

SCALING UP “BUY LOCAL, SELL FRESH:” LESSONS FROM MICHIGAN GROWERS,
SUPPLIERS AND SYSCO

By

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ABSTRACT

SCALING UP “BUY LOCAL, SELL FRESH:” LESSONS FROM MICHIGAN GROWERS, SUPPLIERS AND SYSCO

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Sysco, the largest foodservice marketer and distributor in the US, is responding to institutional demand for local food through “Buy Local, Sell Fresh” programs at some of its operating companies. In Grand Rapids, Michigan, Sysco purchases fresh produce from regional growers and suppliers, and distributes it to restaurants and institutions in the state. Corporate efforts to market local food are relatively new, and the implications for growers and other suppliers are largely unstudied. Sysco’s program, in particular, is structured as a value chain, a model in which supply chain actors are strategic partners who share a common goal, work collaboratively, display trust, and value transparency to achieve shared rewards. Using a value chain analysis this thesis explores a practicing value chain involving Michigan fruit and vegetable growers, suppliers, and others participating in Sysco’s Buy Local, Sell Fresh program in Grand Rapids. The thesis offers insights about benefits and challenges faced when using a value chain model to “scale up” local food distribution using the infrastructure of a large national foodservice distribution company. Ultimately, this case study determines that economic and social benefits are unevenly shared across the supply chain because Sysco treats some supply chain actors as partners and others as arms-length suppliers. This is partially due to the way the supply chain is structured, and the realities of the fresh produce industry where mid-size and larger growers are often represented by intermediaries. The study suggests that “scaling up” local food through a large company involves trade-offs in relationships with growers and suppliers.

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PREFACE

My journey with my thesis began in the fall of 2008 when I became a volunteer at Michigan State University's Student Organic Farm. I was in my first semester of a graduate program focused on community food and agricultural systems, but I felt like very naive.¹ For many years I had worked around food at restaurants, delis, and grocery stores, but I had little experience growing food and didn't know any farmers. My memories of picking warm tomatoes, long green beans, and mottled peppers from our family garden as a child did not seem sufficient to understand modern day production agriculture. How could anyone take me seriously without some background in farming? I set out to learn from other students what it takes to grow a lot of food.

The mornings I spent on the farm were tremendously satisfying. Weeding, harvesting, cleaning, hoeing, planting, watering—all taught me how to do an honest day's work. It's hard. It's really hard. But there was something more. I'd come home tired and dirty, holding an armload of carrots or a butternut squash I'd plucked from the earth, and would feel a sense of pride. Better yet, I knew that I was feeding other students. The Student Organic Farm was involved in the university's new effort to buy local food. Much of the harvest that fall and winter went to Yakeley Hall's salad bar.

A few months into my volunteering a new farm hoop house was dedicated by university administrators over a "vine cutting" ceremony. They exclaimed that it was groundbreaking for

¹ When I started graduate school I intended to study agriculture in East Africa. Previous study abroad experience in Tanzania piqued my interest in returning to study food access among the Maasai people. I shifted my focus to domestic food and agriculture issues shortly after beginning my program because I felt it was important to understand the situation in the United States before embarking on research in an African country.

the farm to provide produce to MSU. The Yakeley Hoophouse would be part of a larger program to procure locally grown food for MSU's student body. This 'Farm-to-MSU' program was to "revitalize not only our campus food system, but our state and national food system...to address our country's health crisis, our economic crisis, our fossil fuel addiction, and global climate change" (Thorp October 27, 2008).

There is a lot of promise and hope in that vision, and I was very proud of MSU's initiative to be a vanguard university in providing local food to its students. However, I now understood how much work was involved in small-scale agriculture and how much labor was required to feed a small portion of the student population. More than 35,000 meals are served daily at MSU (Abatekassa, Matts et al. 2009). This made me wonder, can small farms such as the Student Organic Farm feed large universities? What would it take for smaller farmers to become involved, and how would that affect them? My curiosity about farmers—and the desire to institutionalize and grow the Farm-to-MSU program—drove me to explore this topic further.

With the help of Professor Laura DeLind, a faculty member in Anthropology, I approached MSU Food Stores, the office responsible for the university's food procurement. My intention was to focus my thesis on farmers participating in the Farm-to-MSU program. However, I soon learned that Food Stores did not have a relationship with these farmers (and did not in fact know who they were). The Farm-to-MSU program specifications explain that while "the opportunity to engage with Michigan and regional agriculture is desired...it is preferred that the delivery of products, especially produce, be channeled via the umbrella of [MSU's] current contractual agreements" (Abatekassa, Matts et al. 2009). MSU was not inviting farmers to drive their trucks to Food Stores' loading docks; they wanted deliveries streamlined through their current distributors. The program was designed to maximize efficiency. The bulk of local food

for the Farm-to-MSU program was to be delivered through Sysco, a foodservice distributor that held MSU's largest food procurement contract. Because the university's relationships with farmers were mediated by Sysco, Ms. Marta Mittermaier at Food Stores wisely suggested that I change my focus slightly to study Sysco and its farmers instead.

With this shift I sought the help of my advisor, Professor Jim Bingen, to help me make connections at Sysco. Professor Bingen had worked previously with Ms. Marty Gerencer of the National Good Food Network, and had heard that the NGFN was engaged in a study with Sysco. Professor Bingen contacted Ms. Gerencer, who introduced him to Mr. Joe Colyn of Originz, LLC, a consultant connecting farmers with a Sysco branch in Grand Rapids, Michigan. Mr. Colyn invited us to attend a Sysco Food Show at the B.O.B. in Grand Rapids in March 2009. At the show Mr. Colyn introduced us to Mr. Denis Jennisch, the produce category manager responsible for spearheading fresh produce procurement from Michigan farmers. This was how I made my first foray into Sysco and met the key players involved with Sysco's Buy Local, Sell Fresh program. While at the Sysco Food Show I introduced myself to a handful of farmers who had booths set up to sample their products. Here, finally, were the farmers whose products were consumed by students at MSU. I wanted to know more about them. What were the implications of working with Sysco? What did this mean for the food system, especially for the growing "local food movement," and how can we begin to understand and evaluate the relationships between Sysco and farmers? It was then that I decided to make Sysco's farmers the focus of my thesis research.

These guiding questions compelled me to explore deeply into Sysco's program and to become involved in a variety of efforts to meet growers, suppliers, and others working with the company. After the food show I became a summer intern with the Wallace Center, (which

sponsors the NGFN), admittedly to become involved with the ongoing Sysco study. I connected with Mr. Jennisch again while hosting a Sysco-focused “webinar” in July 2009. In August I made plans to work on the second phase of the Sysco study, which involved studying Sysco companies in three cities. In September I met with Mr. Colyn, Professor Bingen, and Mr. Jennisch to discuss study details. However, during the meeting I learned that Sysco’s farmers would also be included in the study. This presented a potential conflict of interest. Shortly after I decided it would be better if I were to approach Sysco’s farmers independently to have more autonomy with the direction of my study.

Around that time I met Ms. Elaine Brown and Mr. Scott Corrin at Michigan Food and Farming Systems (MIFFS), a nonprofit focused on connecting Michigan farmers with opportunities and information to help their businesses. As a MIFFS volunteer I attended many events, including their annual “Meet the Buyers” event in Grand Rapids in December 2009. At this event produce buyers, including Sysco, set up booths and talked casually with farmers interested in selling to them. This was an excellent opportunity to meet more Sysco farmers in person.

In February 2010 I volunteered at a series of MIFFS food safety workshops. Again, I met a number of Sysco farmers who were brushing up on food safety updates. In addition to meeting farmers who would become my research participants, I kept running into Mr. Jennisch. In the coming months we saw each other at fundraisers, conferences, food shows and other events. By the time I finally interviewed Mr. Jennisch in March 2010, I had had exchanges with the company on nearly a dozen occasions. In this way I slowly built a relationship with Sysco through the Wallace Center, MIFFS, and Mr. Jennisch that granted me a unique perspective of

the company's actions and a deep sense of appreciation for what Sysco is doing to help Michigan agriculture succeed.

