

SYSCO'S JOURNEY FROM SUPPLY CHAIN TO VALUE CHAIN

RESULTS AND LESSONS LEARNED FROM THE 2008 NATIONAL GOOD FOOD NETWORK/
SYSCO CORPORATION PILOT PROJECT TO SOURCE AND SELL GOOD FOOD



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The Wallace Center supports entrepreneurs and communities as they build a new, 21st century food system that is healthier for people, the environment, and the economy. The Center builds and strengthens links in the emerging chain of businesses and civic efforts focused on making good food – healthy, green, fair, affordable food – an everyday reality in every community. Winrock International is a nonprofit organization that works with people in the United States and around the world to empower the disadvantaged, increase economic opportunity, and sustain natural resources.



INTRODUCTION

The business of supplying restaurants, schools, hospitals, hotels and other ‘food service’ customers has until recently operated by the mantra of “fast, convenient, and cheap,” according to Rick Schnieders, retired chief executive officer of the Sysco Corporation. As the largest food service distributor in the nation, Sysco has built its business through these driving factors – by providing quality products to its customers at low prices and offering easy ordering and efficient delivery.

The bottom line in food service these days, however, is changing, Mr. Schnieders explains. Chefs, restaurant goers and schools and hospitals have begun to put a premium on knowing where food comes from, who produced it, and how they produced it. They want food produced in harmony with nature and neighbors. They want more variety, taste and nutrition than the mass market now provides. They want to know the food’s story, from family farm history to the types of soils and working conditions involved.

Sysco’s mantra, therefore, must evolve from simply “fast, convenient, and cheap” to one of providing food with “romance, memory, and trust,” Mr. Schnieders explains.

But that change is not as simple as it sounds. Systems that developed over decades to meet demand for “fast, convenient, and cheap” do not accommodate the product details and diversity that customers now demand. Meeting the new demand for “romance, memory, and trust” will require developing new systems. In effect, Sysco must figure out how to integrate and demonstrate a broad new range of customer values – around heritage, sustainability and justice for example – in the chain of events from food production to food delivery.

To start this process, Sysco partnered in 2008 with the Wallace Center at Winrock International to research and develop ways in which the company could transition from its traditional food supply chain model to a new values-based supply chain, or value chain, approach to sourcing, selling and distributing food.

The Sysco partnership is specifically with the Wallace Center’s National Good Food Network (NGFN), a collaborative effort across a wide range of businesses and organizations working to develop and advance this new value chain approach in commercial food markets.

According to research in this emerging field¹, new food value chains differ from traditional food supply chains in that value chains:

- Operate as a series of win-win strategic partnerships rather than win-lose, interchangeable business deals.
- Differentiate products by attributes that traditional supply chains do not typically monitor or promote, such as the environmental and social benefits behind a particular producer’s practices.

The case study that follows is an account of Sysco’s 2008 beginning work to develop food value chains. This NGFN/Sysco Partnership case study provides the operational considerations, early results, lessons learned and next stage planning involved in Sysco’s ongoing corporate journey from supply chain to value chain.

THE PLAYERS

With nearly \$40 billion in annual revenues, the Sysco Corporation is large. It is also diverse. For example, Sysco does not operate as one centrally planned entity but as an association of some 185 independent regional units, or “operating companies.” This national structure of wholly owned subsidiaries presents opportunities and challenges for Sysco in its quest to provide more “romance, memory, and trust” with the food it sources and distributes.

Opportunities come from the fact that regional operating companies are uniquely positioned to “act locally,” which translates into valuable on-the-ground flexibility and adaptability. Sysco can support regions as they investigate and develop their own value-chain approaches. Sysco can also leverage the learning of individual regions by sharing their experiences and models with other operating companies.

The challenge with this structure, however, is that Sysco cannot direct regional actions. It can only inspire and support the independent operating companies’ work on new value chain systems.

The 2008 pilot project took place, therefore, in two regions that were already on board and ready to innovate – Sysco Grand Rapids and Sysco Kansas City. The Grand Rapids operating company covers western Michigan and northern Indiana. The Kansas City operating company covers the greater Kansas City area.

