



Local Line

CHAPTER 1

Introduction to Wholesale

Why Sell to Wholesale Buyers?

The biggest difference between selling wholesale and retail is the ratio between price and quantity. Often when selling wholesale, you're selling at a lower profit margin; however, you're probably selling a larger quantity. With retail or direct-to-consumer sales, you get higher profit margins but sell smaller packages and often less inventory. You will also have higher marketing costs when selling retail.

Advantages of selling to wholesale buyers

- **Access to a larger market:** By selling wholesale, farmers can access a larger market of buyers, including distributors, retailers, institutions, and food service businesses. This can help farmers to increase their production and revenue and help them take their business to the next level.
- **Stable demand:** Wholesale buyers tend to place regular and consistent orders, which can provide farmers with a more stable and predictable source of income. It can also make managing planting, harvesting, and butchering schedules easier.
- **Reduced need for marketing budget:** When you sell wholesale, you can go directly to the customer to establish a relationship, and you only need a handful of them for your business to work. This means you won't need to spend as much on your website, advertising, brochures, and everything else involved in attracting retail buyers.
- **Efficient use of resources:** Selling wholesale can help farmers to more efficiently use their resources, such as labour and transportation, as they can fulfill larger orders in a single delivery. The average wholesale order is usually 6-15x larger than the average retail order.

Disadvantages of selling to wholesale buyers

- **Smaller margins:** Wholesale buyers often expect lower prices than individual consumers, as they are purchasing products in bulk, resulting in lower profit margins. It's not uncommon for wholesale buyers to want to pay lower prices.
- **Limited control over pricing:** When selling wholesale, farmers may have limited control over pricing, as they may need to negotiate prices with buyers or follow pricing guidelines set by distributors or retailers.

- **Stricter food safety requirements:** Wholesale buyers may have strict quality requirements that farmers must meet to sell their products. This can require additional time and investment to ensure that products meet those standards.
- **Less ability to pivot sales channels:** Selling wholesale can make farmers dependent on their buyers, as they may need to rely on them to place regular and consistent orders.

How do I know selling wholesale is right for me?

[In a study conducted on family farms in central New York](#), farmers were asked to rank their perceived risks for each different sales channel (i.e. CSA, U-pick, farm stand, farmers' market, restaurant, distributor, and wholesale). The two most popular risk factors recorded were disruption to lifestyle preferences and stress.

The results found:

- Wholesale channels caused stress due to the higher level of preparation (washing, packing, grading, etc.), stricter product specifications, and volume commitments.
- For distributors, similar results were found in addition to accepting dictated prices, deadlines, and delivery logistics.
- For direct marketing channels, farmers perceived less stress; but were concerned about customer turnout (i.e. CSA and farmers' market). They also found them to have higher marketing costs.

The point is, selling wholesale is not for everyone, just like selling retail isn't for everyone. There's no one size fits all. The right mix of sales channels depends mostly on your vision for your farm.

When selling wholesale, you're agreeing to provide generally consistent production, reliable fulfillment, and ensuring compliance with necessary food safety and traceability practices.

Here are a few additional points to keep in mind.

Consistent production

With wholesale, buyers are looking for producers who have reliable production of high-quality products. Consider whether you are at a phase in your production where you can keep a consistent production flow. You should be able to accurately predict production over the season to ensure you can keep up with your buyer's expectations. How long have you been in business? How long have you been producing this product? Am I at the stage where my production is reliable? Before selling wholesale, you need to ensure you can keep up with demand.

That said, you don't need to be able to predict a full year ahead. Season by season will work. And clearly, the nature of farming is that it's unreliable. Wholesale buyers know this and are typically open to working with their farms when issues arise.

Adequate supply

Beyond being able to deliver the order regularly (likely weekly), you must also ensure that you're producing sufficient quantities in the first place. Can you produce enough products to fulfill what a buyer wants? How big is your buffer in case you have a crop failure or a disturbance to your production? Having these conversations with wholesale buyers is critically important before you begin your relationship with them.

Established relationships

Building relationships with buyers is one of the most challenging parts of selling wholesale. When selling direct to consumers, it takes a lot of time and energy to build your customer base; however, the cost of entry is quite low. You can leverage email marketing, social media, selling at the farmer's market, etc.

But, when it comes to building relationships with buyers, it can take time and effort, and farmers should be prepared to invest in this process. The same marketing strategies used for selling directly to consumers may not be fruitful when finding wholesale buyers. Consider whether you already have connections with potential buyers or whether those in your network have connections you can leverage.

Also, consider your ability to put yourself out of your comfort zone, pitch your business to new buyers, and actively seek relationships. Starting out can be difficult, and not all conversations you start will lead to deals.

If a farm is new to selling wholesale, we recommend searching for local restaurants or independent grocers who promote local food and attempting to strike up a conversation with them.

Clear pricing strategy

Farms that have a clear understanding of their production costs and pricing strategy are better prepared to negotiate with wholesale buyers. It is essential to have a good sense of your profit margins and determine whether wholesale prices are profitable for your business. Also, have an understanding of current wholesale prices for similar products. Will these prices enable you to meet your goals?

