

## QUICK FACTS



- ❖ **Location:** Pillager, MN
- ❖ **Category:** Small Farm
- ❖ **Date founded:** The farm has been in the family for nearly 100 years (since 1918). Current operators have been managing the farm since 2011.
- ❖ **Number of staff:** T.
- ❖ **Acreage in cultivation:** Two and one-quarter acres are cultivated out of a 140-acre farm.
- ❖ **Revenue sources:** Sales of agricultural products. Farm is paid off so no mortgage. Received grants from Natural Resources Conservation Service, Region Five Development Commission, and Rural Renewal Energy Alliance to build three high tunnels.
- ❖ **Products:** Diversified farm: eggs, vegetables, herbs, flowers, starter plants, jams, jellies, salsa, & meat (pork, chicken and beef).
- ❖ **Markets:** Three farmers markets (Pine River, Ideal Corners, Crosby Ironton); Pillager School District's Farm-to-School program; a weekend farm stand; an email-based CSA; & Gosch's Grocery store (Randall, MN).
- ❖ **Growing Practices:** No pesticide use (no insecticides or herbicides); hand weeding; natural fertilizers from cows, pigs and poultry; experimenting with no-till garden beds; use of untreated well water. Diversified crops. No organic certification but use of organic practices.
- ❖ **Website:**  
<http://www.grampags.com/>

## FARM TO RURAL GROCERY STORE SERIES

# GRAMPA G'S FARM

### 2016 CASE STUDY

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Developed from interviews with Shayne & Louise Johnson, Co-Operators

### Introduction

This case study explores barriers and opportunities faced by Grampa G's Farm in selling their products to local independently-owned rural<sup>1</sup> grocery stores (hereby referred to simply as "grocery stores"). It also provides a summary of the benefits of these farm to rural grocery store supply chains.



Co-operators of Grampa G's: Louise and Shayne Johnson.  
Photo by Kari Granberry.

### Overview

Grampa G's is a small farm operated by Louise and Shayne Johnson, located in Pillager, MN. It is a sole-proprietor business. The farm has been in Shayne's family for nearly 100 years. Shayne's grandfather founded it and lived his whole life (88 years) on the farm. Grampa G's farm was named after Shayne's Grandfather, George Gerrels, and his father, Grant. The farm produces a wide variety of vegetables, eggs, herbs, flowers, starter plants, jams,

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

jellies, and salsas. They also raise hogs and chickens to butcher and sell. They currently have five cows, and plan to expand into sheep and lambs within the next two years. Grampa G's primarily sells its products through three farmers markets, their on-site weekend farm stand, and the Pillager School District's Farm-to-School program. They also run an email-based CSA, which consists of a 'pick list' emailed to customers at the beginning of each week from which customers can make orders that they pick-up at the farm. In July of 2016 Grampa G's began selling produce to Gosch's Grocery, a rural independent grocery store located 18 miles south of the farm in Randall, MN. In their interviews, Shayne and Louise expressed excitement to be forming a business relationship with Gosch's Grocery.

### **Sales to Independent Grocery Stores**

Shayne and Louise met the owners of Gosch's Grocery, Lori and Denny, in March 2016 at a University of MN Extension Regional Sustainable Development Partnerships (RSDP) sponsored "Produce Handling, Storage, and Marketing Demonstration" event at Pierz Foods in Pierz, MN. They connected and began corresponding about working together that same growing season. Grampa G's began selling vegetables to Gosch's Grocery in July with a delivery of peas, kohlrabi, salad mix and green onions. This is the first grocery store that Grampa G's has done business with. Grampa G's aims to sell Gosch's a variety of products that grocery stores don't usually carry, such as kohlrabi and unique varieties of lettuce, onions, and carrots (e.g. fingerling carrots). They hope to expand the number of diverse products available to customers in-store, while meeting the needed sales goals for their farm by eventually selling these specialty products for higher prices.

### **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 final consumers.



#### ***Benefits for Grocery Stores:***

- **Superior Quality and Freshness:** Because it's picked at the peak of ripeness and spends very little time in storage, the quality of produce from small local farms is often superior to conventional produce.
- **Community Connections:** Consumers increasingly value the opportunity to connect with where their food comes from. Specializing in local food can help grocery stores stand out from the competition by providing opportunities for their customers to know their farmers.

