COLLABORATIVE AGGREGATION & MARKETING OF LOCAL FOOD:

SYNTHESIS OF A WORKSHOP SERIES FOR FARMERS & FOOD SYSTEMS PRACTITIONERS

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Farmers and local food advocates across New England are working together to aggregate their products and sell them through collaborative marketing models such as online farmers' markets, multi-farm CSAs, online food hubs, and farm stores. These models (referred to here as collaboratives) can help small-scale farmers expand their market channels and make their products easier for consumers to access.

The UNH Food Systems Lab convened a series of in-person and virtual workshops from November 2022 – March 2024 to bring farmers and stakeholders together to identify common challenges, share strategies, and learn from each other. This brief synthesizes the insights from the workshops, supplemented by academic and white literature.

INCLUDED IN THIS RESOURCE

- MARKETING
- LOGISTICS & INFRASTRUCTURE
- RELATIONSHIP-BUILDING
- DECISION-MAKING
- FINANCIAL VIABILITY
- SCALE
- APPEALING TO CUSTOMERS
- PRICING
- SUPPLY & DEMAND

MARKETING

CHALLENGES

- While positive word of mouth is effective marketing, it's also slow and needs supplemental strategies.
- Farmers may worry about the loss of their unique brand identity or the possibility of being associated with inferior products or reputations.[1]

STRATEGIES

- Collaboratives can provide specialized staff dedicated to marketing and administrative services.[2,3]
- One-stop-shop locations bring attention to all the farms involved (including their distinct branding and unique stories), improve consumers' perceptions of farms' legitimacy, and promote more efficient sales [1,3]
- Commonly shared high-quality standards can strengthen individual farms' reputations.
- Local food promotion programs, such as New Hampshire Eats Local Month, can promote aggregation models rather than just direct-to-consumer outlets.[1,4]
- State farmers' associations like the Maine Organic Farmers and Gardeners Association or the Northeast Organic Farming Association could advertise opportunities for farmers.

LOGISTICS & INFRASTRUCTURE

CHALLENGES

- Storing and transporting products can be time consuming and costly for farmers and collaboratives, and small farms may not have capacity for any distribution.[1]
- Collaboratives may need to invest in distribution labor and equipment, like cold-storage vehicles that require maintenance, and may have to charge delivery fees or increase prices.[1]
- Finding affordable infrastructure can be difficult, particularly in cities.[1]
- Large inventories of products are vulnerable to power outages and other disruptions.

STRATEGIES

- Aggregating products can be helpful when farmers and consumers are far apart.[2,3]
- Expanding to include more farmers and customers results in larger orders, which makes the cost of transporting goods to the collaborative worthwhile for farmers and helps achieve more efficient distribution networks for all partners.
- Collaboratives may establish multiple pick-up locations for customers' convenience and greater efficiency, or contract with last-mile distributors.
- Strategically limiting inventory and distribution can reduce waste and limit the need for large infrastructure while maintaining product variety.
- Diversified sales outlets promote resiliency against less reliable and more volatile individual markets.[3]

RELATIONSHIP BUILDING

CHALLENGES

- After establishing a secure customer base, some farmers may choose to leave the collaborative, putting it at risk.[5]
- Heavy reliance on individual charismatic or skilled leaders risks disruption if they leave.[1]
- It can be difficult to pay competitive wages, which are necessary to attract and retain qualified employees even though employees in local food collaboratives are driven by a sense of purpose.[1]

STRATEGIES

- Non-compete clauses, varying in flexibility, may proactively protect the stability of collaboratives. Paying farmers on a 15- or 30- day basis instead of a 60-day basis may also promote farmer retention.[1]
- Building the same key skills and knowledge across staff ensures the workload is always covered. Repeated member interactions also strengthen the group and enable collective decision-making, which can protect against gaps in leadership.[2]
- Prioritizing incentives for employee retention preserves institutional knowledge and long-term organizational viability.