Through all these events and in subsequent interviews I met farmers, broker/sales agents, representatives of shipper/packers and food processors—many of the people that Sysco relies on to source local food from Michigan farms.² Many of Sysco's farmers, (hereafter referred to as “growers,” as this is the title they give themselves), come from farm families stretching back three generations or more. They are committed to their land and to farming it responsibly, and are innovative in the ways they've adapted to changing times. While I can say that I'll probably never be a grower myself, I can appreciate their hard labor and dedication to producing good food. These growers, and the many other people they work with to bring fresh food from their farms to you, have inspired me and filled me with hope that local and regional agriculture can help to solve some of the problems we face in our food system today. They have challenged me to do my very best work. This thesis, titled “Scaling up ‘Buy Local, Sell Fresh:’ Lessons from Michigan Growers, Suppliers, and Sysco,” explores relationships between people in one food supply chain and the potential implications for a food system. It is my privilege to tell the story of growers and their partners as they explore the boundaries of local food.

² Definitions of these titles are given on page 61.

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KEY TO ABBREVIATIONS

AFN	Alternative Food Network
CSA	Community Supported Agriculture
BLSF	Buy Local, Sell Fresh
GAP	Good Agricultural Practices
GHP	Good Handling Practices
IRB	Institutional Review Board
MIFFS	Michigan Food and Farming Systems
MSU	Michigan State University
NGFN	National Good Food Network
PO	Purchase Order
USDA	United States Department of Agriculture

CHAPTER 1 INTRODUCTION

I. Study Background and Framework

A. Defining the Problem

Within the last decade the food “climate” in the United States has undergone a sea change. The rise of foodborne illnesses and skepticism over new technologies, (i.e. genetically modified food), have spurred consumers to demand more information about how and where their food is produced. Food that is locally grown has become a top trend. While there is no standard definition for local food (Martinez, Hand et al. May 2010), consumers increasingly seek products that are produced and marketed within a particular region. This interest is reflected in popular culture from Oprah’s interview with Michael Pollan (January 27, 2010); to *Food, Inc.*’s screening at mainstream movie theaters; to the popularity of books such as Barbara Kingsolver’s *Animal, Vegetable, Miracle*. On a local level, farmers markets—where growers sell directly to consumers—proliferate across America. Nationally, efforts such as the USDA’s “Know your Farmer, Know your Food” initiative and First Lady Michelle Obama’s vegetable garden have raised the profile of locally grown food.

Farmers markets, roadside stands, Community Supported Agriculture (CSAs), and other direct marketing initiatives³ are the predominant markets for local food. This scene is changing as opportunities increase for growers to market larger volumes of local food—also known as “scaling up”—through some of the largest companies in the United States. While several large retailers such as Wal-Mart have committed to purchasing local food (defined by them as food

³ Direct marketing of local food is associated with a set of social benefits for growers and consumers. Growers also retain a higher share of the retail price through direct marketing. Hand, M. (December 2010). "Local Food Supply Chains Use Diverse Business Models To Satisfy Demand." Amber Waves: The Economics of Food, Farming, Natural Resources, and Rural America.

grown within a state), Sysco is among the largest foodservice distribution companies⁴ that have started local food programs. Sysco operates within the conventional food system infrastructure,⁵ taking advantage of modern efficiencies to quickly distribute large volumes of food from local and regional farms to its customers. Through this system distribution companies like Sysco can help growers take local food into more mainstream markets in a cost-effective manner (Day-Farnsworth, McCown et al. 2009).

Yet the foundation of what has been dubbed the local food movement rests in part on its resistance to the injustices and marginalization that growers face in the conventional American food system, which is dominated by large retailers and agri-food⁶ corporations. Some have scrutinized the involvement of large companies in “alternative food networks,” which operate outside the mainstream (Raynolds 2000; Kirwan 2004; Jaffee and Howard 2009; Jaffee and Howard 2010). For example, Kirwan (2004) posits that once an alternative food system becomes economically significant it is at risk for being incorporated into the structure of the conventional food system and losing its benefits (Kirwan 2004, p. 398). In particular, the involvement of large foodservice distribution companies in local or regional food sourcing may seem contradictory to the principles commonly associated with local food systems (Kennedy 2007). This skepticism is reflected in an article on Sysco’s local purchasing initiative in which a reporter wonders, “if *local* and *small scale* have been the watchwords of the sustainability movement, can a company that

⁴ A foodservice distribution company supplies food and other products to restaurants and institutions that prepare meals.

⁵ The conventional food system is characterized by supply chain actors operating in competitive, arms-length relationships, each performing a specialized function emphasizing cost efficiency.

⁶ Agri-food refers to “industries which are involved in the mass production, processing and inspection of food products made from agricultural commodities,” according to agriculturedictionary.com

operates on a continental order of magnitude really claim a place in that movement?” (Sen 2010, p. 45).

However, others note that a conventional supply chain can be structured in a way to emphasize the social and economic benefits of direct marketing through what is called a value chain (Stevenson and Pirog 2008; Bloom and Hinrichs 2010). In a value chain growers and other supply chain actors are interdependent and work collaboratively toward shared goals while emphasizing differentiated products, fair pricing, strategic partnerships, and trust.

Is there a role for large foodservice distribution companies to play in “scaling up” local food to reach wider markets, and can this be done in a way that shares social and economic benefits with growers and other actors in the supply chain?

B. Foodservice Distributors and Local Food

To understand the context for examining if benefits are shared within a foodservice distribution supply chain consider that locally grown produce was identified as the “hottest” trend of 2010 by the National Restaurant Association (October 2009). Institutional demand for local food is growing, and foodservice distributors increasingly strive to meet this demand. In 2005 Sysco started “Buy Local, Sell Fresh” programs at several operating companies to provide local food, (defined as grown within a state or within a Sysco distribution area), to Sysco customers (Kennedy 2007). The central goal of the program is to “respond to this consumer demand for more local and sustainable produced foods by linking the grower with the customer through the modification of existing procurement and distribution supply chains” (Sysco 2010).

Not far behind, US Foodservice, the second largest national foodservice distributor after Sysco, recently started an ordering system featuring 10,000 products that are local to its divisions (Food CEO August 11, 2010). The premise behind the system is that “together we can support

communities and reduce the amount of carbon emissions associated with the transportation of food from farm to fork” (Food CEO August 11, 2010). Other large national foodservice distributors and competitors of Sysco (e.g. Meadowbrook Meat Company and Performance Food Group Company) have not yet publically acknowledged local food sourcing, although it likely occurs. These national distributors compete with small and mid-size regional distributors, many of which purchase and distribute locally. For instance, Gordon Food Service has a local purchasing program in Michigan featuring products from 21 Michigan growers (Gordon Food Service September 9, 2010). Similarly, Maines Paper and Food Service offers products from two New York farms within 200 miles of its facility to ensure that “customers get the local product they’re hungry for” (Maines Paper and Food Service Inc. 2010).

Of the large national foodservice distribution companies Sysco has emerged as an early adopter of local food distribution, making it the focus of multiple studies (Ennis 2006; Kennedy 2007; Cantrell 2009; Cantrell April 2010). Further, several Sysco operating companies (or “branches”) adopting Buy Local, Sell Fresh programs have elected to implement value chain frameworks in their supply chains.⁷ This combination makes Sysco an ideal company to study scaling up local food distribution using a value chain model.

C. Case Study, Research Questions, and Analytical Framework

This thesis is a case study of a fresh produce supply chain at Sysco Grand Rapids. This branch was selected because it utilizes a value chain model in its relationships with Michigan fruit and vegetable growers and suppliers for its Buy Local, Sell Fresh program (Cantrell 2009). Its position as a large foodservice company makes it ideal to examine its role in “scaling up” local food distribution to reach wider markets. By using a value chain this Sysco branch offers a

⁷ Sysco Grand Rapids and Sysco Kansas City are among the Sysco branches that have Buy Local, Sell Fresh programs and use a value chain approach.

unique opportunity to study what social and economic benefits are shared among supply chain actors.