In the NGFN/Sysco Partnership project, Sysco works with these operating companies to achieve the corporation’s main objective of developing a strategic plan for the procurement and distribution of local foods. The desired outcome is a replicable business plan that operating companies across Sysco’s system can use to put “good food” into their own systems.

Sysco’s corporate office is directly involved, providing project direction and oversight, as well as grant funding for project needs. Craig Watson, Sysco’s vice president for quality assurance and agricultural sustainability, leads the effort.

The Grand Rapids and Kansas City operating companies each came to the project with strong commitments to sustainable business practices and solid partnerships for getting started, including connections to the National Good Food Network, a project of the Wallace Center at Winrock International.

The National Good Food Network is an effort to unite and support a wide range of businesses and organizations working to transform the nation’s food system so that more “good food” gets to more people. In addition to its focus on building new food value chains, the Network uses the widely adopted, W.K. Kellogg Foundation definition of “good food” as “healthy, green, fair, and affordable.” Good food, under this definition, is wholesome and nutritious, is produced in an environmentally responsible manner, comes with justice for farm workers and others involved in the system, and is accessible and affordable for all.

The National Good Food Network operates from a base of eight regional lead teams, each working locally to change the larger food system. Staff members from each of the Sysco operating companies involved in the pilot project – Sysco Grand Rapids and Sysco Kansas City – serve as advisors to regional lead teams of the National Good Food Network.

With financial support from Sysco Corporate, the 2008 NGFN/Sysco Partnership launched by forming project teams that combined the insights and expertise of those involved in each region. The teams are composed of a good food advocate serving as project lead, a Sysco operating company lead, and a lead from an organization serving the aggregator/distributor function.

The aggregator/distributor function is a key logistical component in food supply chains. Sysco often relies on third party aggregators to fill orders. The aggregator sources, consolidates and transports loads of products. Aggregators also handle quality assurance and assume liability. In the pilot project case of sourcing from new farms and food companies, the aggregator/distributor is especially needed to handle the collection and movement of products that are new, and potentially incongruent (i.e. unconventional packaging, quantities, etc.) to Sysco’s systems.

Members of the Grand Rapids team:

- Good food advocate – Joe Colyn, principle of Originz LLC and consultant to the National Good Food Network.
- Sysco lead – Denis Jennisch, produce manager, Sysco Grand Rapids.
- Aggregator/Distributor lead – Gary Lyons, co-owner of Walsma & Lyons, fresh produce broker/distributor.

Members of the Kansas City team:

- Good food advocate – Otavio Silva, administrator of Buy Fresh Buy Local - Kansas City.
- Sysco lead – Pat Cipolla, director of produce operations, Sysco Kansas City.
- Aggregator/Distributor lead – Diana Endicott, owner of Good Natured Family Farms, a marketing cooperative of family farms working with the aggregation and distribution services of the regional Balls Food Stores grocery chain.

RESULTS

The 2008 NGFN/Sysco partnership developed two model systems in different regions of the country, each with unique grower, crop, distribution and market situations. The experience has given Sysco templates and learning around value chains that it can build on, as well as offer to other operating company regions.

The two regional projects are compelling because they achieved the win-win function of value chains. The project was successful at moving more local produce from growers to food service customers, with positive financial returns for both. In fact, the new products and marketing helped mitigate the downside of a tough year and short season for both regions in the produce category.

The combination of strategies used in the two key test markets of Grand Rapids and Kansas City included:

- Target marketing of locally sourced, sustainably produced foods.
- The addition of new products and suppliers to the operating companies' existing base.
- Leveraging the resources of an established, credible, certified aggregator.

In both cases, project teams found market traction by focusing on an initial subset of good food attributes: local and sustainable. Project teams continue to work on integrating other elements of good food (healthy, green, fair, affordable) in the value chain as they build on the 2008 progress. Yet the most executable approach to start was to work with what they could find – local producers, sustainable practices – and what they could clearly and reliably communicate through the value chain.

