farm to plate
STRENGTHENING VERMONT'S FOOD SYSTEM

Exploring the Next Frontier:
Increasing Local Food Sales at Vermont's Independent Retailers

Prepared By:

Sona Desai, Intervale Center
Erin Roche and Jane Kolodinsky, UVM Center for Rural Studies
Annie Harlow
Clem Nilan

INTERVALE CENTER — CENTER for RURAL STUDIES — VERMONT RETAIL & GROCERS ASSOCIATION

AGGREGATION + DISTRIBUTION WORKING GROUP farm to plate

Key Messages

- Independent retail food outlets might represent the "next frontier" in local food development for producers and processors.
- This project sought to better understand the kinds of products independent grocery stores currently sell and what real and perceived barriers exist to selling more or different products so that we can grow this market in ways that work for retailers, farmers, food producers, and distributors.
- Many of the findings are very promising: A large percentage of independent retailers already carry local dairy, bakery, grocery, produce, beer, wine, and coffee products. 95% of survey respondents stated they would like to source more local food. Potential opportunities exist to expand local food sales across the board, particularly with local dairy, bakery and beer/wine. Larger stores cited lack of consistent supply as their greatest barrier to purchasing more local food, while smaller stores reported they need more consumer demand for local products.
- We estimate that independent grocery stores account for approximately $750 million of the $1.75 billion in retail food and beverage sales in the state.
- Our local foods assessment found that most stores carry between 2% to 8% raw products, with most raw products found in the Produce, Dairy/Eggs, Meat/Seafood, and Grocery departments. Assessed stores stocked an average of 25% local raw food products.
- Over 90% of the food products carried at independent retailers are processed. Local products ranged from 7% and 25% of the processed food total, with an average of 11%.
- Beer/Wine, Dairy, and Bakery tend to be larger departments in independent retailers (after Grocery), and local products in these departments tend to be cost competitive, high quality revenue generators that are relatively shelf stable, and/or a guaranteed sale (e.g., local bread). Stores with lower percentages of local products in these departments could increase the number of local products they carry relatively easily. These findings align with Survey results that independent retailer customers are interested in Produce, Dairy, and Bakery items.
- Owners/manager/buyers are very busy and are strapped for time. Many do not have the human resources to procure local products directly from producers or to research local products with distributors. Many buyers do not have the capacity or desire to work with multiple local vendors. Business management skills vary among independent store owners. Technical assistance providers should provide increased targeted technical assistance to producers on the basics of wholesaling and work to create a community of practice for retailers to share best practices for business management and for promoting local foods.

CONTENTS

Introduction

Goal 1 of the *Farm to Plate Strategic Plan* encourages increased consumption of local and regional food products in order to increase the "farm share" of each food dollar going to farmers; to incentivize more local and regional food production; to increase local food access for all Vermonters and regional consumers; to support local retail businesses; to protect the working landscape; maintain and build social capital; and encourage healthy eating habits.

To achieve this goal, locally produced and processed food must be available through a wide variety of market channels and retail outlets. Vermont is already a national leader when it comes to direct sales (e.g., farmers' markets, CSAs, farmstands): According to the 2012 Census of Agriculture, Vermont *ranked 6th in the nation* for the number of farms selling through direct markets as a percentage of total farms (28%) and 6th for direct sales as a percentage of total sales (3.5%).

Independent retail food outlets—including country stores, convenience stores, grocery stores, co-ops, and health food stores—might represent the "next frontier" in local food development for producers and processors. The *Supply and Demand Task Force*—a subgroup of the *Aggregation and Distribution Working Group*—formed in early 2012 to create more opportunities to match the supply of and demand for local food. With funding from the Farm to Plate Network Fund, the task force sought to better understand what kinds of products independent grocery stores currently sell and what real and perceived barriers exist to selling more or different products so that this market can grow in ways that work for retailers, farmers, food processors, and distributors.

The project team was led by the *Intervale Center*, and included the *UVM Center for Rural Studies*, *Vermont Retail and Grocers Association*, and two independent consultants, Annie Harlow and Clem Nilan.

The project was implemented in two phases: a **statewide survey** of independent grocers and in-depth **local food assessments** with six stores. Part 1 summarizes the survey findings, while Part 2 summarizes the local food assessments. The results of this work provide important information for addressing two goals of the Farm to Plate Strategic Plan:

- **Goal 1: Consumption of Vermont-produced food by Vermonters and regional consumers will measurably increase;** *www.vtfoodatlas.com/getting-to-2020/1-total-local-consumption*
- **Goal 13: Local food will be available at all Vermont market outlets and increasingly available at regional, national, and international market outlets;** *www.vtfoodatlas.com/getting-to-2020/13-local-food-availability*

Many of the findings are very promising. A large percentage of independent retailers already carry local dairy, bakery, grocery, produce, beer, wine, and coffee products. Ninety-five percent of survey respondents stated they would like to source more local food. Potential opportunities exist to expand local food sales across the board, particularly with local dairy, bakery and beer/wine. Larger stores cited lack of consistent supply as their greatest barrier to purchasing more local food, while smaller stores reported they need more consumer demand for local products.

The *Farm to Plate Network* will utilize the survey findings to identify next steps and develop projects to increase the availability of local food at independent retail establishments in Vermont.

DEFINING THE INDEPENDENT RETAIL SECTOR IN VERMONT

According to the 2007 Economic Census (2012 data is unfortunately not yet available) and the Census Bureau's nonemployer statistics, total retail food and beverage purchases in Vermont generated over $1.75 billion in sales (Adjusted for inflation to 2012 dollars).

CATEGORY	SALES	PERCENT OF TOTAL
Total Food and Beverage	$1,754,598,800	100%
Supermarkets	$1,501,845,200	85.6%
Beer, Wine, and Liquor Stores	$116,475,700	6.6%
Convenience Stores	$100,853,620	5.7%
Specialty Food Stores	$35,424,280	2.0%

Working with information gathered through our survey and with data provided by the ***Vermont Retail and Grocers Association***, **we estimate that independent grocery stores account for approximately $750 million of the $1.75 billion in retail food and beverage sales in the state.** Small independent retailers (less than 2,500 square feet) account for approximately 38% of these sales, large independent retailers (greater than 5,000 square feet) account for 45%, and medium-sized retailers (between 2,500 square feet and 5,000 square feet) account for 17%. This suggests that the independent grocery market is quite significant with small and large stores representing the vast majority of the market share.

This local food assessment found that independent stores in Vermont stock at least 5% local products. To grow the independent retail sector by another 5% in the next decade, and assuming 5% local food availability in stores translates to 5% of actual sales, we can estimate that this could mean an additional $37.5 million in local food sales through independent retailers annually. Retail food cooperatives, as the gold standard, are currently selling approximately 30% local products; over time, if the independent retail sector could approach 25% local products stocked and sold, the potential annual contribution to the local food economy is $187.5 million. This analysis provides important context in which to approach next steps in developing the sector.

Part 1: Retailer Survey

*Prepared by Sona Desai, Intervale Center,
Erin Roche and Jane Kolodinsky,
UVM Center for Rural Studies*

OVERVIEW

Approximately 390 stores were contacted by email, 73 stores completed the survey.

Store Characteristics

LARGE STORES	SMALL STORES
Sell products in nearly all product categories	
Sell local products in nearly every product category stocked	
Need lower prices to sell more local	
Carry local products because customers demand it	
Carry local products to support the local economy	
Carry local products as part of store brand	
Interested in selling more local products	
Get lower margins on local products than other products	Get the same margins on local products as other products
Need more consistent supply to sell more local	Need more customer demand to sell more local
Use a wide variety techniques to promote local products	Rely on store signage to promote local products

On average, these independent grocers:

- Are self-described country or convenience stores
- Occupy around 2,500 square feet and have $1 million in gross annual sales
- Represent every county in Vermont

Large stores describe themselves as grocery (43%) or food co-ops (21%), while small stores describe themselves as country (56.7%) or convenience (36.7%) stores.