Efficient operations

As you scale up your production for wholesale, determine whether your current operations and workflows are also scalable. You should have systems in place for inventory management, quality control, and packing to meet wholesale demands efficiently and effectively. A good question to ask yourself is, “What parts of my business would not work if my sales doubled in the next year?” - that may sound like an unrealistic event, but it’s a good question because it can clarify the top few things that you should be consistently working to improve. Selling to wholesale is equally as much about working smart as working hard!

Logistics

How will you get your products to your wholesale customers? Farmers may need to arrange for delivering their products. This may involve hiring a truck, purchasing a truck, or coordinating delivery with a buyer-owned truck. Fulfillment plays a significant role in a thriving wholesale operation.

Getting the logistics right is a big opportunity to win over more wholesale buyers and even increase your profits. You’ll need to consider your minimum order, delivery fee, and service area. With the right mix of all three, you can win over buyers and make money on your fulfillment strategy.

Buyer requirements

Wholesale buyers may require liability insurance, [Good Agricultural Practices \(GAP\)](#), [Primus GFS certifications](#), or other requirements. Understand the requirements each buyer will need. This could indicate whether or not selling wholesale is a possibility or a non-starter. As you’d expect, the bigger the buyer, the more requirements they will have.

Types of wholesale buyers

There are many different types of wholesale buyers. From selling to chefs, meal box services, grocery stores, and schools, the possibilities are near endless! In this training, we will focus on grocery stores, restaurants, institutions (schools, universities, hospitals), and food service distributors. We will break down the advantages and disadvantages of each, processes and workflows, and how to avoid common mistakes with each type of buyer. Below is a quick definition of each buyer type:

- **Retailers:** Retailers are businesses that sell products directly to consumers. This could include grocery stores, specialty food shops, and online retailers.
- **Restaurants:** Restaurants could also include cafes and hotels. When selling to a restaurant, you are often dealing with chefs.
- **Institutions:** Institutions are organizations that purchase large quantities of food for their operations, such as schools, hospitals, and prisons.
- **Food service distributors:** Distributors are companies that purchase products in bulk from farms and then sell them to other businesses, such as grocery stores, restaurants, and institutions. Distributors may specialize in specific types of products, such as produce, meat, or dairy.
- **Processors:** Processors are companies that transform raw agricultural products into value-added products, such as cheese, jam, or salsa. Farms may sell their raw products to processors, who then process and package them for sale to retailers or consumers.

You may decide to sell to other wholesale customers outside of this list – the good news is that the principles in this training apply to all wholesale buyer types.

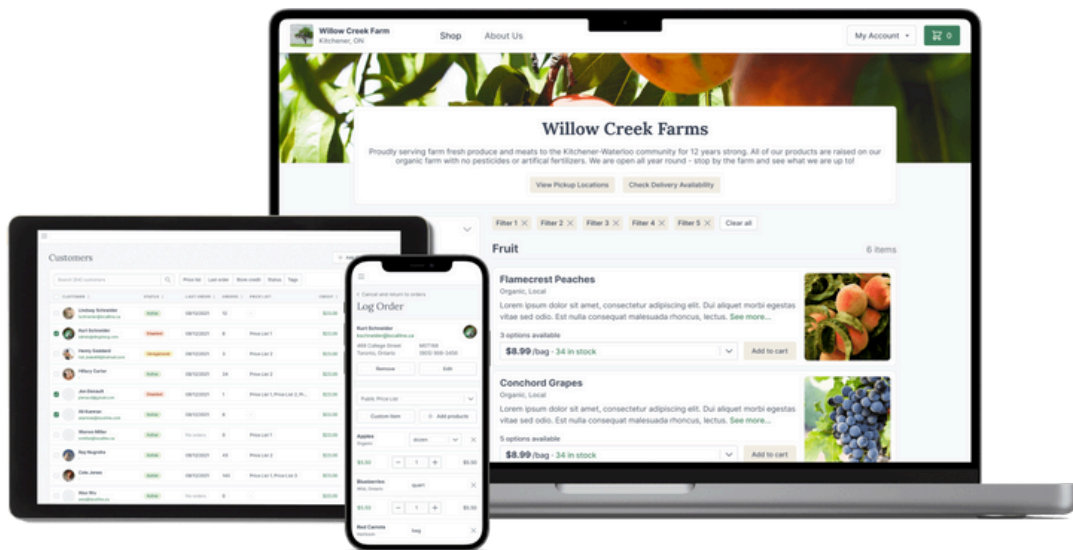


Points of consideration for selling wholesale:

- Can you keep up with the demand of a wholesale buyer?
- Do you have reliable production? How big is your buffer in case you have a crop failure or a disturbance to your production?
- Do you have existing relationships with wholesale buyers you can leverage?
- How do you feel about pitching your business?
- Do you have a clear understanding of production costs and pricing strategy? Will this pricing model meet your business goals?
- Are your current workflows and processes efficient and scalable?
- How will you get your products to your wholesale customers?
- Do you have all the food safety requirements to meet the buyer's standards?

Start Selling with Local Line Today!

To support you in your wholesale selling journey, consider [Local Line's all-in-one farm e-commerce platform](#). Local Line is an easy-to-use software tool for farmers to connect with local buyers, such as restaurants, schools, hospitals, and businesses looking to buy wholesale from local farms in their area.



Try selling online with Local Line today. We can get you up and selling online within an hour.

[Sign up here today!](#)

Happy selling!
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