

QUICK FACTS



- ❖ **Location:** Randall, MN
- ❖ **Category:** Rural, independent Grocery Store. Offers a full line of groceries, meat and produce.
- ❖ **Date founded:** 1902. Current owners have operated Gosch's since 2004.
- ❖ **Ownership:** Lori and Denny Mueller own Gosch's.
- ❖ **Number of staff:** 20
- ❖ **Annual Revenue:** 2.5 million
- ❖ **Areas of Specialty:** Fresh produce, bakery items, and the store's own specialty meats.
- ❖ **Number of customers:** Gosch's had 116,370 customers in 2015, averaging about 320 customers per day.
- ❖ **Annual Sales of Local Foods:** In 2015, Gosch's had over \$16,000 of hyper-local food sales (defined by Gosch's as products both grown and/or processed within a 100-mile radius of their store and purchased directly from the grower/processor). They had \$58,000 of sales from a local bakery. They also sell MN-Grown products supplied by their distributor.
- ❖ **Number of local vendors:** In 2015, Gosch's purchased from 14 hyper-local vendors.
- ❖ **Broad line Distributor:** Affiliated Foods Midwest
- ❖ **Website:**
www.facebook.com/GoschsGrocery or www.goschs.com

FARM TO RURAL GROCERY STORE SERIES

GOSCH'S GROCERY

2016 CASE STUDY

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Developed from an interview with Lori and Denny Mueller

Introduction

Gosch's Grocery is an independently owned rural¹ grocery store located in Randall, MN. This case study explores barriers and opportunities faced by Gosch's in selling locally grown and/or processed foods. It also provides a summary of the benefits of direct farm to rural grocery store supply chains.



Owners of Gosch's Grocery, Lori and Denny Mueller.
Photo from Gosch's Facebook page.

Overview

Gosch's Grocery is a family-owned grocery store that has served the community of Randall since 1902. They are a full service store providing a diversity of products. The owners of Gosch's, Lori and Denny Mueller, value the health of their community, the local economy, and the environment. Gosch's gives back to its community by giving donations and discounts to local schools, churches, and other organizations. In 2015, they received a 'Medal of Merit Medallion' and a certificate of appreciation for their dedication to the City of Randall.

Local Foods at Gosch's

Gosch's plays an important role in bringing fresh local products to Randall. The nearest farmers market is 12 miles away in Little

¹ Independently-owned: defined as single owner or partners who own 1-4 stores. Rural: defined as communities that have 2,500 residents or less.

Falls. Though some nearby farms sell their produce at farm stands, community members can get the largest variety of local foods from Gosch's. Gosch's distinguishes between hyper-local food & agricultural products (both grown and/or processed within a 100-mile radius of their store and purchased directly from the grower/processor), and MN grown products (meaning food from anywhere in MN purchased through their distributor). This case study focuses on hyper-local products (hereby referred to simply as "local" foods).

History & Logistics of Local Food Sales

Lori and Denny were initially motivated to start selling local produce because many of their customers like to purchase local food and have requested it. Many of these customers view local food as healthier, fresher, and/or of higher quality. The owners are also happy to support more local farmers to be successful and profitable by providing a stable market. When Lori and Denny acquired the business, they decided to continue partnerships with some local farmers who were working with the previous owner of Gosch's. Additionally, Lori and Denny have reached out to some local producers, while other producers have approached them. The primary factors that Gosch's considers when choosing vendors are: dependability, product quality, and geographic proximity. The owners of Gosch's allow farmers to set their own prices, and they typically pay prices comparable to what their distributor charges. Gosch's tries to do the same markup on local products as they do for other comparable products. Sometimes the markup is less, which they attempt to outweigh by selling a higher volume.

Current Local Sales at Gosch's

As the tables demonstrate, hyper-local food sales and the number of hyper-local vendors working with Gosch's increased substantially between 2014 and 2015. In addition to the hyper-local products that Gosch's buys directly from farmers and processors, Gosch's is also able to access some Minnesota Grown products through their distributor. If they have the option, they pick Minnesota Grown products first. Gosch's also buys all its baked goods from Cold Spring Bakery, which makes baked goods from scratch and delivers daily to Gosch's. Gosch's had \$58,000 of Cold Spring Bakery sales in 2015.

2014 Hyper-Local Sales
Smudes Sunflower Oil
Marquette Honey Farms
Maschler Maple Syrup
Mille Lacs Wild Rice
Mona Wippler Pumpkins
Local Dill
Janson's Sweet Corn
Ray Dudycha Tomatoes
Alaska Wild Fish (AK salmon caught by a local community member)
Total= \$7,982

Percent increase of local food sales (2014-15): 108%
Number of Vendors in 2014: 9
Number of Vendors in 2015: 14
Percent increase in number of vendors (2014-15): 56%

2015 Hyper-Local Sales
Smudes Sunflower Oil
Marquette Honey Farms
Maschler Maple Syrup
Mille Lacs Wild Rice
Mona Wippler Pumpkins
Local Dill
Janson's Sweet Corn
Ray Dudycha Tomatoes
Alaska Wild Fish (salmon)
Brendon Hoover (floral)
John Blissenbach (xmas trees)
Jolly Jack (cheese spreads, etc.)
New Life Coffee (locally roasted)
Sobieski Coop creamery
Total for 2015= \$16,394

Customer Response to Local Food

Lori and Denny find that their customers look for and request locally produced products. For example, the local sweet corn that Gosch's sells is well known and out-of-town customers will start asking if the sweet corn is local by the end of June. The owners of Gosch's feel that their customers were willing to pay a little more for local food because they know the quality is higher and because they know the people behind the product.