Not surprisingly, revenue and square footage are related, with large stores having higher annual sales (58% of large stores have sales $5 million or more).

Product Stocking, Sales, and Promotion

All product categories, except bulk foods (32%) and gasoline (49%) are carried by more than half of the independent grocers, with coffee, dairy, grocery, general merchandise and beer/wine stocked by nearly all stores (more than 9 out of 10 grocers carry products in these categories).

The highest ranked revenue generating categories overall are:

- Grocery and beer/wine
- Gasoline, prepared foods, dairy, meat/seafood

Among those who stock products in a category:

- Local dairy is sold by 9 out of 10 stores
- Local bakery, produce, grocery, beer/wine, coffee are sold by more than 2 out of 3 grocers who sell products in this category
- Local bulk foods, meat/seafood, prepared foods and non-dairy perishables are sold by about half of the grocers who sell products in each category

Among those who stock local products in a category, local coffee, dairy, prepared foods and produce are the highest revenue generators within the category

- There may be opportunities for these kinds of stores to make money with local foods as indicated in Table 7.

Larger stores reported to lower margins on local products, while than small and medium stores reported getting the same margins for local products as other products.

All sizes of stores use in-store signage and many also use displays to advertise local products. However, larger stores use a wider variety of promotional tools, including signage, displays, demos, and web marketing to promote local products.

Local Product Supply and Demand

About half of local products are sourced through a distributor, while 40% are of local products are sourced directly from the producer.

No single distributor is used by more than 1/3 of the stores and stores work with 6 direct producers, on average, to source local products.

Nearly all (9 out of 10) stores believe that customers look for local products at their store, believe the store should carry local products to support the local economy and value local products as part of the store's brand. In fact, 100% of larger stores value local as part of their brand.

Barriers and Opportunities

Vermont retailers value local foods as part of their brand, to support the economy and because their customers ask for them—and **95% are interested in selling more local products.**

The biggest demand across all stores is for local produce, dairy and bakery items.

Larger stores are most interested in produce (86%), dairy (71%), meat (71%)and bakery (71%). Smaller stores are interested in fewer product categories, with just 44% interested in produce and fewer interested in other product categories.

Lack of consumer demand and price were the biggest barriers. About half of the retailers said they need more consumer demand and better prices. Larger stores reported that the thing they need most is more consistent supply (64%).

METHODS

The online survey of independent grocers was developed by the *Intervale Center* and the *Center for Rural Studies at the University of Vermont* and reviewed by the *Vermont Retail and Grocers Association* (VRGA) and the ***Vermont Sustainable Jobs Fund***. The survey was conducted in August and September of 2013. A list of grocers was compiled using resources from the ***VRGA*** and the *Vermont Food System Atlas*. The compiled list was checked for duplicates. The ***VRGA*** shared the survey link with their members on the list if an email address available. Other stores were emailed the link by the Intervale Center (if an email address was available).

Approximately 390 stores were contacted by email, 73 stores completed the survey. 19 stores who did not complete the survey were contacted in October 2013 to check for any systematic bias; all 19 stated that they did not see or receive the email.

This report provides frequency analysis and cross tabulation by size of store. Cross-tabulations were performed using IBM SPSS Statistics v 20.

STORE CHARACTERISTICS

Stores classified themselves into type and size for this survey. Country stores formed the largest group of respondents (43%), followed by convenience stores (28%) and grocery stores (22%). Country stores made up the majority of small stores (56.7%) and a large percentage of mid-sized stores (42.3%). Grocery stores formed the largest group within the large store category (42.9%).

Table 1: Which category best describes your store? (N = 69)

	Frequency	Percent	<2,500 square feet (N = 33)	2,500-4,999 square feet (N = 21)	>5,000 square feet (N = 14)
Country store	30	43.0%	56.7%	42.3%	21.4%
Convenience store	19	28.0%	36.7%	26.9%	7.1%
Grocery store	15	22.0%	3.3%	30.8%	42.9%
Food co-op	4	6.0%	3.3%	0.0%	21.4%
Health food store	1	1.0%	0.0%	0.0%	7.1%

Table 2a. Approximately how many square feet is your store (retail space only)? (N = 68)

	Frequency	Percent
<2,500 square feet	33	48%
2,500-4,999 square feet	21	31%
>5,000 square feet	14	21%

Maximum = 35,000 square feet; minimum = 500 square feet; mean = 4,308 square feet; median = 2,500 square feet.

Table 2b: What were your gross annual sales for 2012? (N = 70)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Less than $250,000	1	1.0%	0.0%	4.0%	0.0%
$0.25-1.0 million	30	43.0%	70.6%	28.0%	0.0%
$1-5 million	29	41.0%	26.5%	60.0%	41.7%
$5-15 million	8	11.0%	2.9%	8.0%	41.7%
Over $15 million	2	3.0%	0.0%	0.0%	16.7%

The majority of stores reported their gross annual sales between $250,000 and $5 million (84%). The physical size of the store seems to be related to gross annual sales, as 70% of small stores reported sales between $250,000 and $1 million, 60% of mid-sized stores reported sales between $1 million and $5 million, and nearly 83% of large stores reported sales between $1 million and $15 million.

PRODUCT STOCKING, SALES, AND PROMOTION

Table 3: What type of products does your store carry? (N = 73)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Beer & Wine	68	93.0%	88.2%	96.2%	85.7%
Grocery (non-alcoholic beverages, maple syrup, honey)	68	93.0%	88.2%	96.2%	92.9%
Coffee / other Hot Beverages	67	92.0%	85.3%	96.2%	92.9%
Dairy (Milk, Cheese, Yogurt) & Eggs	67	92.0%	85.3%	96.2%	92.9%
General Merchandise (cleaning supplies)	67	92.0%	88.2%	96.2%	85.7%
Frozen	65	89.0%	82.4%	92.3%	92.9%
Prepared Foods	64	88.0%	76.5%	96.2%	92.9%
Health & Beauty	63	86.0%	82.4%	88.5%	85.7%
Bakery	59	81.0%	70.6%	88.5%	85.7%
Produce	59	81.0%	73.5%	80.8%	92.9%
Meat & Seafood	57	78.0%	64.7%	84.6%	92.9%
Tobacco	55	75.0%	76.5%	80.8%	57.1%
Non-Dairy Perishables (Hummus, Tofu)	51	70.0%	61.8%	65.4%	92.9%
Gasoline	36	49.0%	55.9%	42.3%	42.9%
Bulk Foods	23	32.0%	20.6%	23.1%	71.4%

The percentages of stores reporting to carry certain products were largely consistent across size categories. Exceptions to this occurred at the large stores, which carried more bulk and non-dairy perishables and less tobacco products than the small and mid-sized stores. Overall, over 90% of stores reported carrying coffee and other hot beverages (92%), dairy/eggs (92%), grocery products (93%), and general merchandise (92%).

Table 4: Among these categories, which are your top 4 revenue-generating products? (N = 68)

	Frequency of Ranking				Percent of Ranking			
	#1	#2	#3	#4	#1	#2	#3	#4
Grocery (non-alcoholic beverages, maple syrup, honey)	24	12	10	3	35.3%	17.6%	14.7%	4.4%
Gasoline	17	4	3	5	25.0%	5.9%	4.4%	7.4%
Prepared Foods	8	4	8	8	11.8%	5.9%	11.8%	11.8%
Beer & Wine	5	15	16	12	7.4%	22.1%	23.6%	17.6%
Tobacco	5	7	4	3	7.4%	10.3%	5.8%	4.4%
Bakery	1	1	1	2	1.5%	1.5%	1.5%	2.9%
Meat & Seafood	4	9	4	5	5.9%	13.2%	5.9%	7.4%
Produce	1	5	4	4	1.8%	7.4%	5.9%	5.9%
Dairy (Milk, Cheese, Yogurt) & Eggs	0	3	9	12	0	4.4%	13.2%	17.7%
Coffee / other Hot Beverages	0	2	3	5	0	2.9%	4.4%	7.4%
Health & Beauty	0	2	3	1	0	2.9%	4.4%	1.5%
Non-Dairy Perishables (Hummus, Tofu)	0	1	0	0	0	1.5%	0	0
General Merchandise (cleaning supplies)	0	1	1	4	0	1.5%	1.5%	5.9%
Bulk Foods	0	0	1	2	0	0	1.5%	2.9%
Frozen	0	0	0	2	0	0	0	2.9%

Of the 16 product categories, grocery products were most consistently rated as the top revenue-generating product (49 stores and 72% across all 4 rankings), followed closely by beer and wine (48 stores and 70.7%), while general merchandise and non-dairy perishables were reported the least (6 stores [8.9%] and 1 store [1.5%], respectively).