To examine Sysco Grand Rapids' value chain this study uses these research questions: What value chain characteristics are expressed in supply chain relationships when Sysco Grand Rapids "scales up" local food distribution? What challenges do actors face when implementing a value chain within Sysco's distribution system? The goal of this thesis is to provide an in-depth description and analysis of the relationships between growers and other actors in the Sysco Grand Rapids supply chain, and to explore the benefits and challenges of scaling up local food within a conventional distribution system.

This thesis applies a value chain framework, which examines the presence of value chain characteristics in relationships between supply chain actors. Bloom (2009) suggests that a value chain framework is an effective method to assess whether the progressive goals and values of local food systems are preserved when "alternative" food systems meet mainstream, corporate-controlled food systems. Four value chain characteristics are identified and analyzed to illustrate how benefits and challenges of scaling up local food play out in Sysco's supply chain.

II. The Michigan Opportunity

A. Michigan Fresh Produce

Michigan is a unique place to study growers selling local food because of the diversity of fruits and vegetables grown. According to the 2007-2008 Michigan Agriculture Statistics report, Michigan produces more than 200 commodities, making it the second most agriculturally-diverse state after California (USDA/NASS Michigan Field Office, Michigan Department of Agriculture et al. 2008). Despite this diversity most Michigan produce is not sold on the fresh market. The bulk of Michigan produce (74% of its fruit and 44% of its vegetables) is for the processing

market. According to a Michigan Land Use report, Michigan's fruits are less able to withstand shipping over long distances (Cantrell February 2009). The humid growing conditions also make produce susceptible to pests and diseases. As a result, Michigan fruit and vegetable growers primarily sell to processing companies that freeze, dry, can, and juice produce. This makes fresh Michigan produce harder to source for foodservice distribution companies, which is in part why most of the \$1.9 billion of higher-value fresh fruits and vegetables consumed in Michigan are from other states and countries.

B. Institutional Demand for Local Food in Michigan

The wide diversity of produce grown in Michigan has appealed to Michigan institutions that wish to serve fresh local produce to customers. A 2004 survey of Michigan school food service directors revealed that 73% were very interested in buying from local growers, and the number increased to 83% if they could purchase local food through their current distributors (Izumi, Rostant et al. 2006). The Traverse City Area Public Schools, for example, have made a concerted effort to utilize their buying power to support local agriculture, and have been purchasing local foods for the past five years (Matts and Izumi 2008).

Michigan universities are increasingly interested in local foods for their cafeterias and dining services. Michigan State University, Wayne State University, and the University of Michigan all have local food programs which buy limited amounts of Michigan products for campus cafeterias and dining services. However, the potential impact of their local purchasing is significant because there are large populations at these universities. Michigan State University, for example, feeds more than 35,000 students each day (Abatekassa, Matts et al. 2009). Its Brody Cafeteria is the largest non-military cafeteria in the world, feeding more than 2,300 students daily (The State News June 22, 2007).

Public institutions in Michigan also represent a potential market for local growers. The state of Michigan exerts significant food purchasing power; it feeds nearly 50,000 prisoners as well as patients in five health care institutions. Some local food purchasing is already occurring. For example, the Michigan Department of Corrections purchased 11% of its food from Michigan suppliers in 2005 (MFPC, 2006). With a ‘pull’ coming from schools, universities, and the state, institutional demand could be a benefit for foodservice distribution companies that supply them, including Sysco.

C. Michigan Farms

Understanding the agricultural sector in Michigan is important to understand which farms are in the best position to respond to demand for local food. According to the 2007 Census of Agriculture, Michigan has 56,014 farms; more than 75% are 179 acres or less. The vast majority of Michigan farms (34,671) are small farms, defined as generating \$1,000 to \$10,000 in agricultural sales. There are 13,377 mid-size farms (\$10,000 to \$100,000 in sales), and 7,966 large farms (more than \$100,000 in sales). However, farm acreage may be a better way to define farm sizes as this may correlate more to crop volume and the types of markets growers utilize. For the purpose of this study small farms are described as growing less than 100 acres; mid-size farms as growing 100 to 1,000 acres, and large farms growing more than 1,000 acres (Kirschenmann, Stevenson et al. 2008, p. 7).

Michigan’s food and agriculture sector has grown in the last decade. The number of farms in Michigan grew nearly 5% between 2002 and 2007, mainly due to a rise in large and small farms (National Agriculture Statistics Service 2009). There were 1,524 new small farms and 1,475 new large farms during that period. The growth in small farms may be due to more direct marketing opportunities in which a grower sells directly to a consumer. Smaller farms

have found increased opportunities at direct markets such as farmers markets, roadside stands, and CSA programs. The increase in large farms may be partially a result of growers consolidating land.

D. Mid-size Farm Loss in Michigan

In contrast, Michigan lost at least 300 mid-size farms between 2002 and 2007 (National Agriculture Statistics Service 2009). According to Kirschenmann, Stevenson et al. (2008), the loss of these “growers in the middle” is not unique to Michigan; nationally mid-size growers have steadily decreased since 1987. A primary challenge for mid-size growers is finding viable markets for their products. Typically these growers diversify their marketing strategy by utilizing multiple market outlets: cooperatives, retail buyers, wholesalers, farmers markets and other direct-to-consumer venues. However, these marketing strategies have drawbacks for mid-sized growers. Entering the wholesale market often means accepting a lower price for a product, although marketing costs are low. To accept lower prices growers need to produce enough to make ends meet, which may work for a larger farm but could be challenging for mid-size operations. Direct sales to consumers require an investment in marketing costs, although the return is generally higher (Hand December 2010).

However, mid-size growers may grow too much to rely on direct markets to recoup costs and make a profit. “Farms of any size may be part of the market that falls between the vertically-integrated, commodity markets and the direct markets. But the mid-size farms are the most vulnerable of today’s polarized markets, since they are too small to compete in the highly consolidated commodity markets, and too large and commoditized to sell in the direct markets” (Kirschenmann, Stevenson et al. 2008, p. 3).

Mid-size growers may be in a position to benefit from a local marketing outlet that is large enough to accept their volume, such as that provided by a foodservice distributor. The foodservice industry's needs for scale and volume, coupled with its demand for highly differentiated products (i.e. locally grown), may be a good opportunity for "farmers in the middle" (Kirschenmann, Stevenson et al. 2008). Mid-size farms are also recognized by Sysco as the ideal size to meet the company's volume demands (Kennedy 2007). In Michigan in particular, mid-size growers may find an opportunity through Sysco to market their products to local institutions and restaurants.

III. Sysco: Local Food Distributor and Value Chain Adopter

A. About Sysco

To study the significance of "scaling up" local food distribution it is important to understand Sysco and its Buy Local, Sell Fresh program. Sysco, the largest foodservice marketer and distributor in the U.S., has more than 170 locations in the United States and Canada including: 89 broadline companies; 17 SYGMA operating companies; specialty companies; guest services companies; and an international food group⁸ (Sysco 2011). Broadline distribution companies have been described as "one-stop-shops which carry nearly all the food, supplies, and equipment needed to operate a food service kitchen" and which "offer competitive prices, financial incentives, streamlined service, and the convenience of buying food and non-food items" (Izumi, Wright et al. 2010, p. 2). According to Wikipedia, Sysco has more than 400,000 foodservice customers, and its assets were worth \$10.2 billion in 2009. Sysco's headquarters are

⁸ Sysco is an acronym for Systems and Services Company. SYGMA is a wholly-owned subsidiary of Sysco and is a foodservice distribution company. Sysco's specialty companies include FreshPoint, which focuses on produce distribution.

in Houston, Texas. Each Sysco distribution or specialty company is independently managed with “purchasing decisions made primarily at the local level” (Ennis 2006).