Sysco Grand Rapids

In the Sysco Grand Rapids market, the project contributed 10 percent to the total volume of sales in 2008, or 5,354 incremental cases, and a \$92,000 increase in incremental sales. These sales were especially valuable in a crop year constrained by a slow start and an early finish, and by total volume on products listed the previous year down by approximately 18 percent. The project's movement of new locally-sourced, sustainably-produced items mitigated the downside of this tough year to only a 9 percent drop in case volume.

Specific successes include 45 percent growth in the volume of alfalfa sprouts from an existing Michigan supplier. In addition, the marketing of Michigan apples in the fall of 2008 was strong with incremental sales growth and twice as many varieties offered because of the focus on local sourcing. Incremental sales of apples in early 2009 were expected to increase significantly based on the fall season's start. The project also introduced local pesticide-free hydroponic leafy

greens into the Sysco Grand Rapids warehouse in the fall of 2008 with plans to continue in 2009. This is an example of how the project worked toward extending its local food sourcing and marketing of produce beyond the traditional outdoor growing season.

The Sysco Grand Rapids project involved 20 producers and 100 items from the operating company's existing base of Michigan suppliers. The operating company also added six new farm suppliers and 18 products to its supplier and product base.

New products included: Golden Delicious apples, Paula Red apples, Honey Crisp apples, jumbo asparagus, mustard greens, turnip greens, red potatoes A size, red potatoes B size, Yukon Gold potatoes A size, Yukon Gold potatoes B size, cantaloupe, seedless watermelon, husked sweet corn, green beans, and hoop house greens.

The farms involved in the Sysco Grand Rapids project are all family owned, with histories in local agriculture as far back as five generations. Their operations range from family members providing most of the labor to farms with up to 80 full-time and seasonal employees. In all cases, the farms have demonstrated commitments to environmentally sensitive practices, including certifications, such as through the Michigan Agricultural Environmental Assurance Program. Several operations have invested in workforce needs, such as excellent worker housing and providing for weekly medical visits to farm worker families.

Sysco Kansas City

At Sysco Kansas City, 2,600 cases of incremental produce from 76 new local family farm suppliers contributed more than \$50,000 in incremental sales. In addition to fresh produce, Sysco Kansas City is test marketing 'value-added' products like cheese, honey, and tofu to extend sales of locally-sourced, sustainably-produced items beyond the traditional growing season.

The movement of products through the project was limited by a delayed, mid-season start to the effort. However, the wide grower base and product line established to date provides a solid foundation on which to build for more product movement in future years.

The farms and products involved in the Kansas City project came through an established family farm marketing cooperative called Good Natured Family Farms and its long-term working relationship with the regional Balls Foods Stores grocery chain. Good Natured Family Farms handled aggregation of product for Sysco Kansas City while Balls Foods provided distribution services through its central warehouse.

New products included: Cucumbers, tomatoes, yellow squash, zucchini, squash, Candy onions, sweet corn, Athena cantaloupe, seedless watermelon, peaches, honeydew melons, apples, peppers, cheese, eggs, tofu, honey, and milk.

The Good Natured Family Farm cooperative involves some 150 smaller family farms within 200 miles of the Kansas City metropolitan area. As an umbrella brand for the individual farms and groups of farms involved, Good Natured Family Farms operates with a set of standards around sustainable agriculture, humane livestock care, and community commitment. These standards back the cooperative's tagline of "Good Earth. Good Food. Good Life." Similarly, the cooperative's retail partner, Balls Foods Stores, has for several years made a commitment to these values and the product pricing that keeps its Good Natured Family Farm suppliers in a strong business position.

VALUE CHAIN APPROACHES

To execute the project, each regional team designed approaches to value chain development that involved specific marketing considerations, pricing decisions, and local food sourcing needs (aggregation and distribution). The 2008 experience provides examples of these approaches in practice, as well as a range of lessons learned and recommendations for future steps.

A. Marketing Considerations

In developing its approach, Sysco Grand Rapids recognized that its existing supply base included many local farms and food companies from its Michigan and

northern Indiana region The relevant border region is known, for example, as “Michiana.” And Michigan is a solid produce source with the second widest variety of agricultural products in the nation after California, including a broad range of fruits and vegetables already in commercial supply chains.