Table 5: In which product categories do you stock local products (as a percentage of those who carry products in this category)?

	Local / Total	Percent
Dairy (Milk, Cheese, Yogurt) & Eggs	62 / 67	93.0%
Bakery	53 / 59	90.0%
Grocery (non-alcoholic beverages, maple syrup, honey)	53 / 68	78.0%
Produce	46 / 59	78.0%
Beer & Wine	51 / 68	75.0%
Coffee / other Hot Beverages	47 / 67	70.0%
Bulk Foods	14 / 23	61.0%
Prepared Foods	36 / 64	56.0%
Meat & Seafood	30 / 57	53.0%
Non-Dairy Perishables (Hummus, Tofu)	23 / 51	45.0%
Frozen	25 / 65	38.0%
Health & Beauty	22 / 63	35.0%
General Merchandise (cleaning supplies)	17 / 67	25.0%

At least three quarters of stores that answered this question reported stocking local dairy/eggs (93%), bakery (83%), produce (78%), grocery products (78%), and beer and wine (75%).

Table 6: Within the categories that you stock local products, approximately what percentage of total revenue do the local products account for?

	N =	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Coffee / other Hot Beverages	47	55.0%	61.0%	56.0%	46.0%
Dairy (Milk, Cheese, Yogurt) & Eggs	60	47.0%	48.0%	52.0%	35.0%
Prepared Foods	29	42.0%	32.0%	51.0%	43.0%
Bakery	50	38.0%	33.0%	39.0%	45.0%
Meat & Seafood	29	37.0%	36.0%	39.0%	37.0%
Produce	43	29.0%	25.0%	30.0%	32.0%
Non-Dairy Perishables (Hummus, Tofu)	23	26.0%	17.0%	37.0%	24.0%
Beer & Wine	48	18.0%	18.0%	15.0%	25.0%
Bulk Foods	13	17.0%	12.0%	15.0%	20.0%
Frozen	24	15.0%	22.0%	14.0%	9.0%
Grocery (non-alcoholic beverages, maple syrup, honey)	49	15.0%	16.0%	13.0%	17.0%
Health & Beauty	22	12.0%	17.0%	7.0%	12.0%
General Merchandise (cleaning supplies)	17	5.0%	2.0%	7.0%	6.0%

Local coffee and prepared hot beverages were reported consistently as accounting for a high percentage of total revenue, both across size categories (61% for small, 56% for mid-sized and 46% for large) and as an overall percentage (55%). Dairy/eggs also made up sizeable percentages of stores' total revenues (47% overall), particularly for small and mid-sized stores (48% and 52% respectively). Mid-sized stores also reported higher percentages in the non-dairy perishables (37%) and prepared food (51%) categories.

Table 7: Summary table of top revenue generators, local products, by product category

	Sell products, but not local (n = 73)	Sell local products	Don't sell products in this category	Percent of total revenue from local products	Number who ranked as a top 4 revenue category	Of those who sell local products in this category, number who ranked as a top 4 revenue category
Coffee	27%	64%	9%	55.0%	7	6
Dairy	7%	85%	8%	47.0%	24	23
Produce	18%	63%	19%	46.0%	14	14
Prepared Foods	38%	49%	13%	42.0%	23	19
Bakery	8%	73%	19%	38.0%	5	5
Meat	37%	41%	22%	37.0%	20	15
Non-Dairy Perishables	38%	32%	30%	26.0%	1	0
Beer & Wine	23%	70%	7%	18.0%	48	34
Bulk Foods	12%	19%	69%	17.0%	3	3
Frozen	55%	34%	11%	15.0%	2	1
Grocery	21%	73%	6%	15.0%	49	39
Health & Beauty	56%	30%	14%	12.0%	5	4
General	68%	23%	9%	5.0%	6	1
Gasoline	48%	1%	51%	0.0%	29	1
Tobacco	75%	0%	25%	0.0%	19	0

These independent grocers sell a wide variety of products. More than 90% of the stores sell coffee (91%), dairy (92%), grocery (94%), beer/wine (93%) and general merchandise (91%). More grocers sell local dairy products (85%) than local products in any other category, followed by bakery (73%), grocery (73%), beer/wine (70%), coffee (64%) and produce (63%). The most commonly sold but not local products are tobacco (75%), general merchandise (68%), health/beauty products (56%) and frozen products (55%).

The biggest revenue generating categories are coffee, dairy, produce, and prepared foods, while beer/wine and grocery are most likely to be ranked as a top revenue generator.

Table 8: Is your profit margin for local products more, less or about the same as other products? (N = 64)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
More than other products	5	8.0%	10.7%	0.0%	15.4%
Less than other products	28	44.0%	25.0%	52.2%	69.2%
About the same as other products	31	48.0%	64.3%	47.8%	15.4%

About half (48%) of all stores responded that local products had the same profit margin as other products. However, among large stores only 15% get the same margin for local as other products, while 69% report lower margins for local products.

Table 9: In what ways do you promote local and/or Vermont products? (N = 73)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
In store signage	54	74.0%	67.6%	73.1%	85.7%
Displays	34	47.0%	38.2%	34.6%	85.7%
Advertising	26	36.0%	17.6%	34.6%	78.6%
Web or social media promotions	25	34.0%	23.5%	26.9%	71.4%
Demos	19	26.0%	20.6%	11.5%	64.3%
Outside store signage	16	22.0%	20.6%	15.4%	35.7%
Store name or tagline	8	11.0%	2.9%	7.7%	35.7%
None	7	10.0%	14.7%	7.7%	0.0%%

In store signage was the most commonly mentioned method of promotion for all stores, both overall (74%) and within size categories (67.6% for small, 73.1% for mid-sized, and 85.7% for large). Large stores also reported high usage of displays (85.7%), advertising (78.6%) and web or social media promotion (71.4%), while small and mid-sized stores reported using fewer promotions.

LOCAL PRODUCT SUPPLY AND DEMAND

Table 10: What percent of your local products are sourced...

	...through a distributor	...directly from producer	...by supplying your own products	...through another type of source
Mean	53	44	13	11
Median	50	40	10	5
Number of respondents	60	61	30	13

	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
% through a distributor	62	46	50
% directly from producer	40	46	45
% by supplying own products	16	10	9

Independent grocers report that about half (median of 50%) of their local products are sourced through a distributor and 40% of local products are sourced directly from the producer. On average, small stores source more than half (62%) of their local products through a distributor.

On average, grocers who source products directly source from 6 producers. However, the average is much higher (28.8 producers) due to a few who work directly with a large number of producers.

Table 11: How many producers do you source directly from? (N = 54)

Average	28.8
Median Value	6

Table 12: What distributor(s) do you use? (N = 51)

	Frequency	Percent
Black River Produce	17	33%
Capital Candy	14	27%
Associated Grocers of New England	12	24%
Vermont Roots	10	20%
United Natural Foods Inc. (UNFI)	10	20%
Best of Vermont	9	18%
Pine State Trading Co.	6	12%
Dowling's Inc.	5	10%
Hibbert & McGee	5	10%
Farrell Distributing	5	10%
Baker Distributing	5	10%
Provisions International	4	8%

Distributors listed below were mentioned by three or fewer grocers.

