

Cherry Capital Foods

Location: Traverse City, Michigan

Business structure: Limited Liability Company (LLC)

Product offerings: Products available year-round include juices, condiments, eggs, meat and cheese, as well as frozen, dried and canned goods. Organic, conventional and sustainably grown produce is available seasonally. All products are sourced in Michigan.

Services: Marketing, distribution, some pack-size training and guidance on GAP/HACCP protocol.

Suppliers: Close to 50 farms and farmers' markets supply fresh and processed greens, vegetables, meat, cheese and specialty food products.

Customers: 150+ schools, institutions, restaurants, hotels, grocery stores, independent food service operations, child and family services, colleges and universities, caterers, farm stands and farmers' market vendors.

Volume: They moved \$500,000 worth of product in 2008, a 200 percent increase from the previous year of business. 2010 sales are expected to exceed \$1 million.

Years in operation: 2

Grower requirements: Some growers already have GAP certification, and this will be a requirement for all by 2010. While some are certified organic, all growers are encouraged to use sustainable production practices.

of employees: 7; 5 full-time plus additional seasonal employees as needed.

Pricing: Predominantly by negotiation. Base purchasing prices generally correspond to Detroit terminal prices with an added premium for "local."

Website: cherrycapitalfoodsllc.blogspot.com



Founded in 2007, Cherry Capital Foods is an independent local food distributor carrying fresh fruits and vegetables as well as meat, cheese, eggs and shelf-stable products. The company's rapid growth is indicative of the increasing demand for local product, and the diversity of its wholesale customers highlights the breadth of this trend. Serving as both distributor and product representative, the company connects regional growers and buyers, orchestrates orders and deliveries, and provides suppliers with growing, packing and handling guidance on an as-needed basis. Cherry Capital Foods distributes exclusively Michigan-sourced product and presently delivers throughout Michigan's Lower Peninsula, concentrating on the area within a 100-mile radius of its home in Traverse City.

Cherry Capital Foods was launched in 2007 in response to a growing number of requests for locally sourced products from a variety of regional wholesale customers. Cherry Capital Foods sources directly from more than 35 Michigan producers whose scale of production ranges from half-acre gardens to large contract farms. Most of these suppliers also distribute through venues such as farmers' markets and brokers, as well as selling directly to grocery stores and institutions. Sales to Cherry Capital Foods represent varying percentages of its suppliers' total sales. All products retain farm and producer labels.

The company currently operates a fleet of two refrigerated trucks and two cargo vans. Wholesale customers place orders

online, by phone or by fax. Orders placed within Traverse City are delivered the following day. Deliveries to other destinations vary seasonally, with a minimum of one haul to each location every week. Cherry Capital Foods carefully orchestrates transportation to ensure that, whenever possible, all trucks back-haul product on their return trips. This maximizes efficiency and reduces their carbon footprint. In addition to coordinating transactions and logistics, Cherry Capital Foods provides pack size, post-harvest handling instruction and refrigerated storage as needed.

Due to its access to a wide range of producers, Cherry Capital Foods has successfully matched growers and buyers, filling both small requests

by chefs and large volume commodity orders for large institutions. This business represents an integrated and dynamic approach to local food distribution. Built on strong relationships with its customers and suppliers, Cherry Capital Foods is proactive and responsive, simultaneously anticipating, meeting and creating demand for wholesale local product.

Challenges

Supplier unfamiliarity with the wholesale market.

Cherry Capital Foods' suppliers come from a range of backgrounds and have varying degrees of knowledge about pricing, growing, packaging and post-harvest handling for the wholesale market. As a result, this business has worked closely with all of its suppliers to bring them up-to-date with industry requirements such as GAP and HACCP.

Price and packaging variability. Because many of Cherry Capital Foods' suppliers are relatively small, newly established and growing, their pricing and packaging often change more quickly than those of firmly established companies and products. As a result, Cherry Capital Foods closely monitors prices and packaging inventories to ensure consistent marketing, pricing and product availability.

Building expertise, relationships and communication across local supply chains. As a distributor in an emerging market, Cherry Capital Foods often finds itself negotiating situations above and beyond the traditional transactions that occur between customers and suppliers. In addition to specialization and efficiency, relationships are crucial in local and regional supply chains. For example, Cherry Capital Foods once matched a buyer seeking a particular type of lettuce with a local grower who, although he had not previously grown that variety, had a good reputation for his product. His lettuce grew beautifully, but it had a very bitter taste. The grower eventually discovered that this was because there was too much lime in his soil. Once he corrected this problem, the quality of the lettuce improved, but it took patience and trust on the part of the buyer to stick with the grower and accommodate this learning curve.

Anticipating and matching supply and demand. In a growing, dynamic market, it can be difficult to anticipate the popularity of certain products (e.g., brussels sprouts). Similarly, pack-size incompatibility issues and supply shortages for particular products underscore a need for greater pre-season planning and pack-size coordination with regional buyers.

Technology. While not a significant barrier, variable knowledge of and access to internet technology means that Cherry Capital Foods must be able to place orders by phone and fax, as well as online. Cherry Capital Foods is working with several vendors to develop integrated inventory and lot tracking software that will simplify transactions and facilitate transparency among all parties.

Lessons

As the local food industry grows, so does the need for education about wholesale market standards. In the Traverse City area, many local food suppliers are either new to the industry or accustomed to supplying large processors. Education about post-harvest handling and pack size can help these less experienced suppliers improve their marketability and avoid food safety concerns. With safety and pack concerns alleviated, local distributors such as Cherry Capital Foods with proven records among wholesale customers are uniquely positioned to increase growers' and suppliers' access to local and regional wholesale markets.

Professional experience and social capital contribute to the viability and success of a business. The Cherry Capital team draws on over 50 collective years of experience in the local fruit, restaurant and distribution industries. Drawing on its team's diverse knowledge base and existing connections, Cherry Capital Foods has built a network of reliable resources, including people, product and connectivity within the regional food system, that continues to grow and develop as market demands grow and change.

Environmental constraints such as regional population density, land use, growing conditions and industrial history significantly impact the scope and growth potential of a business. For example, diverse land use patterns and farm scale in northwestern Lower Michigan presents some interesting dichotomies. Apples and cherries are produced in volumes suited for global distribution while other types of fruit, vegetables and specialty crops are not produced at a scale sufficient to meet even local demand.

Elastic definitions of "local" will be necessary in order to maximize the relational, ecological and regional economic benefits of local marketing. The state-specific definition of local used by Cherry Capital Foods has, so far, limited its exploration of partnerships with farmers and processors in neighboring states. Until the local market is sufficiently developed, Cherry Capital Foods will focus primarily on the 100-mile radius previously mentioned, with excess product leaving the local area.