Sysco Grand Rapids had, however, never differentiated Michigan product lines in its supply chain or in its marketing. The operating company's value chain project, therefore, focused first on identifying locally- and sustainably-produced products already in the supply chain, both for internal operations and for external marketing. Along with implementing this basic differentiation process, the Sysco Grand Rapids project also sought to increase its local product offerings by working to identify new local and sustainable suppliers outside of its existing base and build strategic value chain partnerships with them.

Components of the Sysco Grand Rapids marketing strategy include:

1. The new MIPROD (Michigan-produced) label on all Michigan and northern Indiana sourced products. This MIPROD designation appears in sales sheets, on the company's web site, and in other promotional materials, such as monthly full-color flyers and weekly new-and-featured items flyers.
2. Featuring Michigan and northern Indiana suppliers at the company's annual trade show event for customers.
3. Offering only local product when in season versus marketing alongside traditional offerings from elsewhere. (This strategy component is a learning outcome from the project's 2008 experiences.)
4. Exploring marketing partnerships with buyers that have made local food purchasing a priority.

Overall, the MIPROD branding and related efforts contributed 10 percent to the total volume of sales in 2008, or 5,354 incremental cases, and a \$92,000 increase in incremental sales. It involved 20 producers and 100 items from the operating company's existing base of Michigan suppliers, as well as six new farm suppliers and 18 new products.

Specific examples include:

- Test marketing of green beans from Berry Brooke Farms, which Sysco Grand Rapids continued to ship into early September. Other new items included Michigan Red and Michigan Yukon Gold potatoes, contributing about 2,000 new cases in the 2008 season.
- The MIPROD branding of specialty peppers (serrano, jalapeno) as Michigan product resulted in a 30 percent to 50 percent increase in movement in 2008 over 2007, validating the importance of telling the local story.
- Likewise, branding alfalfa sprouts from an existing supplier as MIPROD resulted in 45 percent more volume movement in 2008 over 2007, further attesting to the value of local branding in conveying freshness.
- The team attempted to move the Royal Farms Honey Crisp apple pack (bushel tray pack, 80 count, and clipped stem) as a new item and supplier in 2008 with some success. Ingredient grade apples were less successful, but the project team anticipates the farm's apples will move more easily in the future, using the aggregator/distributor services of Walsma & Lyons.
- Efforts to extend the program beyond Michigan's seasonal limits with year-round hydroponic lettuces, which the team added to the mix starting in the fall of 2008 and for early spring 2009 sales.

The team also tested Michigan-produced red potatoes alongside Sysco's traditional red potato offering sourced from Minnesota. The result was a marginal increase in sales. However, the project team believes that listing both the Michigan and Minnesota potatoes at the same time was a key factor in the marginal results. Sysco's sales force is accustomed to picking the traditional item from the operating company's list of 10,000 SKUs. Therefore, even with the MIPROD potatoes featured in the weekly flyer, very few Michigan potatoes moved. This instance and others moved the team to a strategy of switching to offering only the local product when in season.

A successful marketing partnership developed in 2008 between Sysco Grand Rapids and Michigan State University dining services, which has started a commitment to local food sourcing. The partnership kicked off at an August 15-17, 2008 picnic, as the new school year began. Dining services featured a number of items from Sysco Grand Rapids including watermelon from Bailey Farms in Benton Harbor and sweet corn from Bolthouse Farms in Marne. Sysco Grand Rapids supplied point-of-service promotional 'tents' for the MSU serving line. MSU was pleased with the kick-off success and with Sysco's products and service. The university has requested an ongoing supply of the promotional 'tents' to use with in-season Michigan products.

At Sysco Kansas City, the project will enter the 2009 season with the added benefit of the "Buy Fresh Buy Local" campaign. In 2008, local product differentiation in the value chain relied on the Good Natured Family Farms brand that came with the products from 76 members of the cooperative. The need for additional promotion and differentiation has prompted both the addition of the Buy Fresh Buy Local marketing for 2009 and a number of initiatives that Sysco Kansas City's director of produce operations, Pat Cipolla, is developing.