Calmont Beverage
Upper Valley Produce
Tree of Life
Local farmers
Green Mountain Farm
Direct
N&R Dairy
Albert's Organics
g.housen
Thomas Dairy
Chex
Associated Buyers
Maple Meadow
Sprague Dairy
State of Vermont Liquor
Booth Brothers Dairy
Kehe
Wilcox Dairy
Haddon
Hood
MacAuley's Foodservice
Hillcrest Foods
D+S Distribution
C&S Wholesale Grocers
AB
Katherine Killian
VT Wine Merchants
Green Mountain Coffee
Mazza Farm
Brigantes
My Kid's Kitchen
Blue Heron Farm
Conamak Farm
Darby Farms
WR Paper

There are a wide variety of distributors supporting independent grocers in Vermont, with 47 distributors mentioned by at least one grocer. Most commonly, these grocers rely on Black River Produce (33% of all stores), Capital Candy (27%), A.G. New England (24%), VT Roots (20%) and UNFI (20%).

Table 13: Please indicate yes in the box below if you...

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
...believe your store should carry local products to support the local economy?	61	97.0%	96.4%	95.5%	100.0%
...believe your customers look for local products at your store?	57	88.0%	93.1%	73.9%	100.0%
...value local and/or Vermont products as part of your store's brand?	53	88.0%	85.2%	86.4%	100.0%
...carry local products because they are more profitable than other products?	3	5.0%	8.3%	4.3%	0.0%

Nine out of ten stores believe customers look for local products at their store (88%), believe their store should carry local products to support the local economy (97%) and value local/Vermont products as part of the store's brand (88%). However, only a small percentage of stores (8.3% of small stores, 4.3% of mid-sized and none of the large stores) carry local products because they are more profitable than other products (5% overall).

BARRIERS AND OPPORTUNITIES

Table 14: Why do you stock local products? (N = 53)

	Frequency	Percent
Community and Ideological reasons: *-Part of initial mission statement* *-Trying to promote local health*	27	51.0%
Business, marketing, and profit reasons: *-Tag line, advertising, brand recognition* *-Seeing demand and matching it*	16	30.0%
Quality reasons: -Feel local are better quality (e.g., more fresh produce)	5	9.0%
More than 1 of above reasons	5	9.0%

Over half of the respondents report stocking local products for Community and Ideological reasons (51%), and nearly one-third of respondents stock local products for business, marketing, and profit reasons (30%). These percentages could be potentially higher, as 9% of respondents indicated that there decision is due to more than one reason. This question was asked open-ended and the uncoded responses can be found in Table 21.

Table 15: Are you interested in selling more local products? (N = 57)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Yes	54	95.0%	100.0%	85.7%	100.0%
No	3	5.0%	0.0%	14.3%	0.0%

Nearly all respondents indicated that they were interested in selling more local products (95% overall and 100% of small and large stores). The only exception to this appears with mid-sized stores, of which 14.3% reported that they were not interested.

Table 16: What are the current barriers to selling local or Vermont-made products? (N = 61)

	Average barrier rank (1 = most important)	Number providing rank for item
Consumers don't buy it	3.34	61
Too expensive	3.63	52
Perishable	4.02	43
Distributor doesn't carry	4.33	30
Would displace a product that is currently carried	4.22	18
Inconsistent supply	6.18	11
Requires additional accounting	4.82	11
Takes too much time	5.88	8
Other	7.33	3

All respondents to this question (61) indicated lack of consumer interest and nearly all respondents (52) indicated high cost as the most important barriers to selling local or Vermont-made products.

Table 17: What are the three things that you would need most to be able to sell more local products? (N = 73)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Customer demand	39	53.0%	55.9%	53.8%	42.9%
Lower prices	36	49.0%	44.1%	53.8%	50.0%
More consistent supply	30	41.0%	35.3%	34.6%	64.3%
Distributor to carry more products	25	34.0%	32.4%	30.8%	42.9%
Bigger store	14	19.0%	14.7%	26.9%	14.3%
Marketing support	11	15.0%	14.7%	7.7%	28.6%
More non-perishable items	8	5.0%	14.7%	7.7%	7.1%

Approximately half of stores overall reported customer demand (53%) and lower prices (49%) as being important to increasing sales of local products. Over one-third of small and mid-sized stores and over two-thirds of large stores would like to see more consistent supply (35.3%, 34.6%, and 64.3% respectively), and roughly one third of small and mid-sized stores and over 40% of large stores would like distributors to carry more products (32.4%, 30,8%, and 42.9%).

Table 18: What local product types would your customers be most interested in? (N = 58)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Produce	40	69.0%	44.0%	50.0%	86.0%
Dairy (Milk, Cheese, Yogurt) & Eggs	36	62.0%	38.0%	50.0%	71.0%
Bakery	35	60.0%	35.0%	50.0%	71.0%
Beer & Wine	29	50.0%	32.0%	35.0%	64.0%
Grocery (non-alcoholic beverages, maple syrup, honey)	29	50.0%	35.0%	38.0%	50.0%
Meat & Seafood	25	43.0%	24.0%	27.0%	71.0%
Prepared Foods	23	40.0%	26.0%	23.0%	57.0%
Coffee / other Hot Beverages	17	29.0%	15.0%	19.0%	50.0%
Frozen	12	21.0%	6.0%	15.0%	43.0%
Non-Dairy Perishables (Hummus, Tofu)	12	21.0%	9.0%	8.0%	50.0%
Bulk Foods	10	17.0%	3.0%	8.0%	50.0%
Health & Beauty	10	17.0%	3.0%	15.0%	36.0%
General Merchandise (cleaning supplies)	9	16.0%	3.0%	12.0%	36.0%

More than half of stores overall report their customers would be most interested in local produce (69%), local dairy/eggs (62%) and local bakery goods (60%), and half of overall stores also report customer interest in local grocery products (50%) and local beer and wine (50%). Large stores reported higher customer interest in local products than small or mid-sized stores in every product category, at sometimes double or triple the percent.

Table 19: What specific local products or brands would your customers be most interested in? (N = 35)

Beer and wine	Pete's Greens, Alchemist and Hill Farmstead beer, jams	Affordable meat
Produce	Pretty much anything from Vermont works for us	Fruits, meals, non-perishables
Bread, bagels	Local produce, locals wines and beer, meat ravioli	Maple syrup, produce
Cheeses and dry grocery items (easy to ship items)	Cheeses, craft beer, deli meat	Strafford Creamery, Heady Topper beer
Produce, groceries	Produce, meat, prepared foods	Homemade products that the government doesn't have to regulate
Eggs, bakery, meals	Chicken, grains, beans, produce off-season	Honey, maple syrup, cheese, seasonal produce
Toys, clothing, jewelry, books	Vermont Gluten-Free, Patchwork Bakery	Cheese, salsa, jams
Sweet corn, maple syrup, honey	Produce	Meats, fruits, veggies, baked goods
Meats, cheeses, bakery	Meats, produce, bakery, dairy	Not sure

Table 20: Would you be interested in participating in a local foods assessment? (N = 52)

	Frequency	Percent	<2,500 square feet	2,500-4,999 square feet	>5,000 square feet
Yes	27	52.0%	43.5%	44.4%	81.8%
No	25	48.0%	56.5%	55.6%	18.2%

Stores were overall fairly evenly split on whether they would be interested in participating in a local foods assessment. Across store sizes, over 80% of large stores were interested, compared to half of all small and mid-sized stores indicated that they were not interested.

Table 21. Why do you sell local products?