DECISION MAKING

CHALLENGES

- Farmers face a challenging tradeoff between taking time away from their businesses to participate in collaborative decision-making or giving up some decision-making power.
- Working with a collaborative can reduce time required by farmers but increases the collaborative's staffing costs and reduces decision-making power for farmers.[6]
- Large-scale governance can be unwieldy; smaller collaboratives allow greater efficiency and control over decision-making.[1]

STRATEGIES

- Engaging in shared decision-making can result in long-term advantages, like more secure markets and higher sales over time, which offset the time investment.[3]
- Meetings provide forums to discuss seasonal demands, pricing, and operational transparency.
- Levels of collaboration vary between collaboratives, with some expecting farmers to determine their own prices, inventory and marketing materials and others setting prices and marketing collaboratively. Collaboratives also vary widely in organizational form and composition; some are governed directly by farmers with hired support staff while others are managed by a nonprofit or private owners with farmers playing less of a decision-making role.
- Collaboration builds wide communities of support and peer-learning opportunities.
- Newer farmers can contribute new ideas to improve collaboration, while effective leaders should have some farming experience.
- A clear governance structure and written agreements from the start are essential, including provisions for ownership structure, pricing and payment systems for farmers, production quantity and quality, crop coordination, and member rights and responsibilities.[7]

FINANCIAL VIABILITY

CHALLENGES

- Local food from small- and mid-scale farms can already be more expensive than larger-scale farms, and collaboratives need to add fees or price markups to cover the costs of their operations.[3] With tight margins, they must weigh the cost to consumers, benefit to farmers, and financial sustainability of the collaborative.
- Some financial models include grant funding, which often requires specialized staff and non-profit status. Reliance on long-term grant funding creates instability and can be unsustainable.

STRATEGIES

- While farmers doing their own marketing may earn more per product, farmers selling collaboratively may increase their sales volume and reduce administrative and marketing time.
- Collaboratives that recognize themselves as businesses rather than community services justify sustainable business practices, like tailoring product fees, charging for services like farmer consultations and product repackaging, and retaining enough of the revenue from product sales to hire high-quality employees.
- Selling value-added products can be a good opportunity for earning higher margins.[5]
- Hybrid business models including both for-profit and non-profit arms allow access to different funding sources. Other for-profit options include Certified B Corporations, Benefit LLCs, and Low-Profit LLCs, which build social benefits into their missions. Also, cooperative models can receive donations and tax exemptions.

SCALE

CHALLENGES

- Scale-related investments like vehicles and storage space can require immediate investment, which are difficult to fund with gradually increasing sales.
- If sales exceed one million dollars annually, collaboratives' small business classification changes per the Food Safety Modernization Act, which requires larger financial investments to meet food safety requirements.[8]

STRATEGIES

- With enough farmers organized to provide sufficient supply for the collaborative, farmers can encourage their customers to buy their products through the new collaborative.
- Pursuing a non-profit structure can help secure start-up funding, while a cooperative structure spreads investments among members.
- For some collaboratives, maintaining a small scale is sufficient. For others, scaling up slowly is necessary to avoid sudden, unsustainable costs when sales fluctuate.
- Experienced farmers can help familiarize newer farmers with collaborative supply chains.[6]

APPEALING TO CONSUMERS

CHALLENGES

- Younger consumers may desire the convenience of online shopping while older consumers may prefer shopping in-person. Many consumers may not even be aware that online shopping is an option and associate local food with farmers' markets or CSAs.
- Since good relationships and trust in producers are important for building consumer loyalty, and many consumers prefer to experience products in person before deciding to purchase them, online sales may have limited success.[3,6]
- Physical retail spaces may be most feasible in urban areas and may be limited to locations that lack competitors like high-end food stores.
- Aggregators in northern areas have difficulty supplying a sufficient variety of products through winter.
- Collaboratives that only offer subscription services (with more limited product options) may appeal less to consumers who have limited time or food preparation knowledge.

