3, farmers will be asked to share some of their responses from this section and why/why not they feel a particular activity presents a food safety risk to their farm.

**PRESENTATION/POWERPOINT: FOOD SAFETY RISKS ON THE FARM (45 MIN)**

The presentation will familiarize growers with the terminology, tools, and methods they may need to use to meet the requirements and expectations of customers, as well as regulations for fresh produce safety.

The presentation also reviews the basic principles of Good Agricultural Practices (GAPs), how to identify food safety risks, and implement practices to reduce them.

### LEARNING OBJECTIVES

#### CONCEPTS

- Basic introduction to Good Agricultural Practices (GAPs)
- Environmental factors that can contribute to human pathogen growth and survival
- Risk prioritization
- How to develop a traceability system

#### SKILLS

- Identify at least three common pathways by which produce might become contaminated on the farm
- Describe strategies to prevent and reduce risks of contamination by human pathogens
- Conduct a risk assessment of the farm's practices (e.g., irrigation water), define the risks, and describe what practices could be put into place to minimize the risks.

#### RESOURCES

- Farm Food Safety Decision Tree Project: <http://www.gaps.cornell.edu/tree.html>

# MODULE 5: FOOD SAFETY

## UNIT 5.3: MEETING YOUR MARKET'S PRODUCE SAFETY REQUIREMENTS

### UNIT OVERVIEW

Produce safety is a new topic for many: growers and buyers of fresh produce included. Until the FSMA Produce Safety Rule was passed in 2011, produce safety standards were driven by buyers and supported by guidance by FDA and others. Now, produce safety requirements, whether regulatory or buyer-driven, are becoming increasingly more common. Many buyers require, at minimum, that growers have a farm food safety plan, while others require fresh produce suppliers to be certified by a third party audit organization to verify food safety practices, such as Good Agricultural Practices, are being used on their farms.

Unit 5.3 pulls all of the pieces to the food safety puzzle together. Farmers will begin to understand unique market requirements for food safety and considerations for implementing GAPs at all scales – from small, direct markets to larger, wholesale markets. The presentation and activity will introduce farmers to the language and key things needed to write a farm food safety plan (e.g., standard operating procedures, recordkeeping). The Unit concludes with a brief discussion about food safety requirements beyond GAPs, the vast wealth of resources, knowledge, and technical help that is available to food producers to help them implement food safety to meet their market's requirements.

### MODES OF INSTRUCTION

#### PRESENTATION/POWERPOINT: MEETING YOUR MARKET'S FOOD SAFETY NEEDS (45 MINS)

The presentation reviews produce safety considerations for different market types (e.g., direct, small, CSAs, Farm-2-School), market

requirements (e.g., food safety plans vs. third-party audits), key things needed to develop a farm food safety plan, as well as other food safety considerations for a variety of food products.

#### GROUP EXERCISE: CASE STUDY (15 MIN)

Farmers will break up into groups of no more than five to work through the questions presented in the case study. With 5 minutes left, the group will review some of the possible answers to the situations presented.

### LEARNING OBJECTIVES

#### CONCEPTS

- Market requirements for produce safety – in large, small, and unique marketing venues
- Key reasons and benefits of developing a farm food safety plan
- Three steps to developing a plan: assess risks, develop practices, and document

#### SKILLS

- Understand your market's requirements for produce safety
- Name essential parts to include in a farm food safety plan
- Understand how to write a SOP
- Use knowledge & resources to your advantage
- Know where to find additional information on other food safety requirements for a variety of food products