Why wouldn't we? We need to restart our own local economy and by stocking local products the money stays in the local area and usually comes back to us in one way or the other.
I want to support the people that support me.
We value small producers and local entrepreneurs.
We discount Vermont products as a draw -this is signed and is definitely remembered by our customers especially around holidays and other special gift times.
Since we are a local store it enhances the appeal of the store.
Market niche.
Quality, support local.
Goodwill.
Customer demand, to support local businesses.
Good for all parties.
Part of our mission is to support the local economy and to provide our members with healthy local choices.
Because they sell.
People look to support local products.
Good for the local economy. I am a small town businessman: I always try to reach out to other small businesses, local contractors, non-profit organizations.
We enjoy supporting local because we are also local. Also helps separate us from the larger chain stores.
Mission: support local economy, environmental benefit, long range food security better quality food, food safety differentiates us from other stores.
It's part of our mission as a co-op.
To support local farmers and it SELLS.
Support local business and have good standing reputation for fresh products. Can't get much fresher than local.
Customer demand and quality of product.
It's part of our core values and we've been doing it for almost 30 years.
To promote a vibrant local economy.
Because this is VT and local has a certain cachet that is very marketable. I also like to support my neighbors.
Personally I like the products and feel it is in the communities best interest for my store to support the local economy in any way I can.
To support local businesses.
Customers are looking for them and trying to help the local vendors out.

Table 21. Why do you sell local products? Continued

Suppliers of some products are my customers also so I support them as they support me, some customers prefer VT products.
I buy products from local people, because they support my business.
Quality and "Buy Local."
I feel that it's great to support our beautiful state of Vermont.
People like to see them.
Customer demand and because some of the local products are produced by the people in town.
Believe in the product.
Customer recognition. Alignment with "Buy Vermont First." Quality.
It is part of our mission statement and, as a coop, we want to support local growers and local businesses.
Because it is good for us and is what our customers want. We are not re-inventing the wheel here just getting back to the basics and our roots.
Support our town/state!
To help our local farmers.
Want to support local companies.
Great products! Keeps the money in Vermont and the sales people are wonderful.
Fresher. Higher Quality. Consumer Demand.
Helps drive local economy. Helps attract tourists. We expect people to buy local and support us, we in turn had better support local people.
Support the local business.
Quality fresher, as in corn delivered same day it's picked or cider on the same day it's made.
Commitment to the customers and support of local producers.
Customer request, help local economy.
They sell.
Help local producers.
Easily available and competitive price.
It's the right thing to do. It supports VT and local economies.
The customers want it and I as an owner am glad to help our local people who have these "fresh" products.
We like to support other local businesses, if there products fit into our mix.
To sustain local economy, and to have a direct relationship with food producers, and to differentiate from competitors.

Part 2: Local Food Assessment

Prepared by Sona Desai, Intervale Center,
Annie Harlow, and Clem Nilan

LOCAL FOOD ASSESSMENTS

Intervale Center staff, Clem Nilan, and Annie Harlow worked together to identify six independent retailers for in-store local food assessments. These six retailers were selected based on their expressed interest from the statewide survey from phase one of this project, their store type, and their store size. Of the six participating retailers, two are small convenience stores (less than 2,500 square feet), two are medium-sized country stores (between 2,500 and 5,000 square feet), and two are large grocery stores (greater than 5,000 square feet).

Once the stores were selected, the project team developed a rubric for conducting the local food assessments. The rubric includes the following:

- An inventory of raw and processed store products in 11 departments: Bakery (including specialty bakery items, such as gluten-free and vegan products), Beer/Wine, Bulk Foods, Coffee/Hot Beverages, Dairy/Eggs, Frozen, Grocery, Meat/Seafood, Non-dairy Perishables, Prepared Foods, and Produce. These categories correspond to the ones used in the statewide survey.
- A visual assessment of in-store marketing of local products
- An assessment of tracking and reporting of local foods sales
- An assessment of distributors

The project team conducted the assessments in March, April, and May 2014. Team members contacted the store owners/managers and set up a time for a brief interview and to conduct the store inventory. The assessments were approximately 1 – 3 hours long depending on the store size and included an interview with the store manager. The rubric is included at the end of this report and can be used by retailers and others interested in collecting data that measures the current in-store availability of local food. The data is useful in providing a local foods benchmark that can inform future opportunities and overall decision-making at both the store and statewide level.

Store characteristics

As part of this project, "local" is defined in the following ways:

1) **Raw:** Produced in Vermont or within 30 miles of Vermont
2) **Processed:** Processed in Vermont, with or without Vermont raw ingredients

The store inventory data is presented as a percentage of local products by department; it does not measure velocity (product movement), so it will not translate to pounds or sales. To determine velocity, the store inventory will need to be reconciled with in-store movement reports. Store inventory is a snapshot in time and does not capture seasonal variability. This assessment also excludes health and beauty products, non-edible merchandise such as paper products and cleaning supplies, and liquor.

Findings

A summary of each store's inventory is provided below. The columns "VT Raw" and "VT Processed" indicate the number of local products in each department. The final column provides a total percentage of raw and processed local products for each department, along with an overall percentage for the entire store.

Note: Point of sale (POS), or checkout, systems consist of hardware (e.g., scales, scanners, cash registers, touch screens, and so on) and software (e.g., computer programs) that facilitate transactions between customers and retailers. POS software can generate "movement reports" that allow retailers to track products moving in and out of stores.

PHOTO CREDIT: Healthy Living Market

Checking out at Healthy Living Market in South Burlington.

Market A

Market A is a large independent grocery store located in Chittenden County. Approximately 5% of all products in the grocery store were local. **The highest percentages of local products were found in Prepared Foods, Bakery, Meat/Seafood, and Dairy/Eggs. The store departments with the smallest percentage of local products were Grocery, Bulk Foods, and Frozen.** The store has an established point of sale (POS) system but does not currently generate movement reports.

Table 1: Market A Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Prepared Foods*				315	274	87%	315	274	**87%**
Bakery				369	201	54%	369	201	**54%**
Meat & Seafood	75	19	25%	278	91	33%	353	110	**31%**
Dairy / Eggs	96	44	46%	659	132	22%	755	176	**23%**
Beer & Wine				1,110	125	11%	1,110	125	**11%**
Non-Dairy Perishables				179	19	11%	179	19	**11%**
Produce	175	11	6%	135	24	18%	310	35	**11%**
Frozen	3	1	33%	1,335	86	6%	1,338	87	**7%**
Bulk	62	4	6%	100	6	6%	162	10	**6%**
Grocery	47	0	0%	18,936	132	1%	18,983	132	**1%**
Coffee / Beverages									
TOTAL	**458**	**79**	**17%**	**23,416**	**1,090**	**4.7%**	**23,874**	**1,169**	**4.9%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market A integrates local products with non-local products throughout the store. Currently, there are no stickers or individual signs highlighting local products. The store is beginning to use some social media for outreach and is in the process of creating a customer loyalty program. The store owner is also considering developing a dedicated marketing position for the three stores he owns in Vermont.

The store purchases directly from many local producers within each category. The primary distributors that serve Market A are Associated Grocers of New England (biggest), UNFI (2nd biggest), Albert's Organics, Associated Buyers, Best of Vermont, Black River Produce, Haddon House, Chex, Upper Valley Produce and VT Roots (biggest local vendor).

Market B

Market B is a large independent grocery store located in Washington County. Approximately 8% of all products in the grocery store were local. **The highest percentages of local products were found in Prepared Foods, Bakery, Coffee/Beverages, and Dairy/Eggs. The store departments with the smallest percentage of local products were Non-Dairy Perishables, Grocery, Produce, and Beer/Wine.** The store has an established POS system but does not currently generate movement reports.

Table 2: Market B Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Coffee / Beverages				8	8	100%	8	8	**100%**
Prepared Foods*				54	54	100%	54	54	**100%**
Bakery				258	125	48%	258	125	**48%**
Dairy / Eggs	64	21	33%	593	138	23%	657	159	**24%**
Meat & Seafood	137	31	23%	217	33	15%	354	64	**18%**
Frozen				877	113	13%	877	113	**13%**
Beer & Wine				1,470	110	7%	1,470	110	**7%**
Produce	165	6	4%	26	4	15%	191	10	**5%**
Grocery	61	33	54%	9,024	346	4%	9,085	379	**4%**
Non-Dairy Perishables				306	6	2%	306	6	**2%**
Bulk									
TOTAL	**427**	**91**	**21%**	**12,833**	**937**	**7%**	**13,260**	**1,028**	**7.8%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market B integrates local products with non-local products throughout the store. Currently, there are few stickers or individual signs highlighting local products. The store does have a website and advertises on WDEV but is not actively using social media.