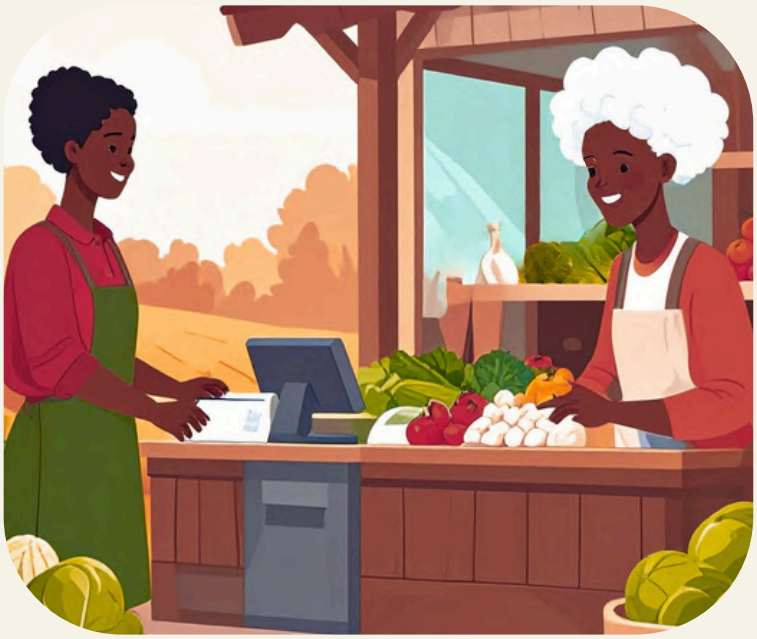
STRATEGIES

- Maintaining reliable, high-quality products is important for retaining online consumers, as well as featuring detailed information about producers online.[3]
- Collaborative online sales featuring many farms serve as a convenient one-stop shop, which can be optimized for easy consumer navigation.[2,3,6]
- A combination of physical retail spaces and online sales may help collaboratives to maximize their reach. Physical stores in busy locations build awareness and provide new consumers with low-risk opportunities to try new products and build relationships with staff.
- The larger scale of collaborative subscription programs increases product variety and subscription options, allows flexibility for consumers to swap out products or cancel orders, and provides a more predictable supply of complementary items.
- To continue operations through winter, northern collaboratives can procure products from outside the region, like value-added products from the south, and create winter subscriptions for storage crops.[3,6]

PRICING

CHALLENGES

- Different farmers often need to charge different prices for similar products depending on their costs, and smaller farms are at risk of being undercut by larger farms' prices.
- Wholesale buyers like conventional grocery stores can ensure a high sales volume, but they may demand lower prices that can be difficult to meet and may require aggregated products that reduce farm brand identity.



STRATEGIES

- Compared to large-scale distributors or buyers, collaboratives provide more opportunities for price negotiations and flexibility in fees or markups and can allow farmers to set their own prices. They are also able to retain product source identification and provide more information about each farm, which can justify price premiums.[1]
- In some cases, collaboratives may set price ranges for each type of product to avoid undercutting or overpricing. In others, standardized prices may be achieved by working only with farms of similar sizes or growing practices.
- Collaboratives may advise farmers on business practices to lower their costs to help access wholesale markets with larger sales volumes. In turn, collaboratives can offer access to wholesale markets as well as greater price stability for their members.[2,3]
- By investing in larger-scale facilities, collaboratives can reduce costs and prices through economies of scale.[3]
- Collaboratives can leverage negotiating power with larger buyers such as conventional grocery stores.[2] They may also choose other buyers, like cooperative grocery stores, who are better able to appreciate and market their local products at higher prices.

SUPPLY & DEMAND

CHALLENGES

- Collaboratives may become saturated with too many producers for too little demand, leading to insufficient sales or prioritizing certain producers over others.
- By specializing their production to meet the needs of the collective, farms may decrease their crop variety, which reduces their product offerings and could negatively impact their customer demand in other sales outlets such as farmers' markets and CSAs.

STRATEGIES

- Offering unique products can help new farmers join the collective, sell more, and attract more consumers.
- Farmers should maintain diverse sales channels, not relying on collaboratives for more than 30% of their sales to reduce their risk if the collaborative experiences instability.
- Many collaboratives add new farmers carefully to balance supply with demand, prioritizing farmers who commit first to specific products that fill gaps or complement existing inventory. This careful planning can create healthy competition that doesn't deter collaboration.
- Institutional buyers often prefer to interact with one seller who can ensure a consistent, high-quality supply, so shared, large-scale contracts can open new markets to small farmers. Mid-size farms also benefit since they are often too large to depend on direct-to-consumer sales and too small to compete with large-scale farms in the conventional food system.[2]
- With their larger farmer and customer base, collaboratives can more effectively track sales trends and coordinate crops to help farmers predict and plan each season's crop.

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