Farm



Grocery store

What are the benefits of the direct farm to grocery store supply chain?

This supply chain can be a win-win for farmers and grocery store operators, as well as for consumers.

Benefits for Gosch's

- **Quality:** The owners of Gosch's believe that the local foods that they purchase directly from producers are of a higher quality than their distributor's similar non-local products.

*"Locally grown tomatoes are really different [products] than the tomatoes we get from the distributor."
- Gosch's Owners, Lori and Denny Mueller*

- **No Comparable Substitutes:** There are a few local items carried by Gosch's for which there are no comparable substitutes available from their distributor (e.g. fresh tomatoes).
- **Marketing:** The owners of Gosch's see local food as one more reason for customers to patronize Gosch's. It is a way to get more visits from current customers, and to attract new customers.

"Sweet corn ... we get it daily. The customers know the corn was picked the same day, rather than shipped from Florida or Georgia, sitting on a semi and then at the distributor. The freshness of local foods entices them." - Gosch's Owners, Lori and Denny Mueller

Benefits for Farmers

The owners of Gosch's generally feel that their farm business partners are happy with their business relationship, saying, "Selling here gives [the farmer] a good name." Gosch's can also provide a stable market, and a market that is close-by (thus requiring less transportation costs).

Benefits for the Final Consumer

- **Convenient access to larger variety of Local Foods:** Rather than having to travel miles out of town to multiple farm stands, Gosch's customers can pick up a variety of these local products at Gosch's for comparable prices. Additionally, customers can access these products outside of the limited hours of farmers markets and some farm stands. Gosch's buys in bulk at wholesale prices, allowing them to include their markup and still offer the product at a similar price to a farm stand or farmers market. Because customers go to Gosch's anyway to get other groceries, it can save them time and money to also purchase local foods in the grocery store.
- **Better Access to Local Food** that consumers increasingly see as fresher, healthier and better tasting than food from conventional supply chains.

Barriers Preventing Gosch's from Selling more Local Food

- **Increased Logistics & Staff Time:** The primary concern that Gosch's has about buying and selling local foods purchased directly from farmers is the increased staff time it takes to handle additional vendors. In 2014, when Gosch's was sourcing directly from nine farmers, the owners said that, "Selling local food is more time consuming: we need to pay more checks, more invoices. The more vendors we have, the more time it takes. It gets expensive, but we have better product and higher quality as a result." In 2015, when Gosch's had increased the number of business relationships with local food vendors by 56%, they said:

"More vendors for ordering gets more complicated in the system. It's more time on us or our employees. It's a great thing and we support it but it's taking a lot time to do all of that. If there's one strike that goes against local producers it's that." - Gosch's Owners, Lori and Denny Mueller

- **Delivery Issues:** Delivery issues are a major barrier to selling more local food. For example, the owners of Gosch's conveyed the story of an "Amish [farmer who] came in wanting to sell eggs not long ago, but we would need to drive ... to pick them up [because] all they had is a horse and buggy." Another example was a local woman who wanted to sell them rhubarb and they agreed to buy it. However, the producer did not want to deliver it. "This is the issue we run into" said Lori and Denny, "[There are] not enough people on staff to run around and pick-up product."

- Lack of Product Consistency:** Lori and Denny emphasized that quality is not a problem for local foods. However, not knowing what local product will be available when is a significant problem for them. Gosch's has to have products for customers at all times, as it is what customers expect. If the farmer does not communicate about product shortages enough in advance, it puts Gosch's in a very precarious position—because then they have no product at all. (They have other vendors who they can rely on in the case of an emergency, but these vendors require a certain minimum sized order that is often too large for Gosch's.) Product shortage has happened to Gosch's a few times with farmers who did not fully understand the large volume needed by Gosch's, and the delay that occurs when they order from their distributor (located in Nebraska). The Gosch's produce manager has to monitor how much of a particular product they get from local vendors and from the regular distributor. The more local vendors they have, the harder and more time-consuming it is to track where and when they are getting these different products. Advance communication from farmers would help to solve this issue. Gosch's needs at least a three-day notice from farmers about product shortages in order to have the necessary time to react and order replacement product from their distributor.



A Gosch's produce display case. Photo by Claire Stoscheck.