The store purchases directly from approximately one dozen local producers across all categories. The primary distributors that serve Market B are Associated Grocers of New England, Baker, Best of Vermont, Black River Produce, Booth Brothers, C&S, Calmont, Capital Candy, Chex, g.housen, Green Mountain Coffee, Hadden, Hibbert & McGee, MacAuleys, Monument Farms, Sprague Dairy, Upper Valley Produce, VT Roots, and VT Wine Merchants.

Market C

Market C is a medium-sized independent grocery store located in Windsor County. Over 26% of all products in the grocery store were local. **The largest categories for local products were Prepared Foods, Bakery, Coffee/Beverages, Frozen, and Dairy/Eggs. The store departments with the smallest percentage of local products were Produce, Beer/Wine, and Grocery.** The store has an established POS system and currently generates movement reports by department but does not track sales of local products.

Table 3: Market C Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Coffee / Beverages				10	10	100%	10	10	**100%**
Prepared Foods*				190	190	100%	190	190	**100%**
Bakery				176	171	97%	176	171	**97%**
Frozen	1	1	100%	38	27	71%	39	28	**72%**
Dairy / Eggs	37	34	92%	228	126	55%	265	160	**60%**
Non-Dairy Perishables				94	38	40%	94	38	**40%**
Meat & Seafood	52	21	40%	76	25	33%	128	46	**36%**
Grocery	94	66	70%	2,503	283	11%	2,597	349	**13%**
Beer & Wine				225	27	12%	225	27	**12%**
Produce	131	5	4%	17	3	18%	148	8	**5%**
Bulk									
TOTAL	**315**	**127**	**40%**	**3,557**	**900**	**25%**	**3,872**	**1,027**	**26.5%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market C integrates local products with non-local products throughout the store and has signage highlighting local products. The store has a marketing coordinator and conducts demos and daily product samples.

The store purchases directly from many local producers within each category. The primary distributors that serve Market C are Albert's Organics, Associated Buyers, Baker, Best of Vermont, Black River Produce, Calmont, Capital Candy, Chex, Farrell, g.housen, Haddon, Hillcrest, Provisions, UNFI, Upper Valley Produce, VT Roots, VT Wine Merchants, and Wilcox Dairy.

Market D

Market D is a medium-sized independent grocery store located in Orleans County. Approximately 15% of all products in the grocery store were local. **The categories with the largest percentage of local products were Bakery, Coffee/Beverages, Non-Dairy Perishables, and Meat/Seafood. The store departments with the smallest percentage of local products were Produce, Beer/Wine, and Grocery.** The store has an established POS system and currently generates movement reports by department but does not track sales of local products.

Table 4: Market D Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Coffee / Beverages				8	8	100%	8	8	**100%**
Bakery				150	93	62%	150	93	**62%**
Non-Dairy Perishables				131	75	57%	131	75	**57%**
Meat & Seafood	49	24	49%	42	22	52%	91	46	**51%**
Dairy / Eggs	49	26	53%	197	83	42%	246	109	**44%**
Frozen				197	63	32%	197	63	**32%**
Beer & Wine				959	105	11%	959	105	**11%**
Grocery	85	42	49%	4,351	415	10%	4,436	457	**10%**
Produce	56	4	7%	1	0	0%	57	4	**7%**
Prepared Foods*									
Bulk									
TOTAL	**239**	**96**	**40%**	**6,036**	**864**	**14%**	**6,275**	**960**	**15.3%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market D has limited signage due to dedicated sections for local products in each department. The store is active on social media, does a radio show, and is developing a website.

The store purchases directly from many local producers within each category. The primary distributor that serves Market D is D & S.

Market E

Market E is a small independent grocery/convenience store located in Grand Isle County. Approximately 10% of all products in the store were local. **The categories with the largest percentages of local products were Prepared Foods, Bakery, Coffee/Beverages, and Dairy/Eggs. The store departments with the smallest percentage of local products were Beer/Wine, Grocery, Produce, and Meat/Seafood.** The store has an established POS system but does not currently generate movement reports.

Table 5: Market E Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Coffee / Beverages				8	8	100%	8	8	**100%**
Prepared Foods*				30	30	100%	30	30	**100%**
Bakery				126	63	50%	126	63	**50%**
Dairy / Eggs	32	11	34%	164	40	24%	196	51	**26%**
Frozen				255	37	15%	255	37	**15%**
Meat & Seafood	70	2	3%	20	6	30%	90	8	**9%**
Beer & Wine				887	64	7%	887	64	**7%**
Grocery	34	22	65%	2,487	131	5%	2,521	153	**6%**
Produce	64		0%	5	3	60%	69	3	**4%**
Non-Dairy Perishables				55	0	0%	55	0	**0%**
Bulk									
TOTAL	**200**	**35**	**18%**	**4,037**	**382**	**9%**	**4,237**	**417**	**9.8%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market E highlights many local products with special displays but has minimal signage. The store coordinates some passive demos and is somewhat active on social media.

The store purchases directly from a few local producers from within a small geographical area and within each category. The primary distributors that serve Market E are Associated Grocers of New England, Associated Buyers, Baker, Booth Brothers, Calmont, Capital Candy, Farrell, g.housen, Green Mountain Coffee, Haddon, Hibbert & McGee, Hood and Pine State.

Market F

Market F is a small independent grocery/convenience store located in Lamoille County. About 8.3% of all products in the store were local. **The categories with the highest percentage of local products were Prepared Foods, Bakery, Dairy/Eggs, and Non-Dairy Perishables. The store departments with the smallest percentage of local products were Frozen, Grocery, and Produce.** The store has an established POS system but does not currently generate movement reports.

Table 6: Market F Local Food Assessment

	Total Raw	VT Raw	% Raw that is Local	Total Process.	VT Process.	% Process. that is Local	Total Items	Total VT	% VT
Prepared Foods*				27	17	63%	27	17	**63%**
Bakery				89	36	40%	89	36	**40%**
Non-Dairy Perishables				120	44	37%	120	44	**37%**
Dairy / Eggs	43	16	37%	90	27	30%	133	43	**32%**
Beer & Wine				532	82	15%	532	82	**15%**
Meat & Seafood	20	1	5%	82	13	16%	102	14	**14%**
Frozen				393	45	11%	393	45	**11%**
Grocery	37	10	27%	3,059	86	3%	3,096	96	**3%**
Produce	52	0	0%	7	0	0%	59	0	**0%**
Bulk									
Coffee / Beverages									
TOTAL	**152**	**27**	**18%**	**4,399**	**350**	**8%**	**4,551**	**377**	**8.3%**

* Many Prepared Foods are considered local because they are made in Vermont, with or without Vermont raw ingredients.

Market F integrates local products with non-local products throughout the store. Currently, there are no stickers or individual signs highlighting local products. The store does have a website but is not actively using social media.

Market F purchases products directly from a few local producers. The primary distributor that serves the store is Associated Grocers of New England.

Conclusions

The stores that participated in the local food assessments are fairly representative of the larger sample of independent retailers. On average, the percentage of local food ranged from 5% to 25% of total food available in these stores. It is important to note that the assessments were conducted during the slowest season for local produce.

Table 7: Percentage of Local Products in Six Participating Stores

	Size in Square Feet	% Local
Small	Less than 2,500	8-10%
Medium	Between 2,500 and 5,000	15-25%
Large	Greater than 5,000	5-8%

In general, the largest departments in terms of products offered in the stores that participated in the assessments were Grocery, Beer/Wine, Frozen, Dairy/Eggs, and Bakery. The smallest departments were Meat/Seafood, Non-Dairy Perishables, and Produce. The departments with the highest number of local products were Prepared Foods, Bakery, Coffee/Beverages and Dairy/Eggs. The departments with the lowest number of local products were Beer/Wine, Grocery and Produce.