The Buy Fresh Buy Local campaign is a national project operated by the nonprofit Food Routes, which controls the branding. The national campaign operates regionally by using local identifiers in logos and materials, such as "Kansas City" next to "Buy Fresh Buy Local."

Good Natured Family Farms has partnered with Food Routes and used the "Buy Fresh Buy Local – Kansas City" branding for several years in its sales through regional Hen House and Price Chopper markets owned by Balls Foods Stores. Innovative Models: Small Grower and Retail Collaborations, Part A and B – Good Natured Family Farms' Perspective and Balls Food Stores' Perspective. Case studies produced by the Wallace Center at Winrock International. <http://www.ngfn.org/innovativemodels>. In September 2008, the cooperative received approval from Food Routes to partner with Sysco Kansas City and Balls Foods Stores to expand the Buy Fresh, Buy Local messaging into restaurants and institutional food service. Good Natured Family Farms also began work on a marketing site to support the Sysco partnership and those growers providing local product, <http://marketing.goodnatured.net/>.

The Sysco Kansas City project has also initiated work with a key customer interested in serving local and sustainably produced foods. The team worked with Kansas City-based Hallmark Cards, which serves 3,000 – 5,000 meals daily for employees. The team set up the Hallmark Farmers Cart on site to educate employees about local foods.

Suggestions for 2009 Marketing

Based on learning in 2008, the teams have determined the following key marketing elements of the project's next phase.

- **Local branding suitable to the market.** Sysco sells to food service buyers not final food consumers. This requires any branding strategy to be simple yet effective, such as the MIPROD label in purchasing materials. It worked well for Sysco Grand Rapids, and could even extend to other upper-Midwest operating companies (i.e., Chicago) that consider Michigan and Indiana to be local. Similarly, the Buy Fresh Buy Local brand carries with it a regional identity mark, unique to each region where the branding is in use. Developing web-based and print materials that support local branding will also be essential to success.
- **Grower relationships.** Learning the grower capability and capacity is key to extending the sourcing of local and sustainable food. Investing time and effort to make site visits, including the fields and packing houses will afford Sysco operating companies the opportunity to identify new local products, to solidify buyer/grower relationships, and build an authentic and credible story based on the strength of that relationship. This strategic win-win partnership aspect of value chains can mitigate risk because solid business relationships offer security through greater reliability and quality consciousness.
- **Timing.** The 2009 marketing plan should roll out as soon as early winter 2009, when growers are more easily available for pre-season communication, education and engagement.
- **Good food definition.** Continued education and outreach is necessary all along the marketing chain about the meaning of good food and the requirements of being part of a values-based value chain in contrast to the traditional supply chain model. A key step for achieving this education

is to hold pre-season workshops that engage Sysco staff, aggregator staff, and growers in the nature of locally- and sustainably-produced foods, as well as other good food components (healthy, green, fair, affordable). For example, it is important to achieve fair and sustainable pricing that makes participation a win for all; honest discussion is needed to achieve pricing that works at all points of the value chain.

- **Food safety.** Marketing to wholesale buyers requires producers to provide certifications about their growing and handling practices so that companies, such as Sysco, can source the food with assurance that it is safe. At present, the baseline for such assurances comes in the form of voluntary national standards called Good Agricultural Practices (GAP) and Good Handling Practices (GHP). To help more growers achieve this baseline, Sysco Grand Rapids has begun sharing GAP and GHP self-audit protocols with growers. The operating company also partnered in the winter of 2009 with the civic organization Michigan Food & Farming Systems and the Michigan Department of Agriculture on workshops about wholesale marketing, including food safety. Continued assistance and outreach on food safety certifications is needed to make sure producers are able to market to Sysco and for Sysco to further market their products.

B. Pricing Decisions

A bedrock issue in developing value chains is fair pricing to the farms that have the products around which the entire value chain revolves. Without strong returns to growers, the whole system disintegrates. Entering wholesale markets presents a set of tradeoffs for growers that many will not make unless the returns are significant.