B. History of Sysco’s Buy Local, Sell Fresh program

According to Kennedy’s thesis (2007) on Sysco’s Buy Local, Sell Fresh program, the foundation for the program was laid in 1999 when Sysco added agricultural sustainability to its social responsibility goals. At this the company’s former chairman, Rick Schnieders, solicited “advice” from two academics: a professor at the Harvard Business School, and agri-food scholar Fred Kirschenmann of the Leopold Center for Sustainable Agriculture at Iowa State University. In 2005 Sysco unveiled the Buy Local, Sell Fresh (BLSF) program, which focuses on distributing fresh, seasonal produce from local growers. The program is designed to promote Sysco’s sustainability goals and to meet customer demand for fresh, locally grown produce. Sysco is also striving to supply their customers with more information about where their food comes from, who produced it, and how it was produced. This represents a shift for Sysco from sourcing “fast, convenient, and cheap food” to providing “food with romance, memory, and trust” (Cantrell 2009).

Sysco Branches with Buy Local, Sell Fresh Programs. It is up to individual Sysco operating companies to determine if they will adopt BLSF programs. By 2005 Sysco branches in Minnesota, New Mexico, and Central Alabama had started BLSF programs. This expanded to Grand Rapids, Kansas City, Chicago, and other cities in the following years. In 2008 Sysco commissioned the Wallace Center at Winrock International to create a series of case studies of BLSF programs that adopted a value chain approach to better learn their strengths and weaknesses, and to develop a model that it could replicate at other Sysco branches.

There were 20 different Sysco branches with BLSF programs as of fall 2010 (Watson and Jennisch September 16, 2010). Other Sysco branches may still purchase local products without specifically promoting them under the marketing umbrella, “Buy Local, Sell Fresh.” For example, when Sysco acquired Fowler & Huntting Company in Connecticut in 2005 the distributor was already purchasing and distributing local produce (Sen April 2010). The new Fowler FreshPoint emphasizes local produce but does not market under the BLSF campaign.

C. Lessons Learned from Buy Local, Sell Fresh Programs

As BLSF programs have progressed Sysco has learned what makes programs work and where weaknesses remain. Craig Watson, vice president of quality assurance and agricultural sustainability, said that BLSF programs rise to meet demand: “We are focusing on specific customer segments that tend to have the highest level of interest. We see a great deal of excitement from colleges and universities, as well as individual restaurateurs trying to distinguish themselves from chains” (Watson and Jennisch September 16, 2010). Demand for local food must generally precede Sysco’s decision to adopt local purchasing, marketing, and distribution. For example, Michigan State University’s interest in buying local produce was in part what drove Sysco Grand Rapids to expand its local purchasing (Jennisch and Watson 2009).

Sysco also learned the importance of utilizing aggregators to buy locally. The role of an aggregator is to source, consolidate, and transport local products from farms to Sysco; assume liability of the produce; handle quality assurance; and ensure growers are food safety certified (Cantrell April 2010). “[Aggregators] handle the collection and movement of products that are new, and potentially incongruent (i.e. unconventional packaging, quantities, etc.) to Sysco’s systems. Instead of Sysco taking on the extra logistics, the aggregator applies its expertise and capacity to the challenge” (Cantrell April 2010, p. 11). According to Watson, “The key to our

success is aggregation. It would be difficult for us to deal directly with a single individual family farm” (Jennisch and Watson 2009).

One challenge that remains in buying locally is finding local growers that meet Sysco’s food safety requirements. At a 2009 webinar Watson discussed how food safety audit costs place pressure on growers: “For a farmer to engage we can't expect that audit to cost any more than \$350 to \$500. I think that's very critical...and we can't expect these farmers to engage in multiple audits” (Jennisch and Watson 2009). Sysco is approaching this issue by advocating for a universal audit and the training of auditors, and by providing growers with technical information about food safety from extension programs, the USDA, and consulting firms.

Sysco has also taken steps to “educate” growers about food safety. For example, Sysco hosted grower workshops in 2006 and 2007 in Iowa and North Carolina (Kennedy 2007). Sysco Grand Rapids also shared food safety self-audit guides with growers (Cantrell 2009). The branch participated in food safety workshops in 2009 and 2010 to offer a “buyer perspective.” Part of the goal, according to Sysco Grand Rapids produce manager Denis Jennisch, is to “have (growers) prepared when they go to get certified so that they don't fail that certification” (Jennisch and Watson 2009).

D. Sysco Grand Rapids and its Buy Local, Sell Fresh Program

Sysco Grand Rapids is a broadline distribution company that began a Buy Local, Sell Fresh program in late 2007. The goal of the project, according to Denis Jennisch, is “to move more local product and good food” (Jennisch and Watson 2009). Jennisch argues that Sysco’s involvement in local food distribution is in part to take advantage of their infrastructure and to reduce the carbon footprint: “We feel farmers should grow product, stay on the farm, and let us distribute it. We already have trucks on the road...We can put more pounds on the truck, deliver

more pounds in the same miles, than some of the smaller growers would be doing with a smaller truck” (Jennisch and Watson 2009).

Fresh fruits and vegetables make up the bulk of the products offered in the BLSF program, although some products are processed. Sysco defines “local” as grown within Michigan or “Michiana.”⁹ If a local product is in season and it meets specifications for quality and food safety, Sysco Grand Rapids will make it available to its customers (Watson and Jennisch September 16, 2010). A product from another area (e.g. California romaine) is not offered to customers if a local product can take its place. This approach represents a shift from the branch’s approach to sourcing in 2008, when local products were offered alongside products from other areas. The shift to offering only local product when available led to a boost in sales for local produce in 2009 (Cantrell April 2010).

Produce Differentiation. Sysco Grand Rapids began its efforts to differentiate local products in 2008 when it “recognized that its existing supply base included many local farms and food companies from its Michigan and Northern Indiana region” (Cantrell 2009, p. 5). Locally grown fruits and vegetables from growers were given their own item codes in Sysco’s ordering system under the acronym MIPROD, which stands for “Michigan or Michiana produced” (Cantrell April 2010). According to Sysco, using MIPROD makes it easier for customers and sales agents to identify local products and to see what is available (Jennisch and Watson 2009). MIPROD also allows Sysco to track sales. Previously, “we weren’t certain when we were going into Michigan product and coming out, because it was blended with other growing areas,”

⁹ “Michiana” is a region that includes southwestern Michigan and Northern Indiana and is commonly used to refer to the area, especially in local business advertisements seeking to draw Michigan and Indiana customers.

Jennisch said. “This (system) gives us a base of cases purchased and sold, and identifies where we're at this year” (Jennisch and Watson 2009).

Sysco Grand Rapids commonly markets local products alongside brief grower “profiles” featuring biographical information about a farm family or historical information about a farm. Telling a grower’s story is important to Sysco, which recognizes that customers increasingly want to “connect with a grower” (Jennisch and Watson 2009). To further promote growers Sysco Grand Rapids began to feature them and suppliers at annual food shows for Sysco customers starting in 2009. The food show creates an opportunity for customers, growers, suppliers, and Sysco representatives to interact.

Aggregation. Sysco Grand Rapids works closely with an aggregator, Walsma and Lyons, to help coordinate the logistics of the BLSF program. Walsma Lyons¹⁰ is a produce distributor in Byron Center, Michigan. The company was started as a fresh produce brokerage called Walsma Produce in 1955, and in 1979 became Walsma and Lyons. It expanded and began offering repacking services to make orders smaller and more manageable for foodservice customers. Today Walsma Lyons provides distribution, brokerage, packaging, and logistical services. Walsma Lyons works with more than 85 farms and suppliers in six states, including 10 farms in Michigan. The company describes its commitment to Michigan growers on its website: “Walsma & Lyons is proud to support Michigan farms. Local farms make an enormous and positive contribution in West Michigan creating jobs and commerce, which in turn improves our schools, parks, and the quality of life in our area” (Walsma and Lyons 2010).

¹⁰ The company name is commonly abbreviated to “Walsma Lyons” by Denis Jennisch of Sysco, growers, and others, so this abbreviation is used throughout this study.