Bakery and Dairy/Eggs are generally large departments with the highest amounts of local products. Grocery, however, generally contains 70% of the products in each store and includes a small percentage of local products.

Meanwhile, Meat/Seafood and Produce are generally small departments by volume that have a small percentage of local products.

Under the "VT Raw" category, we included meat, seafood, eggs, produce, fluid milk, bulk whole grains and beans, honey, and maple syrup. **Our local foods assessment found that most stores carry between 2% and 8% raw products, with most of them found in the Produce, Dairy/Eggs, Meat/Seafood, and Grocery departments. That means that over 90% of the products stores carry are processed. Of raw foods, assessed stores stocked an average of 25% local products. Of processed products, local products ranged from 7% and 25% of the total with an average of 11%.**

Key Findings & Opportunities for Next Steps

1. **FINDING:** Dairy is Vermont's largest commodity and supply exceeds demand in Vermont. Dairy products had high product counts and 90% of stores carry local dairy already, and dairy is identified as a high revenue generator for stores. 62% of stores stated their customers would be interested in local dairy.

   - **Opportunity:** Increase the percentage of local dairy in stores by replacing non-local dairy products with local alternatives.

2. **FINDING:** Coffee is a high revenue generator with the potential to be sourced locally. There seems to be a good representation of locally processed coffee in stores with 29% of stores reported their customers would be interested in locally processed coffee.

   - **Opportunity:** Increase the percentage of local coffee in stores (bulk, retail beans, and hot coffee) by replacing non-local coffee with local alternatives.

3. **FINDING:** According to the definition of local, all stores have Prepared Foods departments that are highly local, but we do not know the source of products being used in Prepared Foods. Prepared Foods is also a significant revenue generator.

   - **Opportunity:** Conduct a more in depth analysis of ingredients used in Prepared Foods departments to see if there is an opportunity to increase the amount of local products used in in-store Prepared Foods.

4. **FINDING:** Produce is a high revenue generator with the potential to be sourced locally. We do not know how much local produce stores are procuring during the height of the season because assessments were undertaken during the slowest month of the year for local produce sales. 69% of stores said their customers would be interested in local produce.

   - **Opportunity:** Conduct a local foods inventory in September to determine local percentage.

5. **FINDING:** Beer/Wine is a top revenue generator and is a large department in many stores. The project team found low counts of local products in Beer/Wine. Fifty percent of stores reported their customers would be interested in local beer.

   - **Opportunity:** Increase the percentage of local beer/wine in stores by replacing non-local beer, wine, and cider with local alternatives.

6. FINDING: Bakery is a large department and there are a lot of non-local bakery items on the shelves. Sixty percent of survey respondents stated their customers would be interested in local bakery items. Bakery is also often a guaranteed sale, so the risk for the store owner to stock more local products is small. Gluten-free was seen in some stores as a gateway to local products.

- **Opportunity:** Increase the percentage and variety of local bakery items, including gluten-free products.

7. FINDING: Grocery is the biggest department in all stores, containing 70% of the products in a store, and is a top revenue generator. Grocery also has a low percentage of local, ranging from 1-13%. Additionally, 90% of products that stores carried are processed, and only 11% of processed products were locally produced. This finding reflects the highly processed nature of the Standard American Diet.

- **Opportunity:** Conduct further study to determine if there are any specific product lines that could use Vermont fresh ingredients to replace out of state competitors, to better understand the scale of local light processing required, and to develop the sophistication and scale of packaging and marketing, to make these product lines feasible.

8. Finding: Owners/manager/buyers are very busy and are strapped for time. Many do not have the human resources to procure local products directly from producers or to research local products with distributors. They focus on being on the sales floor, not spending time on the computer or doing administrative work. It takes time and resources away from daily operations to actively seek local products.

- **Opportunity:** Create a master list of local products (highlighting best sellers) by category and how to find them; encourage distributors to offer more marketing/information about local products.

9. Finding: The major grocery vendor for most independent stores is Associated Grocers of New England, based in New Hampshire. Associated Grocers of New England has a very limited selection of local Vermont food.

- **Opportunity:** Work with Associated Grocers to carry more Vermont foods; work with stores to identify alternative distributors that carry more Vermont foods.

10. Finding: Many buyers do not have the capacity or desire to work with multiple local vendors. The survey also found that consistent supply is the greatest barrier for large stores. Common barriers expressed by store owners include too much administration with multiple vendors, lack of consistent supply, mediocre quality in select product categories, high prices and lack of professionalism from producers.

- **Opportunity:** Provide increased targeted technical assistance to producers on the basics of wholesaling; and create and support food hubs or producer cooperatives to ensure consistent quality and supply and minimize direct store deliveries. Host professional development workshops for retailers.

11. Finding: Stores have point of sale systems but are not using them to generate movement reports; they mostly rely on institutional knowledge and assumptions about velocity based on their time spent on the sales floor. Stores may not be getting the appropriate information they need to know what is selling and what is not. Without this information, it is hard to make decisions about carrying new products and/or changing the product mix on their limited-capacity store shelves; without movement reports, local tracking is not possible.

- **Opportunity:** Provide retailers with technical training on the value of generating movement reports; eventually, offer training on making modifications to POS system to track local food sales.

12. Finding: Local product signage is generally weak, and there are limited resources for marketing (such as signage, social media, flyers or demos) of local products in general. Store capacity is limited and stores lack consistent in-store local food promotion.

- **Opportunity:** Complete additional research to determine appropriate/desired in-store signage and marketing support for and within stores. Facilitate peer to peer learning through workshops and professional development.

13. Finding: Business management skills vary among independent store owners. Lack of business management skills and/or being busy and exhausted makes it hard to evaluate a business and make necessary and desired enhancements. Also, owning/managing a store is hard work and can be overwhelming and isolating at times.

- **Opportunity:** Create a community of practice for retailers to share best practices for business management and for promoting local foods.

SUMMARY

Phase I survey results showed that 100% of large stores value local as part of their brand. These stores have community pride and see the value of supporting the local economy by engaging local producers. Furthermore, 100% of small and large stores and 85% of medium stores expressed interest in selling more local products according to the survey. **We know the interest is there among store owners; what are the best bets, and how can we get them onto shelves?**

Beer/Wine, Dairy, and Bakery tend to be larger departments in independent retailers (after Grocery), and local products in these departments tend to be cost competitive, high quality revenue generators which are relatively shelf stable and/or a guaranteed sale (e.g., local bread). Stores with lower percentages of local products in these departments could increase the number of local products they carry relatively easily. These findings align with what store managers reported in the Survey, as they expressed their customers are interested in Produce, Dairy and Bakery items.

Stores that already carry significant numbers of local products in Beer/Wine, Dairy, and Bakery might look to Produce as an area to grow the number of local products they carry, since customers are interested in more local Produce. However, more data must be gathered to determine local produce availability during peak season before meaningful recommendations about Produce can be made to stores and producers.

Addendum

INTRODUCTION

This report builds on statewide efforts to increase local food sales at Vermont's independent retailers, led by Sona Desai of the Intervale Center and Vermont Farm-to-Plate consultant, Annie Harlow, and funded through the Vermont Farm-to-Plate Network, the High Meadows Fund and Vermont Community Foundation. The goal of these efforts is to improve local food access where people shop while creating new market opportunities for Vermont farm and food producers.

The following summary highlights next steps in research as recommended in the report, "Exploring the Next Frontier: Increasing Local Food Sales at Vermont's Independent Retailers," and builds on research summarized in "*Phase 2 – An Assessment of Barriers and Opportunities*." Specifically, this report includes a summary of in-store assessments highlighting fall produce availability, local food utilization in prepared food offerings, local meat availability, pricing and barriers and infrastructural challenges.

The in-store assessments were conducted in September 2015 at the same six stores that participated in 2014. The six stores vary based on store type and store size. Of the six participating retailers, two are small convenience stores (less than 2,500 square feet), two are medium-sized country stores (between 2,500 and 5,000 square feet) and two are large grocery stores (greater than 5,000 square feet).