Without compelling price and cost benefits, smaller farmers with the differentiated good food products that Sysco wants, for example, will continue to focus on direct markets, such as farm stands, farmers markets and individual restaurant and grocery relationships. Selling directly cuts out the need for a middleman and gives the producer 100 percent of sales revenue. Similarly, larger farmers with the larger volumes Sysco needs for its wholesale food service customers will not invest in moving from commodity to wholesale marketing unless the returns are strong. New farmers also will weigh the costs and benefits and will not enter wholesale markets unless the pricing is good.

Value chains incorporate fair pricing to farms into their development, which also involves keeping the final pricing to customers within competitive range. Value chain development, therefore, is a process of building relationships between supplier and buyer that are reciprocal and win-win. Instead of always striving to buy at lowest cost, buyers in value chains, such as Sysco, must integrate the business realities and financial needs of their farm suppliers. Working as strategic partners, Sysco and farm suppliers reduce market risks with relationships that each can count on through market ups and downs.

Building these reciprocal relationships and negotiating fair pricing involves a number of calculations around the costs and benefits to each, including:

- Whether purchasing locally translates into transportation and other cost savings.
- Gauging how potential gains in freshness, speed-to-market, and good food attributes improve sales and pricing.
- Determining whether and how much the farmer gains, in new sales or lower transaction costs, with middleman services.

In the Sysco Grand Rapids project, the team decided to price all of its new MIPROD marketed products at established market prices and gauge the movement of these local, sustainably produced products against commodity counterparts when offered side by side. In a market where buyers are generally satisfied with the typical supply chain offering, the team chose the strategy of parity pricing as a way to entice customers to try the local, sustainable products and get acquainted with them. The team projected this strategy would cause customers to increasingly value these products and increase the volume of purchases over time.

In the case of local and sustainable products that Sysco added to its supply base, the team pursued a strategy of fair pricing based on grower costs and revenue needs versus using established supply chain pricing. The grower-based prices appeared acceptable to Sysco customers.

In addition, from 2008 learning, the Grand Rapids team has chosen in the future to place local products as the only option for purchase during their seasonal

availability. This sets up a situation in which Sysco communicates to customers that local and sustainably produced products are the best choices at those times, reducing the potential for customers to compare only prices versus freshness and other good food attributes.

Pricing was problematic in the Sysco Kansas City project because the relatively small product volume kept the distribution cost per unit high, which reduced the margin of revenue available to pay farms. The bulk of product moving through the Sysco Grand Rapids project, in comparison, was locally sourced products already in wholesale distribution, with no additional distribution effort needed.

Increasing the volume of product will ameliorate the Kansas City project's challenge by reducing distribution cost per unit, which can help increase the price ultimately paid to growers while keeping costs within reason for Sysco. Possible solutions include working with growers earlier in the year to plan and prepare for volumes that will reduce distribution cost and provide more return to growers.

C. Local Food Sourcing Issues

The role of food brokers and other aggregation and distribution services is key in wholesale marketing. While Sysco staff focuses on marketing and selling the product, they use experts in the field to find, collect and transport products, including quality and food safety assurance.

In the 2008 value chain development project, both Grand Rapids and Kansas City teams needed to determine who would be responsible for these aggregation and distribution services and how they would participate in the value chain development process.

Ideally, the aggregator/distributor has established resources and demonstrated ability to aggregate products cost effectively and in a seamless way as demand for specific products ebbs, flows and evolves. The aggregator/distributors support role is to provide timely delivery and quality maintenance of fresh products, as well as liability management across all the suppliers and products involved. A quality aggregator/distributor thus allows Sysco personnel to focus on the outbound side of increasing sales in the produce category.

Aggregator/distributors for food value chains should provide:

- Cost-effective aggregation services.
- Seamless response to demand changes.
- Facilities for cross-docking and intermediate storage and repacking as required.
- Liability insurance to manage the risk from grower through the chain to Sysco receiving facilities.
- Buyers on staff who know the local sourcing region and can access it throughout the season as products become available.
- Relationships with growers and a network of others interested in offering an expanded line to Sysco.