Walsma Lyons' long history in the region, familiarity with growers, and understanding of Sysco's systems and requirements are among the reasons it was selected as an aggregator for the BLSF program. According to Jennisch, the company makes Sysco's procurement more efficient:

“Our staff at Sysco Grand Rapids is a staff of three people. We have a quality control person, one buyer, and myself who oversees the category. Aggregation for us was a major accomplishment because I can't be calling 10 or 20 different growers and try to consolidate orders for our customers, and trying to accomplish it with the staff we currently have” (Jennisch and Watson 2009).

Walsma Lyons also has liability insurance. This ensures that growers are compliant with food safety certifications and other requirements for Sysco. Walsma Lyons also enhances Sysco's reach by purchasing greater volumes of products from more growers. Jennisch credits Walsma Lyons with much of its success on the BLSF program, so much that he asked some of their staff to attend the 2009 MIFFS¹¹ annual harvest celebration, where the companies jointly accepted the “2009 Business of the Year” award.

The process of ordering local products from Sysco occurs in multiple steps. If a Sysco customer orders potatoes, for example, Sysco Grand Rapids notifies Walsma Lyons, which then contacts a Michigan grower or supplier for availability and pricing, and makes an order. The supplier could be a grower, sales agent/broker, a shipper/packer, or a co-op. Much of the availability depends on weather conditions in different parts of the state, which may affect product quality. Once ordered, the product is generally shipped to Walsma Lyons, which may repack it to meet Sysco's packaging requirements. Walsma Lyons handles payments to the

¹¹ MIFFS is an acronym for the nonprofit Michigan Food and Farming Systems.

grower or supplier. Once a product reaches Sysco staff load it onto Sysco trucks and deliver it to customers in its shipping region.¹²

Program Growth and Success. Sysco Grand Rapids has increased the number of family farms it purchases from every year since the BLSF program began in late 2007 – from 16 in 2008, to 20 in 2009 (Cantrell April 2010), to 22 in 2010 (Watson and Jennisch September 16, 2010). More than 100 local products are available (Cantrell April 2010). The branch has set steady goals for increasing the number of “cases moved”¹³ of Michigan-grown produce, and it has nearly doubled in three years (see Table 1.1) (Watson and Jennisch September 16, 2010).

Table 1.1 Sysco Grand Rapids Local Food Cases Sold by Year

Year	Local Food Cases Sold by Sysco Grand Rapids
2008	58,888
2009	80,000
2010	100,000+ (as of 9/2010)

Sysco Grand Rapids has achieved financial success with its BLSF program. Total sales in 2009 were \$1,179,948, an increase of more than \$300,000 from sales in 2008 (Cantrell April 2010). The company sold 36.7% more in case volume between 2008 and 2009. Sysco Grand Rapids’ success has placed it in a position where it can now serve as a model and mentor to other branches.

Value Chain Model. As the BLSF program in Grand Rapids has grown, staff have taken steps to incorporate value chain characteristics into the supply chain. Consultant Joe Colyn of Originz, LLC created a “Value-Chain Partnership Charter” for Sysco’s use in this effort, which

¹² Sysco’s shipping region includes most of the state of Michigan and Michiana; the “thumb” region is handled by Sysco Detroit.

¹³ 58,000 cases equal approximately 20 truckloads of produce.

lays out the guiding principles of the value chain (See Appendix F). According to Denis

Jennisch:

“We set up some guiding principles, that is a letter we put together between Sysco and our aggregator to the growers just letting them know how we see the relationship. We want them to understand that it truly is a partnership, that it goes both ways. We're willing to put in writing that we want this to be a great partnership...and we hope the grower understands that...It will be posted for everyone to look at and understand what we're trying to put together going into this year” (Jennisch and Watson 2009).

Sysco Grand Rapids has made efforts to incorporate value chain elements into its fresh produce supply chain. According to the 2009 Wallace Center report, Sysco focused on differentiating local products by marketing only Michigan products when in season and partnering with an aggregator. While building “strategic value chain partnerships” with new growers and suppliers outside its existing base was a part of the company’s plans, this element is not thoroughly expounded upon in the report. However, the report does stress that building grower relationships (including making farm visits and learning grower capacity and capability) are key to the project’s next phase (Cantrell 2009, p. 7).

Jennisch commented that building trust with growers was one of the “key learnings” after the first year of the BLSF program:

“When I go out and talk to some growers, and I say I'm from Sysco, it sometimes puts up a barrier with them. So what we've learned is we have to try to break down that barrier, because what has happened in the past and what is currently happening may be two different things. Trust is huge for us with the grower base. It will build partner numbers. It facilitates new relationships with growers and users. It allows us to expand the menu items that we're offering” (Jennisch and Watson 2009).

Part of building trust is regular communication with growers. Sysco communicates monthly with some growers about supply, packaging and crops. Still Dennis Jennisch notes, “I would like to have more communication I guess, but we try to at least touch base regularly” (Jennisch and Watson 2009).

Increasing communication and continuing to build relationships with growers may be a challenge for Sysco Grand Rapids. The 2010 Wallace Center report notes that although developing relationships with growers was a goal for Sysco Grand Rapids, more energy was needed to address food safety with growers: “Nationwide food contamination recalls in 2009 prompted the industry to suddenly call for suppliers to meet certain food safety certifications. Many small and mid-size farms were not prepared for the new paperwork and significant compliance cost. Sysco Grand Rapids diverted a great deal of attention to working with growers so they could better understand and meet new food safety requirements” (Cantrell April 2010, p. 8). Relationship and trust building are areas for further examination in this study.

Overall, much is known about the logistics and success of the current Buy Local, Sell Fresh program at Sysco Grand Rapids. Yet the nature of the company’s relationships with its growers and suppliers in the context of a value chain is not as well understood. It is important to understand what Sysco’s growers and suppliers are experiencing in light of Sysco’s success with selling local food. This study will add their perspective to this story.

IV. Thesis Overview

This thesis uses the theoretical framework of a value chain and original research on relationships among actors in a Sysco fresh produce supply chain to assess what social and economic benefits are expressed in a value chain, and the challenges that actors face when implementing a value chain within the structure of Sysco’s distribution system.

The second chapter reviews literature where key theoretical ideas and questions are presented. It begins with a discussion of local and regional food, and then discusses value chains. This discussion is followed by a review of the debate over the role of corporations that become involved in “alternative food networks” and concerns that corporations will capture benefits

associated with local food. Finally, literature is reviewed on “scaling up” local food through distributors, including studies about Sysco.

Chapter three describes research activities, including qualitative methods used, sampling, and the process of analyzing data. It also describes potential weaknesses of this study.

Chapters four and five present results and analysis. Chapter four focuses on how the supply chain is structured, and how growers and suppliers have responded to the Buy Local, Sell Fresh program. This lays the foundation for chapter five, which applies a value chain framework to examine what social and economic benefits are expressed within relationships in the value chain. Chapter six offers a discussion of the results presented in chapters four and five, and addresses scaling up local food through large foodservice distributors. The thesis concludes with a summary of major findings and suggestions for future research.

CHAPTER 2

LITERATURE REVIEW

This chapter is a review of literature that helps to put into context the question of what social and economic benefits exist and what challenges remain when local food is “scaled up” through a large food distribution company. To frame this question this chapter presents an overview of local food systems and benefits associated with direct marketing. When local food is “scaled up” to meet greater consumer demand, products often come from a wider regional area and reach consumers indirectly through intermediaries such as retailers or foodservice distributors. One way to assess if the benefits associated with direct marketing of local food are preserved in this type of indirect supply chain is through the concept of a value chain. Borrowed from business and supply chain literature, a value chain stresses the strategic alliances of supply chain actors as they work toward a common goal of differentiating products (i.e. local food) in the marketplace. The discussion on value chains is followed by a presentation of a scholarly debate over the role of corporations that become involved in “alternative food networks;” some argue that corporations will capture benefits associated with local food. A review of studies exploring the involvement of companies in local food distribution rounds out this chapter and offers a point of departure on the role of Sysco in scaling up local food distribution, and the value chain characteristics in the company’s relationships with growers and suppliers.

