

VERMONT FOOD SYSTEM PLAN MARKET BRIEF



MARKET: Distribution

What's At Stake?

Distribution encompasses how Vermont farms and food manufacturers get products to consumers in the state and region. Without a robust and efficient distribution system that provides cost-effective options to get their products to market, Vermont farmers and food businesses will struggle to compete and capitalize on consumer demand for Vermont food. Consolidation in the distribution industry and resulting price pressures has created unfavorable financial terms for smaller producers and restricted their access to wholesale markets. This is happening as consumers are increasingly seeking source-identified products that are perceived to provide transparency, food safety, and positive community impact. More direct investment is needed for distribution infrastructure, technology, and technical assistance to introduce system efficiencies and make wholesale and regional markets accessible and viable for Vermont farmers and food producers.

Current Conditions

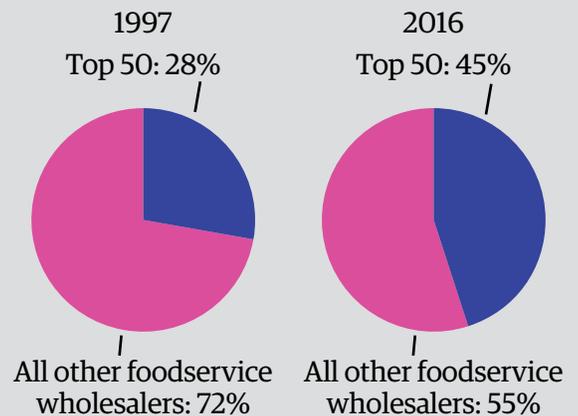
Distribution models utilized by Vermont producers include self-distribution, freight shipping, wholesale distribution, and intermediated market distribution.

“Self-distribution” is when a producer delivers a product themselves, and often is the first way producers fulfill wholesale orders. “Freight shipping” providers simply charge for transportation services. Freight shipping accommodates e-commerce, allows producers to receive full retail prices while retaining control of sales accounts, and removes financial and logistical burdens of self-distribution. Freight is more widely available and cost-competitive for shelf-stable food products than for produce, meat, and dairy, which have stringent cold-chain requirements and need specialized packaging and/or refrigerated trucks.

“Wholesale distributors” buy food products for resale and transport them to retail buyers. Producers can access new markets and increase sales volumes by using a wholesale distributor, but strong existing sales and high production volumes may be a prerequisite. These distributors face considerable pressure to keep prices low in order to retain market share in competitive retail and institutional markets. For producers this can mean low prices and hidden fees from distributors (see [Grocers brief](#)).

Because the wholesale distribution landscape is dominated by larger distributors who favor national food businesses, smaller produce, specialty food, and beverage wholesale distributors that operate in the state and Northeast are integral to the success of Vermont food businesses. These smaller distributors (food hubs, online distributor-retailers, and regional specialty distributors), which explicitly emphasize local food as part of their business, make up a part of what USDA calls “intermediated markets.”¹ These intermediated market distributors are addressing the need for better prices for producers and the growing consumer and institutional demand for local food (see [Consumer Demand](#), [College and Hospital Procurement](#), [School Food Procurement](#) briefs).

Sales of the Top 50 Foodservice Wholesalers as a Percent of Total U.S. Wholesale Sales



Bottlenecks & Gaps

- Commercial Driver's License (CDL) driver shortages, mandatory electronic logging of driver hours, and tighter cold-chain regulation due to the Food Safety Modernization Act are increasing the cost and limiting the availability of distribution in Vermont.
- The lack of in-state warehousing and cross-docking makes distribution throughout the state less efficient, and best practices and on-farm infrastructure for efficient product transfer to distributors are lacking.
- Some Vermont producers have difficulty finding and comparing distribution options (particularly for freight) and accounting for distribution costs in their business plans.
- Delivery to metropolitan areas is logistically challenging. Traffic, parking, overnight driver accommodations, and the potential for empty trucks on the return all make metropolitan delivery more expensive. (see [Major Metropolitan Markets brief](#))
- Food hubs and other intermediated market distributors lack the communication and logistics technology to optimize shared ordering and routing.

Opportunities

- Established networks between Vermont producers, intermediated market distributors, and support organizations can leverage more public-private investments and increase coordination.
- More farm-to-farm aggregation and coordination in drop-off and pick-up can reduce transportation costs for farmers and distributors.
- Existing resources, like the Distribution Options Financial Decision Making Tool, help producers assess what type of distribution works best for their scale and markets.
- The Vermont wholesale producer-distributor database could develop into an online portal to help producers find distributors, distributors scout Vermont products, and buyers discover Vermont products.
- Vermont and regional intermediated market distributors adapted to rapidly changing market conditions during the COVID-19 pandemic, and successfully served wholesale buyers impacted by national supply chain disruptions. This will potentially benefit Vermont producers over the long term.

Recommendations

- Develop a distribution and logistics infrastructure investment plan to guide strategic transportation investments with the express purpose of improving the efficiency and cost-effectiveness of in-state and regional food distribution. Include a business plan analysis for a public/private Vermont wholesale terminal market that would provide cross-docking, cold storage, and logistical service between Vermont producers and regional wholesale buyers. Examples include the Wisconsin Food Terminal, the Ontario Terminal Market, and New York City's Wholesale Greenmarket. Cost: \$100,000.
- Offer a cohort-based distribution training series for farmers and food producers. Cover topics such as evaluating distribution costs, maintaining cold-chain integrity, best practices to optimize drop-off and pick-up, and pitching to distributors. The series would also include direct meetings with state and regional wholesale distributors to understand onboarding requirements and how to optimize the supplier-distributor relationship. \$60,000 to develop module-based curriculum and pilot trainings; annual cost of \$15,000-\$25,000 to conduct trainings.
- Using the infrastructure study as a guide, increase public-private investment in intermediated market distributors to improve operational efficiencies and overall sales through improved marketing, infrastructure, route optimization and shared transportation-management software, and access to logistics professional development and consulting. Cost: \$500,000-\$1,000,000 over three years.
- Explore the demand for and feasibility of a producer-distributor-buyer web portal to expand the sale and distribution of Vermont products and improve communication, connection, and transparency throughout the supply chain. The portal would list Vermont wholesale products, distributors who carry these products, and general distributor information such as base rates, volume discounts, product categories carried, geographic regions served, and insurance requirements.

Farm to Plate is Vermont's food system plan being implemented statewide to increase economic development and jobs in the farm and food sector and improve access to healthy local food for all Vermonters.

The Vermont Agency of Agriculture, Food & Markets (VAAFMM) facilitates, supports, and encourages the growth and viability of agriculture in Vermont while protecting the working landscape, human health, animal health, plant health, consumers, and the environment.

This brief was prepared by:

Lead Author: Jake Claro, VSJF

Contributing Authors: Richard Berkfield, *Food Connects* | Jon Ramsay, *Center for an Agricultural Economy* | Catherine Cusack, *Green Mountain Farm to School* | Katie Michels, *formerly of the Vermont Housing and Conservation Board* | Mark Curran, *Vermont Family Farms* | Annie Harlow, *Vermont Farm to Plate Retail Consultant*.

For end notes and data sources, and to read other food system briefs, visit vtfarmtoplate.com/plan