The Grand Rapids project chose to work with the regional Sysco operating company's established aggregator/distributor, Walsma & Lyons. The company is locally owned and based in Grand Rapids. It also has an established relationship with Sysco Grand Rapids, as well as five other Sysco operating companies in the Midwest. Walsma & Lyons has the infrastructure, knowledge, liability coverage, and flexibility to adapt to local foods aggregation and distribution needs and to service Sysco Grand Rapids in a timely manner.

For the Grand Rapids team, Walsma & Lyons is also desirable as the aggregator/distributor for the new food value chain development because the company's owners are open to the new approach and committed to helping its Sysco clients achieve good food objectives. Walsma & Lyons' connection to other Sysco operating companies will also help the project expand to other regions in the Midwest as those independent regions become interested in building value chains around locally- and sustainably-produced foods.

In Sysco Kansas City, aggregation is currently handled at the Balls Foods Stores' distribution center, which already handles the movement of many Good Natured Family Farms products to the company's Hen House and Price Chopper locations.

For the Kansas City project, Good Natured Family Farms provides aggregation, which is well established through the cooperative's marketing setup. Balls Foods further distributes products from the cooperative directly to the Sysco Kansas City warehouse.

This is a workable solution in the short term. It is not a long-term replicable model, however, because the additional distribution to Sysco is not part of Balls Foods' core business. Good Natured Family Farms is currently working on other distribution options for the 2009 season and the value chain's longer term development.

CONCLUSION

The 2008 NGFN/Sysco Partnership produced a significant amount of on-the-ground learning and innovation, while also achieving early win-win results for growers and for Sysco. The project's first year provided a good test of possible models and learning about them.

Project teams realized, for example, that different regions require different solutions for good food procurement and distribution, based on the crops available and grower capacity in each region. The teams also recognized that branding is key to increased awareness of local/sustainable and of good food attributes (healthy, green, fair, affordable) in the food service arena. This particular branding need is not for the end-consumer but for Sysco's customers, which are operators of food service establishments. The branding needed is specific to this business-to-business environment.

Finally, the pilot project demonstrated the critical importance of building strong relationships and good food understanding across the value chain, from the grower, through the aggregator/distributor, and through Sysco to its food service customers and their end customers. This relationship and awareness building is at the core of value chains, which must have product transparency and business bonds to both secure the food's "romance, memory, and trust," and to carry those attributes through from farm to plate.

The NGFN/Sysco Partnership will continue in 2009 to build on these experiences and leverage them through outreach to other Sysco operating companies.

In summary, key elements for next stage planning and execution include efforts to:

- Further develop good food understanding and demonstration of it in the value chain, from the types of products sourced to marketing and pricing.
- Build on the Grand Rapids experience of using a memorandum of understanding to outline good food concepts and build clear working relationships.
- Build the capacity of good food suppliers to engage in wholesale marketing, from production planning to food safety certifications. Experience points to the aggregator/distributor playing a key role in developing food safety education and protocols for farm suppliers.
- Expand product offerings by working with growers on the use of season-extension technologies.
- Add point-of-sale materials to help food service customers market the good food they purchase from Sysco.
- Include farmer and local food business profiles at online ordering sites so Sysco's customers can learn more about the "romance, memory, and trust" in these new good food products.
- Introduce product availability calendars as part of efforts by Sysco and associated aggregator/distributors to help food service customers practice seasonal purchasing.

- Invest in the time and travel required for Sysco and related aggregator/distributors to build strong strategic partnerships with good food suppliers. Face to face interaction, visits to farms, and mutual brainstorming and problem solving are important parts of building the value chain's capacities and connections.

End Notes

1 "Values-Based Food Supply Chains: Strategies for Agri-Food Enterprises-of-the-Middle." By Steve Stevenson and Rich Pirog for the national Agriculture of the Middle initiative. <http://www.agofthemiddle.org/papers/valuechain.pdf>

2 Innovative Models: Small Grower and Retail Collaborations, Part A and B – Good Natured Family Farms' Perspective and Balls Food Stores' Perspective. Case studies produced by the Wallace Center at Winrock International. <http://www.ngfn.org/innovativemodels>

This case study was produced based on interviews and insight from:

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