#### RESOURCES

- On-Farm Food Safety Case Study Worksheet

## UNIT 5.3 CASE STUDY: NAVIGATING ON-FARM FOOD SAFETY REQUIREMENTS *for the instructor and farmer*

Gretchen Wall and Betsy Bihn, Cornell University, Produce Safety Alliance

### SCENARIO: SLATE ROCK FARM

Slate Rock Farm is a second-generation, 16 acre farm, owned and operated by a husband (Joe) and wife (Sally) team, in addition to their two young sons, and 6 seasonal college-aged employees during peak production times. On 6 acres of their property, the farm specializes in the production of cabbage, leafy greens (including spinach, kale, and leaf lettuce), carrots, peppers, tomatoes, potatoes, sweet corn, popcorn, and a small U-pick raspberry operation. The farm sells the majority of their produce through a local auction, weekly farm market, and direct market sales through the farm store. Sally also does some small-batch production of jams from their raspberry patch, as well as jarred kernel popcorn to sell in their on-farm market store. Joe and Sally's sons recently decided to build a small, mobile chicken coop (~25 hens) on the property to add egg sales to their market offerings. Produce is primarily field packed in the morning and stored in a small cooler area located within a renovated barn which serves as their primary storage area for produce as well as other farm equipment and tools. Slate Rock Farm contracts with a local transportation company to pick up produce 2x a week for larger loads, otherwise, they use their family's minivan.

- Which produce items might be the highest priority for Joe and Sally to implement and monitor food safety practices?
- Are there any activities that occur at Slate Rock Farm that might require additional food safety training or other food safety considerations?

Slate Rock Farm is hoping to expand their produce production next year to enter into some larger markets, including a regional grocery chain. Currently, the farm sells less than \$100,000 in food products (including produce, eggs, jam, and popcorn) and markets primarily to what FSMA considers 'qualified end users' (i.e., direct market or within 275 miles of where produce was grown), therefore, they are currently exempt from the FSMA Produce Safety Rule. They have not received any pressure from their buyers for a food safety audit, although Joe has heard from other local growers that if he wants to scale-up, then he should be prepared for buyer requirements.

- If Joe and Sally expand their production next year, what two factors will they need to consider in relation to their FSMA exempt status?
- If Slate Rock Farm is exempt from the Produce Safety Rule, are they exempt from their buyer's requirements to a third party audit?

Slate Rock plans to expand their market by growing a larger crop of cabbage (an additional acre) and by installing a new high tunnel for intensive fresh-market, early season tomato production for which a regional grocery chain has offered a contract. The grocery chain requires them to have a third party audit for food safety prior to accepting their produce.

- What kind of questions should Joe and Sally ask their new buyer (regional grocery chain) about the food safety practices required?

## SCENARIO WITH ANSWER KEY

Slate Rock Farm is a second-generation, 16 acre farm, owned and operated by a husband (Joe) and wife (Sally) team, in addition to their two young sons, and 6 seasonal college-aged employees during peak production times. On 6 acres of their property, the farm specializes in the production of cabbage, leafy greens (including spinach, kale, and leaf lettuce), carrots, peppers, tomatoes, potatoes, sweet corn, popcorn, and a small U-pick raspberry operation. The farm sells the majority of their produce through a local auction, weekly farm market, and direct market sales through the farm store. Sally also does some small-batch production of jams from their raspberry patch, as well as jarred kernel popcorn to sell in their on-farm market store. Joe and Sally's sons recently decided to build a small, mobile chicken coop (~25 hens) on the property to add egg sales to their market offerings. Produce is primarily field packed in the morning and stored in a small cooler area located within a renovated barn which serves as their primary storage area for produce as well as other farm equipment and tools. Slate Rock Farm contracts with a local transportation company to pick up produce 2x a week for larger loads, otherwise, they use their family's minivan.

- **Which produce items might be the highest priority for Joe and Sally to implement and monitor food safety practices?**
  - While identifying 'higher risk' produce commodities, such as leafy greens or other produce items typically consumed raw can be helpful in reducing risk, focus should be placed on the practices and activities occurring on the farm. Outbreaks can occur in a variety of produce commodities, therefore emphasis should be placed on Good Agricultural Practices to prevent contamination. For example, the use of overhead irrigation from a surface water source to the leafy greens close to harvest might be an area to look at first.
  
- **Are there any activities that occur at Slate Rock Farm that might require additional food safety training or other food safety considerations?**
  - Additional food safety risks might include:
  - Hiring mid-season help. These individuals will still need to be trained on food safety practices. Family members need to be trained as well, regardless of their age. Training can be tailored to the responsibilities of that particular individual or activity.
  - U-pick berry operation introduces visitors to the farm. Handwashing stations, restrooms, and a food safety policy must be available.
  - The integrated chicken coop should not be located close to produce fields, packing areas, or water sources. If the coop is relocated to fertilize the soil, records should be kept if that area is planned to be planted with produce in the near future. Chickens should not be allowed to roam freely in produce growing or packing areas.
  - Produce cooling and storage is located in a renovated barn. Have these areas been renovated to be cleaned and sanitized easily? Keeping tools, chemicals, or equipment near produce can present chemical and physical food safety risks. Care should be taken to keep these areas separated.

