

FOOD CO-OP PRODUCT BUYERS' HANDOUT

Choices, Choices Forum - 9/20/2006

Every industry has its lingo. To help us come to a common understanding, we have listed below the terms we use as buyers and what they mean to us.

Types of vendors:

Farmers – farmers grow our fresh vegetables, fruit, flowers, and plant starts.

Producers – producers provide our breads, crafts, body care products, meat, honey, eggs, seeds, roasted coffee, and assembled mixtures like Scow Chow.

Distributors – distributors bring us finished products from many farmers and producers.

We deal with local distributors as well as small and large ones.

- **Nash** is an example of a local farmer who sells produce directly to us, sells directly to people at farmers market, and to Charlie's (a produce distributor).
- **Cape Cleare** is an example of a local producer that sells their fish directly to us.
- **Key City Fish** is an example of a local small distributor who sells to us on behalf of many fisherman, poultry farmers and ranchers. Key City Fish is also a retailer in their own right.
- **ECO** sells some fruit direct to us that they've grown, and also acts as a distributor for other Eastern Washington fruits.

How does product get to us?

Direct – farmers or producers sell directly to The Food Co-op. Producers can be local, regional or national.

Distributor – a company that collects finished products from several producers in order to sell to The Food Co-op.

Small Distributor – they carry a limited number of lines and items that are often not high enough volume to be carried by a larger distributor. Our small distributors tend to be smaller in volume and are often family-owned and/or located in Western states.

Large Distributor – they carry full lines of everything and they distribute in many states. The volume of dollar is one order of magnitude larger than any small distributor.

Supply Chain Examples:

Producer/Farmer → to The Food Co-op

Producer/Farmer → processor/manufacturer → to The Food Co-op

Producer/Farmer → distributor → to The Food Co-op

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Where Produced? (shelf labeling)

Local – we have recently broadened our definition of local to include all of Kitsap and Island counties, not just Whidbey or Poulsbo by zip code as we used previously in Annual Reports.

WA – from within Washington state

Other definitions to consider:

Northwest (NW) – National Co-op Grocers Association (NCGA) defines as co-ops in Washington, Oregon, Montana and Idaho.

West Coast – California, Oregon, Washington.

Bio-regional – for example the North Cascade bio-region. This is not well-defined—the entire Cascade Mountain bio-region runs all the way from the Tehachapi Mountains in California north to Alaska (including Canada).

Examples of vendors and how their product comes to us (by department):**Produce Department**

Direct/Local (ex.): Corona, Dragonfly, Frog Hill, FinnRiver

Direct/WA (ex.): Burgess, Riverview, Brookes, ECO, PDQ Farm

Small Distributor (ex.): ECO

Large Distributor (ex.): Charlie's, OGC, UNFI

Wellness Department

Direct/Local (ex.): Bunnies Bath, Durga, Mountain Spirit, local cards, local pottery

Direct/WA (ex.): Alaffia

Direct/USA (ex.): Laid in Montana, Little Moon, Wild Carrot

Small Distributor (ex.): Threshold, Starwest, Frontier, CBI, Greater Gift

Large Distributor (ex.): Nature's Best, UNFI

Grocery Department

Direct/Local (ex.): Olympic Ridge honey, Tavenners honey, local breads, Solstice eggs, local wine, local cheese, Scow Chow

Direct/WA (ex.): Cedar Spring jams, Rainbow Honey, Island Bakery, Anna's Pesto

Direct/USA (ex.): Del Valle pecans, St. Marie's Wild Rice, Equal Exchange, Zukes Pet Treats, Grizzlies

Small Distributor (ex.): R & K (family-owned), Glorybee (family-owned), North Best (family-owned), Grizzlies

Large Distributor (ex.): UNFI, Tree of Life, Nature's Best

Note: Tree of Life and Nature's Best do not deliver to the Olympic Peninsula. They deliver through common carrier only.

OGC-Organically Grown Company

UNFI-United Natural Foods, Inc.

ECO-Earth Conscience Organics

CBI-Coffee Bean International

Questions Buyers ask before bringing in products:

- Is it certified organic, local, fair trade, or from a co-op producer?
- What are the ingredients? Whole foods? Unacceptable additives? No irradiation?
- Has a customer requested it? Is it in demand or a new trend?
- How does it taste? Is it a quality product?
- How is its pricing? Are the terms or minimum order size manageable?
- Is the packaging excessive?
- How does it fit into the product mix? Variety? Special niche? Differentiator? Special dietary needs? Is it missing from a category?
- Is it consistently available?

- Do we have an existing long term relationship with the vendor? Do we have rapport? Is there mutual trust—they do what they say they will and so will we, growing together over the years?
- Do customers expect it because we've always carried it? (Example: Bees and Flowers soap)
- What product support is available (free fill, promotions, demos, samples, etc.)?
- Are there any political and environmental concerns?

Slow moving items are evaluated by answering a series of questions such as: Why isn't it selling? Is there a better priced similar item or a better quality item from another vendor? Is the placement wrong or does this item fill the needs of a smaller niche market? Or is it simply not wanted by our customers?

Our goal is to have 1 or 2 alternate suppliers for products. Checking for alternate sources allows us to have consistent supply, assess price, quality, a fair trade option, or source from an independent producer or cooperative.

Accomplishments:

- 16% of our total purchases in 2005 were from local producers, farmers, and distributors.
- 55% of our products come from sources other than our single main distributor.
- Under the National Cooperative Grocers Association (NCGA), co-ops have banded together to purchase from UNFI as a "virtual chain" rather than as single (smaller) stores. By cooperating, we are now the third largest purchaser, bringing our shared values and voice to the strongest distributor of natural foods in the U.S. (example, Horizon product not promoted in flyer since last holiday).
- The Cooperative Advantage Program (CAP) gives us promotions exclusive to member co-ops, resulting in deep discounts and more items on sale each month.

Discussion – future focus issues:

- If members want us to carry more local products, we need more produced locally. What would you like our role to be in encouraging entrepreneurs? Community kitchen? Small loan fund? Support a farmland trust? Provide education to new entrepreneurs? Identify products that sell well and could easily be produced locally?
- If our competitors have the same products at lower price, what does our role become?
- What is our role in supporting independent versus national distributors?
- Is there value in creating a co-op private label brand?
- Do co-ops need to create their own distribution system as an alternative to UNFI in the marketplace? Is it achievable and what would it take?