I. **Local Food Systems**

A. Local Food: What is It and Why is It Popular?

There is an increasing sense of anxiety among American consumers that food products grown or processed within the conventional food system are not to be trusted. Renting, Marsden

et al. (2003, p. 407) explain how food scares such as BSE¹⁴ and skepticism about products such as genetically modified food heightened consumers' concern about the safety and quality of their food, leading them to seek out information about how and where a product is grown. Consumer sensitivities put pressure on producers and processors to prove their products are safe and nutritious (Murdoch, Marsden et al. 2000). Simultaneously, growers feel a "price squeeze" in conventional markets, which has encouraged some to seek alternatives (Renting et al, 2003). These scenarios—coupled with consumer concerns about nutrition and quality (Murdoch, Marsden et al. 2000)—have fed consumer demand for alternatives and prompted growers to meet those needs.

Local food has emerged as a popular alternative in the United States.¹⁵ For consumers it represents a chance to reconnect with their food through information about how and where a product was grown, and by whom. Called the local food "movement" by some (DeLind 2010; Martinez, Hand et al. May 2010), it has been described as a reaction against globalization and the dominance of large-scale agricultural production, monoculture, resource consumption and degradation, transnational corporations, the market economy, and the homogenization of foods (Hinrichs 2003).

What exactly is "local" in the context of food? Much like the term "sustainability," local has become a catchall phrase, taking on meaning that varies depending on the context. USDA reports reveal that there is no nationwide consensus on the definition of "local" (Hand and Martinez 2010; Martinez, Hand et al. May 2010). According to Hand and Martinez (2010),

¹⁴ BSE is an acronym for Bovine spongiform encephalopathy, commonly known as mad-cow disease.

¹⁵ The claim that local food is safer than non-local food has been hotly contested by groups such as the Food Marketing Association and the United Fresh Produce Association, among others.

“local” can refer to political boundaries such as food grown within a particular county, region, or state; but consumers generally use “local” to indicate an area smaller than within their state.

Local versus Regional food. Given consumers’ preference to think of a local food system as smaller than a state, a food system that sells products grown within a region can be thought of as a regional food system. As Clancy and Ruhf (2010) explain, a regional food system includes “multiple locals” and is “based in place,” but operates on a broader scale. “Regional is larger geographically and in terms of functions—volume /supply, food needs, variety, supply chains, markets, land use, and policy” (p. 1). The emphasis on scale in a food system is an important aspect of a regional approach. “An ideal regional food system describes a system in which as much food as possible to meet the population's food needs is produced, processed, distributed, and purchased at multiple levels and scales within the region, resulting in maximum resilience, minimum importation, and significant economic and social return to all stakeholders in the region” (p. 1). A larger regional system draws on growers of different sizes. It can be thought of as supplying more regionally-grown food for more people, and possibly more market opportunities for farms that include local markets and broader regional supply chains.

A question this study will assess is if Sysco’s Buy Local, Sell Fresh creates market opportunities with a significant economic and social return for growers of different sizes in Michigan.

B. Economic and Social Benefits of Direct Marketing Local Food

Local food is said to be associated with economic and social benefits for those taking part in direct marketing interactions, such as at farmers markets and CSAs. According to a recent USDA report, growers generally earn a higher return on products marketed directly to consumers than through other markets (Hand December 2010). The higher return is due to fewer intermediaries between a grower and a consumer, keeping more of the profits with the grower.

Direct marketing of local food is also associated with shared values that go beyond market exchanges. The concept of “social embeddedness” has been widely applied to local food systems to describe the presence of social relations in market exchanges that extend beyond the realm of the economic (Murdoch, Marsden et al. 2000; Sage 2003; Kirwan 2004; Kennedy 2007; Izumi 2008; Izumi, Wright et al. 2010). Social embeddedness is a concept from economic sociology made popular by economic historian Karl Polanyi (1886-1968), and refers to “economic behavior...embedded in and mediated by a complex, often extensive web of social relations” (Hinrichs 2000, p. 296). Specifically, “social embeddedness conveys principles of social connectivity, reciprocity and trust, characteristics which are essential to all economic life in general but which fundamentally underpin grassroots and ‘alternative’ initiatives” (Sage 2003, p. 47).

The concept of “relationships of regard” has been paired with social embeddedness to describe the “alterity”¹⁶ of local food. Kirwan (2004) discusses both social embeddedness and relationships of regard as key aspects of the alterity of farmers markets in the United Kingdom. Interactions between farmer vendors and customers have “ethical motivations” which involve the “creation and maintenance of personal relationships which are cemented through such mutual responses as: reputation, friendship, sociability, respect, attention, and intimacy” (Kirwan 2004, p. 399). Sage (2003) describes social embeddedness and relationships of mutual regard as the driving factors that “underpin the existence” of a ‘good food’ network in Ireland (p. 58). These relationships are bound by shared moral values, including “a commitment to the locality, an ethics of animal welfare, a sympathy for sustainability...and a strong belief in the integrity of livelihoods built around the growing, rearing, preparation and marketing of food” (Sage 2003, p.

¹⁶ Alterity refers to what is distinctive or unique about an alternative compared to the mainstream.

58). Overall, some associate the direct marketing of local food with higher social values including trust, respect, mutual ethics, friendship, and reputation, although others argue that factors such as concern for price must be considered as well.¹⁷

Social Embeddedness and Indirect Marketing of Local Food. Theories of social embeddedness are generally used to analyze direct markets for local food where there is a relationship between a grower and a consumer. However, Murdoch et al. (2000) argue that “contemporary food chains are not as disembodied as a superficial reading of the globalization literature might indicate, for they are still rooted...in local and regional contexts. And in these contexts we should expect to find diverse sets of social relations and cultural practices, lending further variation to the sector” (Murdoch, Marsden et al. 2000, p. 110). This suggests that theories of social embeddedness can be applied to indirect marketing relationships.

However, Bloom (2009) suggests that a value chain framework “establishes mechanisms to ensure progressive values, while still drawing on a conventional business logic and incorporating traditional industrial actors” (p. 40). Her study of two food distribution systems that use a conventional structure to distribute local/regional food uses a value chain analysis. She calls these types of systems “hybrids” (Bloom 2009), and also “transitional” food systems that “piggyback on the pre-existing, conventional local food system infrastructure, while moving toward the social and economic benefits of direct marketing” (Bloom and Hinrichs 2010, p. 13). “(Value) chains combine strategies and infrastructure from conventional industries with

¹⁷ Hinrichs maintains that analysis of local food systems must examine the tensions between three market influences—social embeddedness, instrumentalism, and marketness—to present a more accurate picture of an alternative food system. Social embeddedness, marketness and instrumentalism are dueling forces in economic exchanges. Social embeddedness refers to social connectivity, trust, and regard in relationships. Marketness refers to an emphasis on price in economic transactions. Instrumentalism is a focus on one’s gain from an exchange. Hinrichs, C. C. (2000). "Embeddedness and local food systems: notes on two types of direct agricultural market." *Journal of Rural Studies* 16(3): 295-303.

alternative values, thereby making this model appear as an ideal type of a “progressive” hybrid food network. The criteria used by value chains to structure and institutionalize progressive values therefore constitute a highly valuable resource for developing a framework to analyze other hybrid food networks that may incorporate progressive practices in conventional structures” (p. 43).

Given Sysco’s conventional infrastructure, its efforts to incorporate progressive values associated with local food, and its own self identification as a value chain, a value chain framework is used in this thesis to analyze what social and economic benefits supply chain actors experience when selling to Sysco.