#### ***Benefits for Farms:***

- **Marketing:** Because of the large number of customers who shop at Gosch's grocery, Grampa G's sees selling to the grocery store as an opportunity to promote their business name. Grampa G's hopes that, by selling at Gosch's, more people will see what they have to offer and will come to their farm and farmers market stands to buy their products directly at retail prices.
- **Expose more people to healthy food:** Shayne and Louise have strong values around sustainably-grown, healthy, local food, as well as community health. Selling to Gosch's and other local grocery stores is a great opportunity to share their healthy food with more people in the community.

### **Benefits for the Final Consumer:**

- **Superior Flavor:** According to the Johnsons, the grocery store customer gets more access to healthy fresh produce, picked at peak of ripeness, often resulting in superior flavor.
- **More Variety:** Customers gain access to a broader variety of vegetables, including local specialty and heirloom vegetables.

### **Barriers Preventing Grampa G's from Selling more to Grocery Stores**

- **Difficulties in meeting volume requirements:** Because Grampa G's started a business relationship with Gosch's late in the year (April), they did not have enough time to determine the quantities of produce needed for this new market before planting their crops. Therefore, the most challenging factor for them as of July 2016 was meeting Gosch's volume needs. Grocery stores purchase food by the case and by the pallet - quantities which the owners of Grampa G's feel would be currently difficult to duplicate. It can be challenging for one small farm to meet the volume and variety required for



The Grampa G's barn. Photo by Claire Stoscheck.

wholesale. As Shayne pointed out, "Food hubs source from multiple farmers to be able to move product around, but for the small farmer themselves to do it is hard because they have to grow so much to meet the demand." A commitment of a specific volume per week from buyers at the beginning of the season would help small farmers to plan ahead and produce the required volume.

- **Price:** Grampa G's will get a significantly lower price from a grocery store than they can get from direct marketing (e.g. the farmers market or farm stand). The co-operators hope that they can turn enough volume over to make up for the lower price, but that's very difficult to do. Grampa G's encounters the same price challenge with its institutional partners, e.g. the school district—which is even more constrained on price than a grocery store because of tight budgets. With these wholesale markets Grampa G's finds that it's a challenge to not lose money. The co-operators understand that they are competing for these markets with distributors who function at economies of scale and therefore can offer grocery stores and institutions significantly lower prices. However, included in the higher cost of Grampa G's products are public benefits like support for local economies, the regeneration of soil, carbon capture, etc. Shayne has observed that price is often the primary factor taken into account for institutional and grocery store buyers when choosing a product, which is often not compatible with the value of increasing access to healthy local food for rural communities that some of these organizations claim to support. Grampa G's hopes that values beyond price—such as the value of supporting local farms with environmentally sustainable practices—can be integrated into purchasing decisions for grocers, institutions, and individuals.

*"The problem is when price is the only value. The premise is that we're trying to get local food in front of people. But if buyers are worried about a couple cents a pound, that's not the premise. Profit margins [for small farms] are slim as it is, and wholesale is even more challenging." – Grampa G's Co-Operator, Shayne Johnson*

- **Lack of an upfront commitment:** One major challenge for a small farm like Grampa G's is the lack of an upfront volume commitment from a grocery store or institution. Ideally, Grampa G's would meet with a grocer before the growing season begins and determine prices and weekly quantities of

each crop that the grocery store commits to buy. The farm would then do their best to supply that amount—though they cannot guarantee quantities due to the risk involved in agriculture (e.g. crop failure due to weather or pests). The grocery store isn't assuming the risk of crop failure as long as there is sufficient communication in time for the grocery store to order products from their distributor should there be a shortage. It's important for the farmer to know that the buyer will do everything they can to buy the quantities committed to at the beginning of the season—so that the farmer is not left with a product and no market.

### Factors that Facilitate Grampa G's sales to Grocery Stores

- **Letting Farmers Set the Price:** Gosch's lets local farmers set their own prices, allowing farmers to try to ensure that they don't lose money. However, a major challenge is that the grocery store has a 25% markup in order to cover their own costs, and the final price may be more than customers are willing to pay. Farmers like Grampa G's have to be careful to not charge so much that there are few sales, or so much such that Gosch's can't cover their own costs. This can limit the farmer's ability to actually charge a sufficient amount to cover their own costs. Although not the method that Grampa G's uses, other Minnesota farmers have found success selling to stores using a consignment model.
- **Farmers that Deliver:** Shayne is aware that offering to deliver is a big plus for grocery stores, who often lack staff capacity for pick-ups. As of August 2016, Grampa G's is delivering to Gosch's one to four times per week, depending on how fast the product moves. Taking on delivery costs Grampa G's more—in gas and time—and it is not included in the price of their products. However, Shayne believes that this kind of effort will help build positive and strong relationships with wholesale buyers because they will see that Grampa G's is helpful and goes the extra mile (literally).
- **Relationships & Communication:** Positive relationships built on upfront volume commitments and constant communication are key for this kind of supply chain. Small farmers can be hurt by institutions who decline to make a firm volume commitment, and at the last minute buy elsewhere because the product is a few cents cheaper per pound. Buyers like grocers can be hurt by farmers who fail to communicate about a crop failure with enough time for them to buy elsewhere. Relationships and communication can make or break a farm to rural grocery store supply chain.