- The contracted transportation should still be inspected upon arrival to the farm. If the family van is used to transport produce, it should be cleaned and inspected prior to loading produce.

Slate Rock Farm is hoping to expand their produce production next year to enter into some larger markets, including a regional grocery chain. Currently, the farm sells less than \$100,000 in food products (including produce, eggs, jam, and popcorn) and markets primarily to what FSMA considers 'qualified end users' (i.e., direct market or within 275 miles of where produce was grown), therefore, they are currently exempt from the FSMA Produce Safety Rule. They have not received any pressure from their buyers for a food safety audit, although Joe has heard from other local growers that if he wants to scale-up, then he should be prepared for buyer requirements.

- **If Joe and Sally expand their production next year, what two factors will they need to consider in relation to their FSMA exempt status?**
  - **Their total food sales**, including the jam, popcorn, eggs or other food products. This could include animal feed. If above \$500,000 in annual sales, Slate Rock Farm may be subject to the FSMA Produce Safety Rule.
  - **Who and where they market their products**. If the regional grocery store they plan to sell to is greater than 275 miles away from the farm and they are making above \$500,000 in all food sales, they may be subject to the Produce Safety Rule.
- **If Slate Rock Farm is exempt from the Produce Safety Rule, are they exempt from their buyer's requirements to a third party audit?**
  - No. Buyer requirements for third party audits are entirely separate from the FSMA produce Safety Rule requirements. Farms may be exempt from the regulation, but will still need to meet their buyer's requirements for food safety if they want to keep or expand their markets.

Slate Rock plans to expand their market by growing a larger crop of cabbage (an additional acre) and by installing a new high tunnel for intensive fresh-market, early season tomato production for which a regional grocery chain has offered a contract. The grocery chain requires them to have a third party audit for food safety prior to accepting their produce.

- **What kind of questions should Joe and Sally ask their new buyer (regional grocery chain) about the food safety practices required?**
  - What type of audit? (i.e., USDA, GlobalGAP, SQF, etc.)
  - Which scopes? (e.g., production, packinghouse, distribution)
  - Is there a 'passing' score?
  - When does it need to be completed by? Does it need to be conducted annually?
  - Is there training available?
  - Is there funding to offset the cost of the audit?

# APPENIDIX: PRODUCE SAFETY, AUDITS & REGULATIONS

## A Few Short Question and Answers to Help Fruit and Vegetable Growers

Elizabeth A. Bihn, Ph.D., Produce Safety Alliance, Dept. of Food Science, Cornell University, NYSAES-Hedrick Hall, 630 W. North Street, Geneva, NY 14456, eab38@cornell.edu, 315.787.2625

### Q. Why should fruit and vegetable growers know something about food safety?

A. Many fruits and vegetables are eaten raw, with no cooking step to kill microorganisms that could be present. Since farmers grow food people eat, they should know something about how to keep fruits and vegetables safe during production and packing. Produce safety is also important for maintaining market access. Many buyers require fresh produce suppliers to be certified by a third party audit organization to verify food safety practices, such as Good Agricultural Practices, are being used on the farms. In addition, the Food Safety Modernization Act (FSMA) Produce Safety Rule will require food safety practices on farms that are subject to the regulation.

**Good Agricultural Practices (GAPs).** Any agricultural management practice or operational procedure that reduces microbial risks or prevents contamination of fruits and vegetables on the farm or in the packinghouse.

**Third-Party Audit Organizations.** An independent organization hired by the farmer (or in some cases, the buyer) to audit their food safety practices. This requires the farm to have a written farm food safety plan and for a person from the audit company to visit the farm to conduct the audit. Prices for the audit vary and there are many organizations that offer audits (e.g. USDA-AMS, Global GAP, PrimusLabs).