II. Value Chains

A. Distinguishing Traditional Food Supply Chains and Food Value Chains

In the United States food generally travels from farm to consumer through a network of businesses called a food supply chain (Clancy and Ruhf February 2010; Stevenson June 4, 2009). According to Stevenson (June 4, 2009), the typical links in a food supply chain include:

Inputs→ producer→processor→broker/distributor→wholesaler→retailer→consumer

Traditional food supply chains are characterized by “win-lose” competitive—even adversarial—business relationships between the links. Each link seeks to buy as cheaply and sell as profitably as possible, which can lead to inter-organizational mistrust. Farmers, ranchers, and fishers are treated as interchangeable and exploitable suppliers, often operating under short-term contracts where they bear the brunt of risk in the relationship. The benefits and profits of the food supply chain are unevenly distributed; food processors and marketers generally receive a higher share than other businesses in the chain. Traditional food supply chains are national or international in

scope. Products sold through such supply chains can include either commodity products (which are not differentiated), or “value-added” food products.¹⁸

Yet consumer increasingly seek products with attributes that reflect their social, environmental, and economic values (Value Chain Writeshop 2010). A new type of food supply chain, called a values-based food value chain, represents a new business model to bring these attribute-laden products to the marketplace while fundamentally changing the relationships between supply chain actors. The value chain concept was borrowed from industries that involve high volume and complex products such as the auto, consumer electronics, and high-end apparel industries (Stevenson and Pirog 2008). “The ‘value chain’ in these industries is one of trusting and committed relationships among firms, which has proven to improve market responsiveness and cut costs” (Writeshop participants 2010, p. 3). Applying the value chain concept to food and agriculture is designed to distribute rewards across the food supply chain.

There are numerous ways to describe and define values-based food value chains. The most recent collaboration of scholars and practitioners at a 2010 workshop devoted to value chains used the term “values-based food supply chains” to represent “new business models in which buyers and producers of agricultural products work together and with other players in the chain (e.g. processors, distributors, consumers) to achieve and share economic, social, and environmental benefits” (Writeshop participants 2010, p. 5). The Appalachian Sustainable Development’s value chain toolkit describes a values-based value chain as “a supply chain designed to link supply with markets efficiently while promoting certain core values” (Flaccavento July 2009). Clancy and Ruhf (February 2010) describe a values-based value chain

¹⁸ “Value-added” products can refer to either raw products converted into something which has more value (for example, berries into jam), or products which are differentiated based on an attribute, such as local or organic foods.

as “defined by the business relationships among interacting business enterprises that are expressly based in an articulated set of values,” and which also includes value-added products with differentiated product attributes (p. 14).

While each definition differs slightly, they essentially share a sense of a partnership between supply chain actors, and an emphasis on core values shared across the supply chain. Although Clancy and Ruhf specify that the term “value chain” by itself refers to a supply chain with value-added products, for the purposes of this literature review values-based value chains will simply be abbreviated to “value chains.”

What Makes Value Chains Different. Value chains differ from traditional food supply chains in many ways. According to Stevenson (June 4, 2009), in a value chain business relationships are treated as strategic, collaborative partnerships characterized by inter-organizational trust and high levels of interdependence. Farmers, ranchers, and fishers are strategic partners with rights and responsibilities related to decision making, information, risk taking, and governance. Value chains also benefit growers by offering them large markets for their products, relatively good prices, and time saved on sales and distribution (Flaccavento July 2009, p. 19).

Stevenson (June 4, 2009) stresses that value chain partners are committed to each other’s welfare, including appropriate profit margins, living wages, and business agreements of appropriate duration. Value chains can be local, regional, national, or international in scope. Products moved through a value chain are differentiated by attributes determined to be of value by the partners in the chain (i.e. grass-fed beef, Fair Trade coffee, local food, etc.). Value chains “can be both ‘smart’ from a business perspective and ‘right’ from an ethical perspective” (p. 3).

B. Mid-size Value Chains

Stevenson and Pirog (2008) offer a comprehensive overview of value chains in *Food and the Mid-Level Farm: Renewing an Agriculture of the Middle*. This book is specifically concerned with the loss of mid-size farms in the United States and describes various approaches to stave against their disappearance. One such approach is through “mid-tier,” or mid-size food value chains. Mid-tier value chains are “strategic alliances between midsize independent (often cooperative) food production, processing, and distribution or retail enterprises that seek to create and retain more value on the front (farmer or rancher) end of the chain, and effectively operate at regional levels” (p. 120).

The foodservice industry is a potential place for mid-size value chains to develop because of its needs for both volume and product differentiation (Stevenson and Pirog 2008). This could be an opportunity for larger small and mid-size farmers who have the capacity to provide the volume needed by the industry. Regional production and marketing of food could be a way to differentiate commodities as niche products sought after by the foodservice industry. Growers are encouraged to connect with existing distribution infrastructure such as foodservice companies because they have efficiencies of transportation, assembly, and distribution already established. In this way value chains incorporate conventional supply chain infrastructure and more alternative characteristics of local food systems.

C. Key Value Chain Characteristics

Value chains are characterized by key principles emphasized by actors in a supply chain. Stephenson and Pirog (2008) describe these as differentiation and value-added products; strategic partnership across supply chain actors; information sharing (transparency); trust; a

commitment to the welfare of all partners in the chain (fair pricing); and fair governance. Each of these characteristics is reviewed in detail below.

The first principle of a value chain is that it markets value-added and differentiated products, which can have a competitive advantage in the market place if valued by consumers. Bloom and Hinrichs (2010) explain that fresh produce can be differentiated by labeling or processing, which can bring price premiums to growers. The local food movement has contributed to the popularity of labeling locally and regionally grown food, which may be seen as being of higher quality than unlabeled products. In addition, “a farm-based brand can help even out power imbalances along the value chain by giving farmers more control over the product” (Bloom and Hinrichs 2010, p. 15).

The second value chain characteristic, strategic partnership, is defined by actors behaving as partners instead of solely as competitors. Stevenson and Pirog (2008) explain that in a value chain actors cooperate, are committed to each other’s success, and are not interchangeable. In this way value chains relationships differ from other supply chain models characterized by arm’s-length (market) relationships with suppliers or vertical integration. Value chain partners work toward a shared vision regarding the product they’re selling, differentiating them in the market place, and how they view their relationship. They aim for “win-win” scenarios, sharing the rewards and risks that come from doing business together.

The third characteristic in a value chain is information sharing, or transparency. “Increased efficiency and adaptability are accomplished, in part, through active coordination of the supply chain, including sharing information between participants and joint problem solving” (Bloom and Hinrichs 2010, p. 15). According to Stevenson and Pirog (2008), information sharing may also include sharing sensitive economic information such as the true cost structures

behind production and transaction costs. “A lack of information or distorted information can create significant problems, including but not limited to increased design time, misguided capacity plans, missed production schedules, excessive inventory investment, ineffective transportation, poor customer service, and lost revenues (Handfield and Nichols 2002, p. 295, cited in Stevenson and Pirog, 2008, p. 127).

The fourth characteristic in a value chain is trust. Stevenson and Pirog (2008) specify that personal trust¹⁹ between individuals is less important than process-based trust between businesses in a value chain. Process-based trust is defined by the stability, reliability, predictability, and fairness of procedures and agreements among strategic partners. Policies affecting partners should be consistent and should not change with new management. Further, partners should fulfill their commitments, and must not exploit each other’s vulnerabilities. Building mutual trust across partners takes time, but trust is important because it “creates a reservoir of goodwill that helps preserve partnerships when, as will inevitably happen, one party engages in an act that its partners perceive as threatening” (Stevenson and Pirog 2008, p. 125).

The fifth characteristic in a food value chain is the commitment to the welfare of all partners, or fair pricing, which includes the fair distribution of profits. Stevenson and Pirog (2008) describe fair pricing as negotiated based on production and transaction costs with appropriate profit margins built in. Fair pricing recognizes that each partner needs to reasonably profit and acknowledges their base costs. Value chains give an emphasis to living wages, or ensuring that partners can maintain a living through the business transactions. “Because they are based on the concept that all participants deserve to be fairly rewarded based on their costs and

¹⁹ Bloom and Hinrichs (2010) note that personal trust is one of the hallmarks of direct marketing between growers and consumers, but that personal trust can lead to instability if a key player leaves the value chain (p. 15).

reasonable return on investment, value chains tend to eschew the competitive pricing and bidding common in most industries” (Bloom and Hinrichs 2010, p. 15). Also, business agreements (which may be informal) or contracts are seen as long-term, emphasizing the commitment of partners to each other.