Co-Operator of Grampa G's, Louise Johnson.  
Photo by Claire Stoscheck.

### Next Steps for Grampa G's to sell more to Local Grocery Stores

- **Start Processing Value-added Products in a Commercial Kitchen:** In order to sell processed foods in a grocery store in Minnesota, food must be processed in a commercial kitchen. Currently Grampa G's makes their jams, jellies and salsas at home. They're now considering moving their food processing to the commercial kitchen in the Sprout Food Hub in Little Falls, to both diversify their products and to sell more processed food to markets beyond the constraints of the Cottage Food Law of 2015<sup>2</sup>—including to grocery store markets.
- **Work on Building Strong Business Relationships:** Shayne explained that selling to a grocery store is new for the farm, and buying from small farmers is relatively new for many grocery stores—

<sup>2</sup> The Cottage Food Law (2015) allows certain home processed foods to be sold in a limited number of venues like farmers markets and farm stands. It does not allow home processed foods to be sold in grocery stores.

who are used to buying pallets or cases off of a distributor's truck and accessing a constant volume. Because small farmers and grocers often are coming from very different experiences, the supply chain depends largely on building a strong and positive relationship between the two businesses in order to work out the challenges of supply, demand, price, delivery and communication.

- **Work to get an Upfront Volume Commitment:** Shayne feels strongly that in order for farm to grocery store supply chains to work, the grocery store needs to make a commitment to buying a certain volume of each crop before the growing season begins.

*"I'd be happy to expand acreage if I could get a commitment from grocery stores before the growing season starts, for example [if they say] 'I'll buy x number of pounds of x product each week.' If I got that commitment I'd be happy to plant a crop by the acre!" – Grampa G's Co-Operator, Shayne Johnson*

Because sales to Gosch's started in mid-summer, 2016 is a trial year for this business relationship. Next year Shayne and Louise hope to plan ahead, and in February determine what kind of produce worked last year and what new produce is desired by the grocers. Though they do not expect a guarantee, Grampa G's hopes to get a firm volume commitment.

- **Increase the Price of Products over Time:** In 2016—a pilot year for sales to Gosch's—Grampa G's has started with low prices, with the hope that customers will be introduced to the high quality of their specialty products and be willing to spend slightly more in the future.

### Potential Lessons for other Small Farms

Grampa G's does not sell wholesale to grocery stores or institutions because they can get a profitable price in these markets. Instead, they see these sales as: 1) A marketing opportunity to draw people to their CSA, farmers market and farm stand sales, and; 2) An opportunity to encourage more people to eat healthy, fresh, local food.

Potential lessons for other small farms considering supplying to independent rural grocery stores include:



Pigs on Grampa G's diversified farm.  
Photo by Claire Stoscheck.

- **Communication:** There is a need for farmers to sit down with grocers to get a commitment from both parties that they want to do business together, and to plan ahead for the season.
- **Aggregating Volume:** Potentially collaborate with other nearby farmers to meet the volume needed by grocery stores and/or institutional buyers.
- **Upfront Commitment:** As early as possible in the relationship—and prior to the growing season—get a volume commitment from the grocer so that the farmer can integrate those quantities into their crop plan at the beginning of the growing season.
- **Marketing:** The farmer and grocer should work together to ensure that the product is adequately identified as local and that their farm name and brand stand out to customers.

### More information:

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

**Additional Sources:** Johnson, S. (2016, July 6). [Telephone interview]; Grampa G's. Retrieved July 12, 2016, from <http://www.grampags.com/>; Johnson, L & S. (2016, July 17). [Interview]. **Supply Chain Image credits, L to R:** Created by Ferran Brown from the Noun Project; Created by Dmitry Baranovskiy from the Noun Project.