"[Regarding local foods] we cannot always get what we want, when we want it." - Lori and Denny Mueller

- Quantity Issues:** Because the farmers that Gosch's works with are very small, it is sometimes a challenge for the farmers to supply the quantity needed by the grocery store.
- Pricing:** Pricing generally has not been an issue. However, one farmer who sold to Gosch's did not understand why Gosch's marked up his product. According to the owners of Gosch's, the farmer "did not realize that Gosch's has a cost associated with carrying his product that needs to be taken into consideration, such as: labor, refrigeration, wastage/shrinkage, etc." A few farmers are just looking at Gosch's as a way to get rid of extra product, and are not thinking about the fact that Gosch's also needs to cover their costs. The grocery store owners find that this misunderstanding is more of an issue with hobby farmers than with more serious farm businesses.

Factors that Facilitate Direct Farm to Grocery Store Sales

- Networking/Capacity Building Trainings:** Lori and Denny believe strongly in the value of networking events. They found the University of MN Extension Regional Sustainable Development Partnerships (RSDP) sponsored "Produce Handling, Storage, and Marketing Demonstration" event at Pierz Foods to be very helpful. At this event, they could discuss issues like pricing, transportation, and storage with other grocers who were also trying to sell more local foods. It also provided them with the opportunity to meet the co-operators of Grampa G's farm, which is located just 18 miles from their store—but whom they had never met. A business relationship with a diversified farm like Grampa G's is very valuable to Gosch's, because it means that they can get a larger variety of high-quality local produce through just one additional vendor relationship.
- Working with farmers who understand Grocery Store experiences and processes:** The farmers that turn out to be excellent business partners for Gosch's have the following qualities: they understand pricing, they understand transportation logistics, they are familiar with ordering and delivery, and they are good at on-going and consistent communication. Farmers who understand that Gosch's needs to know about volumes in advance—so that they have time to make orders from other vendors—are very good partners for the grocery store.
- A Supportive Distributor—or one that does not interfere:** Even as they now source from over 15 different local vendors, Gosch's has had no negative consequences from their distributor, Affiliated Foods Midwest (Affiliated). Gosch's tries to support Affiliated as much as they can because it is a cooperative. Large cutbacks on purchasing might be noticeable. However, Gosch's purchases the vast majority of their groceries from Affiliated, so a seasonal fluctuation in produce does not affect their business relationship.

Next Steps for Gosch's Local Food Sales

- **More clearly define “Local”:** In their marketing, Lori and Denny would like to differentiate between “local” produce grown anywhere in MN and delivered by their distributor, and produce grown hyper-locally which they buy directly from the farmer.
- **Continue to increase sales of Local Foods:** As of August 2016, the owners of Gosch's would like to increase the sales of local foods through their relationship with Grampa G's. Grampa G's is a larger diversified farm that has a much broader variety of products than other local vendors do. Gosch's plans to first test working with a diversified farm—while maintaining relationships with their single-product vendors—before taking on any new vendors. If they are able to take on another vendor in the future, it will likely be a food hub—which would also offer a variety of products. That said, if other hyper-local vendors approached them, they would also be open to discussing the possibility of a future business relationship. Lori and Denny do not have a specific volume or sales goal for local food. They would like to continue growing local food sales, but at a rate that is sustainable for them and for their small farmer partners.
- **Increased marketing of Local Foods:** Gosch's is actively increasing their advertising of local foods. For example, RSDP is supplying them with banners and price cards that advertise Grampa G's produce as part of a research grant focused on studying how to increase local produce sales in rural grocery stores. In addition, they have an ad that goes in the weekly paper and in a weekly radio show, which promotes their local food products. The owners are considering more creative ways to bring attention to local products. For example, they have heard about a store that employed someone to hold a sign in the street in order to sell chicken. They would consider doing the same for some their local products, such as corn. Another opportunity would be to promote local food in the annual Fourth of July parade using a float. Finally, they would also like to have an LED sign outside their store that could promote specific local products.



Grampa G's Local Produce Signs provided by RSDP displayed in Gosch's Grocery. Photo by the Muellers.

Potential Lessons for other Rural Independent Grocery Stores

Takeaways for other grocery stores considering selling more local foods include:

- **Attend Meetings and Networking Events:** Lori and Denny benefited a great deal from attending the U of M RSDP produce-handling meeting. They recommend that other grocers attend similar events.
- **Connect with Diversified Local Farms:** Lori and Denny recommend finding “those Grampa G's of the world.” Diversified farms are great resources for rural independent grocery stores because the grocer can have access to a greater variety of product through only one additional business partnership.
- **Promote Local Food:** As Lori and Denny said, “Don't be afraid to toot your horn about the local food you sell.” Grocers can also work with farmers to collaborate on the marketing of local products through email lists, social media, in-store demonstrations and more.

More information

Please visit <http://www.extension.umn.edu/rsdp/statewide/rural-grocery-stores/> or rsdp.umn.edu

Additional Sources: Mueller, L. & D. (2016, July 19). [Telephone interview]; Mueller, L. & D. (2016, August 18). [Telephone interview]. Gosch's Grocery. Retrieved August 3, 2016, from <http://www.goschs.com/>; **Supply Chain Image credits L to R:** Created by Ferran Brown (Noun Project); Created by Dmitry Baranovskiy (Noun Project).