**Food Safety Modernization Act – Produce Safety Rule.** “The FDA Food Safety Mernization Act (FSMA) enables FDA to better protect public health by strengthening the food safety system. It enables FDA to focus more on preventing food safety problems rather than relying primarily on reacting to problems after they occur. As a key element of this preventive approach, FDA was mandated under FSMA to establish science-based, minimum standards for the safe growing, harvesting, packing, and holding of produce on farms to minimize contamination that could cause serious adverse health consequences or death” ([fda.gov/Food/GuidanceRegulation/FSMA/ucm334114.htm](http://fda.gov/Food/GuidanceRegulation/FSMA/ucm334114.htm))

### Q. Why would buyers require third-party audits?

A. Third-party audit certification is meant to provide verification to the buyer that the produce they purchase is grown and packed under conditions that result in safe, wholesome fresh produce. Safe food is important for many reasons, primary among them being the health of consumers. Many institutions, such as hospitals, daycare centers and nursing homes, feed individuals who are immunocompromised due to illness or age. It is also important from a liability standpoint to have standards that help assure the produce they buy is safe.

### Q. Do all institutional buyers require third-party audits?

A. No. Buyer requirements for food safety practices vary widely. Some have no requirements, some

require that growers have food safety training, some require a written farm food safety plan, and some require a third-party audit.

**Q. If I pass an audit, does it mean my produce is 100% microbiologically safe?**

A. No. Since fresh produce is not cooked or treated in any way that eliminates all food safety risks, there is no way to guarantee safety. This is why it is important that all fresh produce growers understand food safety risks that exist on the farm and take steps to reduce food safety risks.

**Q. Who pays for the third-party audit?**

A. The grower. In some cases, buyers will pay for the audit or provide partial reimbursement of expenses associated with being audited. Sometimes there are grants available through state departments of agriculture, non-profit organizations, or grower groups to reduce costs.

**Q. What do I need to do to have a third-party audit?**

A. First, you need to have a written farm food safety plan. The plan needs to be implemented on your farm with recordkeeping in place to document your practices. Second, you need to contact the audit organization to schedule an audit.

**Q. How do I know what audit company to contact?**

A. That depends. Some buyers require a specific third-party audit, so they will specify which audit organization is acceptable. If the buyer accepts any third-party audit, growers tend to select the audit that is most affordable and easiest to understand.

**Q. If I pass an audit, does that mean I meet the regulatory requirements outlined in the FSMA Produce Safety Rule?**

A. No. First, the FSMA Produce Safety Rule became final on November 27, 2016 so most audits are not aligned with the requirements in the audit. It is anticipated that some audit companies may modify their audit checklists to incorporate the final FSMA Produce Safety Rule requirements. If you have passed an audit, it is likely you have many necessary practices in place.

**Q. Will there be farm inspections as part of the FSMA Produce Safety Rule?**

A. It is anticipated that farm inspections will be a part of the FSMA Produce Safety Rule, but currently there is no information on how and when these might occur.

**Q. What should growers do right now?**

A. Every grower should learn about GAPs and understand how produce safety impacts their farm. It does not matter if you have a small farm or a large farm. If you are growing fresh produce that you sell to others, you need to know about produce safety since it impacts the safety and marketability of the crops you grow. All growers should become familiar with the FSMA Produce Safety Rule, determine if they are subject to the rule, and how it might impact their farm.

**Q. How do growers get started and learn more about produce safety and third party audits?**

A. There are many ways to get started. There are in-person trainings, online trainings, and this fall there will be Produce Safety Alliance trainings available nationally. In addition, there are consultants, third-party audit organizations, and other Land-Grant Universities that offer educational materials and training courses about both GAPs and third party audits. Visit [www.producesafetyalliance.cornell.edu](http://www.producesafetyalliance.cornell.edu) to join the listserv to be notified about upcoming trainings and to find collaborators in your state.

### **SUMMARY**

The key point is that growers should realize that understanding and implementing produce safety practices may be required by many buyers, as well as by federal regulation. The good news is that there are resources available to help growers. Please visit the National GAPs Program ([www.gaps.cornell.edu](http://www.gaps.cornell.edu)) and the Produce Safety Alliance ([www.producesafetyalliance.cornell.edu](http://www.producesafetyalliance.cornell.edu)) for more information.