FINDINGS

The summary of the findings from each store is provided below. As part of this project, "local" is defined in the following ways:

1) Raw: Produced in Vermont or within 30 miles of Vermont

2) Processed: Processed in Vermont, with or without Vermont raw ingredients

The store inventory data is presented as a percentage of local products by department; it does not measure velocity (product movement), so it will not translate to pounds or sales. To determine velocity, the inventory will need to be reconciled with in-store movement reports.

Market A

Market A is a large independent grocery store located in Chittenden County. When measured in the late winter season of 2014, 4.9% of all products in the grocery store were local. In September 2015, local produce increased from 11% to 46%. However, the net impact on the overall store percentage of local is only an increase from 4.9% to 5.3%, largely because produce departments are relatively small when compared to other store departments.

Market A uses local meat, dairy, cheese, eggs and produce in their prepared foods department. They purchase directly from their distributors, and they transfer ingredients from other store departments. We were unable to obtain a percentage of local ingredients, however, since both purchasing methods present tracking challenges. At this store, soups and meals-to-go represent the best opportunities for increasing local foods.

In general, customers of Market A expect local foods. According to store staff, the departments with the most potential to increase local foods are meat, grocery and produce. The largest barriers to selling Vermont meat are shelf life and inconsistent availability due to miscommunications between producers and slaughtering facilities.

Market A is a newer, well-managed store, so it is not encumbered by operational inefficiencies and/or infrastructural challenges.

Market B

Market B is a large independent grocery store in Washington County. When measured in the late winter season of 2014, 7.8% of all products in the grocery store were local. In September 2015, local produce increased from 5% to 27%. However, this only minimally increases the overall percentage of local products from 7.8% to only 8.1%.

Market B uses local meat, dairy, cheese and eggs in their prepared foods department. They purchase directly from their distributors, and they transfer ingredients from other store departments. We were unable to obtain a percentage of local ingredients, however, since both purchasing methods present tracking challenges. Sliced deli meat represents the best opportunity for increasing local foods in this department.

In general, customers of Market B expect local foods. According to store staff, the departments with the most potential to increase local foods are meat and eggs. The largest barriers to selling Vermont meat are price and shelf life.

Market B is an older store and experiences many operational inefficiencies and infrastructural challenges, including outdated refrigeration, inefficient receiving protocol and inventory management systems and ineffective merchandising displays.

Market C

Market C is a medium-sized independent grocery store located in Windsor County. When measured in the late winter season of 2014, 26.5% of all products in the grocery store were local. In September 2015, local produce increased from 5% to 55%. However, this only minimally increases the overall store percentage of local from 26.5% to 28.9%.

Market C uses a considerable amount of local meat, dairy, cheese, eggs, produce, bakery and grocery in their prepared foods department. They purchase directly from their distributors, and they transfer ingredients from other store departments. We were unable to obtain a percentage of local ingredients, however, since both purchasing methods present tracking challenges. Meals-to-go represent the best opportunity for increasing local foods in this department.

In general, customers of Market C expect local foods. This store has significantly greater demand during the summer and fall seasons. According to store staff, they are well-stocked with local products in all categories, with physical space being their greatest limitation. The largest barrier to selling Vermont meat is price.

Market C is generally a well-functioning store, but they expressed the following operational inefficiencies and infrastructural challenges: insufficient refrigeration, inefficient receiving area and kitchen space, and the lack of a loading dock, storage space and inventory management systems.

Market D

Market D is a medium-sized independent grocery store in Orleans County. When measured in the late winter season of 2014, 15.3% of all products in the grocery store were local. In September 2015, local produce increased from 7% to 24%. However, this only minimally increases the overall store percentage of local from 15.3% to 15.5%.

Market D does not prepare foods in-house, but it does include a prepared foods department. Soups, salads and meals-to-go represent the best opportunities for increasing local foods in this department.

In general, customers of Market D expect local foods at the store. According to store staff, the departments with the most potential to increase local foods are eggs and produce. The largest barriers to selling Vermont meat are price, shelf life, marketing and inconsistent availability due to miscommunications between producers and slaughtering facilities.

Market D experiences the following operational inefficiencies and infrastructural challenges: insufficient refrigeration, inefficient receiving area and a lack of a loading dock.

Market E

Market E is a small independent grocery/convenience store in Grand Isle County. When measured in the late winter season of 2014, 9.8% of all products in the grocery store were local. In September 2015, local produce increased from 4% to 29%. However, this only minimally increases the overall store percentage of local from 9.8% to 10.3%.

Market E uses local meat, dairy, cheese, eggs, produce and grocery in their prepared foods department. They purchase directly from their distributors, and they transfer ingredients from other store departments. We were unable to obtain a percentage of local ingredients, however, since both purchasing methods present tracking challenges. Soups, sandwiches, salads, sliced deli meats, baked goods and meals-to-go represent the best opportunities for increasing local foods in this department.

In general, customers of Market E expect local foods at the store. According to store staff, the departments with the most potential to increase local foods are meat, dairy and cheese and produce. The largest barriers to selling Vermont meat are price, shelf life and marketing.

Market E experiences many operational inefficiencies and infrastructural challenges, including outdated refrigeration, inefficient receiving area and inventory management systems, ineffective merchandising displays, and a lack of a point-of-sale (POS) system.

Market F

Market F is a small independent grocery/convenience store in Lamoille County. When measured in the late winter season of 2014, 8.3% of all products in the grocery store were local. In September 2015, local produce increased from 0% to 1%. There was no change in overall store percentage of local, which remained at 8.3%.

Market F uses dairy and cheese in their prepared foods department. We were unable to accurately obtain a percentage of local ingredients used in this department. This store also purchases ready-made prepared products from their distributor, most of which are not using local ingredients. Market F did not appear to have many opportunities for increasing local foods in their prepared foods section.

In general, customers of Market F expect local foods at the store. According to store staff, the departments with the most potential to increase local foods are meat, eggs and produce. The largest barriers to selling Vermont meat are price and shelf life.

Market F experiences many operational inefficiencies and infrastructural challenges, including inefficient kitchen workspace and ineffective merchandising displays.

CONCLUSIONS

In conclusion, we found that all stores increased their produce percentage of local products during the fall season. However, since produce departments are generally small in comparison to other store departments, the increased local inventory does not largely effect the overall percentage of local in the store. Nevertheless, it is important to note that the participating stores are all committed to seasonal purchasing.

As for prepared foods, although it is all considered local according to the state definition, the actual use of local ingredients was minimal. In addition, it is difficult to quantify since product was most often transferred from other departments. The primary local products purchased in prepared foods departments were local dairy, cheese and eggs.

Over half of the participating stores indicated meat as the department with the most potential to increase local food availability. The largest barriers to selling more Vermont meat were price and shelf life.

As for infrastructure, there is a wide variety of operational and infrastructural challenges expressed by store managers. The primary issues are lack of loading dock, outdated refrigeration, inefficient receiving protocol and inventory management systems, and ineffective merchandising displays.

FARM TO PLATE NETWORK

Exploring the Next Frontier: Increasing Local Food Sales at Vermont's Independent Retailers

farm to plate
STRENGTHENING VERMONT'S FOOD SYSTEM

THE PLAN

THE NETWORK

GETTING TO 2020

THE ATLAS

Credits

Increasing Food Sales at Vermont's Independent Retailers was prepared by Sona Desai (Intervale Center), Erin Roche (UVM Center for Rural Studies), Jane Kolodinsky (UVM Center for Rural Studies), Annie Harlow, and Clem Nilan.

Aggregation and Distribution Working Group Chair: Tara Kelly (Rutland Area Farm and Food Link).

Supply and Demand Task Force Chair: Sona Desai (Intervale Center).

Funding for this report was provided by:

The Vermont Community Foundation

and the Farm to Plate Network Fund

Layout and Design: Scott Sawyer

For more information: *www.vtfarmtoplate.com/network/aggregation-distribution*

On the cover: milk, Hunger Mountain Coop; produce section, City Market; bread and meat, Healthy Living Market.