The final aspect of value chains speaks to how they are managed, or governance. Stevenson and Pirog (2008) note that most value chains are unbalanced with regard to power. Still, value chains can be successful if “the less powerful partners experience the governing actions of the more powerful partner as fair or just” (p. 128). The “perceived fairness of the powerful party’s process for managing the relationship” is called procedural justice (p. 128).

These expressions of fairness in governance by the more powerful partner include the following:

- *Bilateral communication*: The more powerful party is willing to engage in open and honest two-way communication with its partners;
- *Impartiality*: The more powerful party deals with all its partners equitably;
- *Refutability*: The less powerful or more vulnerable partners can appeal the more powerful partner’s policies and decisions;
- *Explanation*: The more powerful party provides its partners with a coherent rationale for its decisions and policies;
- *Familiarity*: The more powerful party understands or is aware of the conditions under which its partners operate; and
- *Courtesy*: The more powerful party treats its partners with respect (Stevenson and Pirog 2008, p. 128).

D. Value Chain Challenges

There are many challenges to creating value chains. Building trust, generating a large volume and reliable supply of differentiated products, differentiating products, and pricing strategies are among the challenges cited by Stevenson and Pirog (2008). First, growers are likely to be suspicious of business models based on trust and interdependence. Having been at arm’s-length relationships with buyers they may not be familiar or comfortable with sharing

sensitive economic information or other business information. Growers will need to be aware of successful models and lessons from unsuccessful ones to help build trust.

Another challenge in value chain work is building a reliable supply of differentiated products (Stevenson and Pirog 2008; Flaccavento July 2009). Achieving high volumes of product can lead to a more efficient value chain, but this can be a challenge when volumes tend to be low. Growers need to have a consistent supply, which can be difficult when produce varies by season and is affected by weather and other factors. A back up supply for products will need to be in place in a value chain to ensure that volume is steady.

Differentiating products and developing fair pricing are also challenges faced in value chains. Value chain actors should discuss how they want to differentiate products. Pricing products at prices above wholesale levels for growers may be difficult. Growers will need to share their costs of production, and conversations should take into account production costs and adequate returns for them. Stevenson and Pirog (2008) stress that price premiums can result from a high quality product, the use of a brand, and controlling production to match demand.

Overall, traditional food supply chains can marginalize growers and keep benefits with more powerful actors in a supply chain. Value chains are a way for businesses to share social and economic benefits with actors across a supply chain. Further, companies such as foodservice distributors offer potential avenues for mid-size growers to engage in value chain partnerships. Yet others have pointed out that the involvement of a corporation in local food may be associated with other challenges, as is explored in Section IV.

Value chains offer an analytic framework for exploring relationships in a conventional supply chain that is incorporating more alternative characteristics associated with progressive local food values. Sysco's supply chain is analyzed to assess if it is a value chain offering social

and economic benefits to supply chain actors. Key value chain characteristics are highlighted in the analysis in chapter five, including product differentiation, strategic partnership, fair pricing, information sharing (overlaps with partnership), and trust. Governance is excluded because it is partially shared between Sysco and Walsma Lyons, and some aspects of governance overlap with information sharing and communication. Additionally, challenges are identified and compared to those identified by Stevenson and Pirog (2008).

III. Corporate Co-optation

A. Alternative Food Networks and Corporations

Local and regional food systems can be described as types of “alternative food networks” (AFNs),²⁰ which along with organic and Fair Trade offer consumers alternatives to mainstream products. Increasingly, conventional actors such as corporations are becoming involved in these initiatives, often because of their sustainability goals. Sysco, for instance, has four sustainability initiatives designed to reduce its carbon footprint and to “contribute to environmental stewardship and rural social vitality” (Sysco 2010). For companies involved in local food sourcing, corporate social responsibility and a desire to differentiate from competition are often cited as motivators (Martinez, Hand et al. May 2010).

Supporters claim that the involvement of corporations in AFNs is a step in the right direction and is needed to incur lasting change. Sustainable Food Lab, for example, works with large companies (e.g. Unilever and Starbucks), which they see as vital to “accelerating the shift of sustainable food from niche to mainstream” ((NGFN 2010; SFL 2010). Similarly, the Environmental Defense Fund “partners with top firms” such as Wal-Mart and McDonald’s to

²⁰ AFNs include foods that are alternative from the mainstream (e.g. fair trade, organic, local/regional, and specialty foods), as well as modes of delivery (e.g. farmers markets, CSAs, box schemes, etc.). Maye, D. and J. Kirwan (2009). *Alternate Food Networks*. International Sociological Association. D. W. Wright and V. Higgins.

“make green business the new business as usual” (EDF 2010). Among these and other groups (e.g. National Good Food Network) there is a sense that corporations and AFN advocates need to work together to expand the reach of AFNs.

B. Appropriation and Conventionalization of Alternatives

The involvement of corporations in AFNs, particularly organic production and Fair Trade, has prompted concerns among some that these systems are being exploited (Buck, Getz et al. 1007; Raynolds 2000; Guthman 2004; Jaffee 2007; Howard 2009; Jaffee and Howard 2009; Jaffee and Howard 2010). Organic production and Fair Trade have their roots in resistance to industrial processes (Howard 2009). Despite the original intentions of these movements both organic and Fair Trade have become defined by a regulatory system which specifies minimum social and environmental requirements for certification, a process which paved the way for corporate involvement.

Some question if corporations are appropriating the benefits associated with AFNs. Raynolds (2000) notes that companies can “bolster their legitimacy by adopting the rhetoric of environmental and/or social responsibility, though typically this proves to be little more than a corporate face lift” (p. 299). Corporations which use conventional modes of distribution and marketing for organic or Fair Trade products have a further reach and can “capture the most lucrative share” of these markets (Raynolds 2000). AFNs also may be "new spaces suitable for capital accumulation" when corporations become involved (Jaffee and Howard 2010, p. 388).

Scholars claim that corporate involvement in AFNs threatens their progressive social and environmental foundations (Raynolds, 2000). Corporations have used strategies of weakening standards and regulatory capture to dilute the original goals of the Fair Trade/organic food movements (Jaffee and Howard 2010). The original holistic meaning behind organic has been

weakened, for example, as organic production has undergone a process of “conventionalization” (Buck, Getz et al. 2007). Ultimately, there is concern that once an alternative becomes economically significant it is incorporated into the structure of the conventional food system and loses its alterity, or otherness (Kirwan 2004, p. 398).

C. Corporate Involvement in Local/Regional Food Systems

While concerns about corporate involvement in organic and Fair Trade systems are fairly well documented, corporations that source local or regional food are still an emerging phenomenon that is only beginning to be explored. Local and regional food systems vary in how they are defined and do not have a set of regulatory standards, making claims of appropriation or co-optation more challenging to describe. However, a primary concern is that local food will lose its underlying alterity of social embeddedness if it becomes more mainstream (Kirwan 2004).

For example, in Izumi, Wright et al.’s study (2010) on regional food distributors selling local food to schools, they discuss that some are skeptical “whether the participation of such large corporations undermines the purpose of farm to school programs and question the degree to which locally grown food can remain territorially embedded when it travels through long and complex commodity supply chains” (p. 337). Other worry that corporations are benefitting from the rhetoric of local food where it is seemingly undeserved. Jaffee and Howard (2010) are critical of Wal-Mart buying local food to “soften its image” and warn that their motivation is based on profit “rather than a commitment to the ideals that originally shaped the development of agri-food initiatives” (p. 389).

Examples of corporate involvement in local and regional food systems and justified claims of concern are still rare in the literature. Kirwan (2004) discusses a supermarket chain that has started to carry local products in its stores and expresses concern that it will impact farmers

markets by drawing farmers away from them. While Kirwan recognizes that the supermarket could represent a new market for higher volume products, he claims that it “draws money away from the local economy and fails to deliver many of the wider benefits espoused for (farmers markets),” and it “significantly alters the relationship between the food producers and end consumers, compared to that at (farmers markets)” (Kirwan 2004, p. 407). However, Kirwan’s claims are hypothetical; he doesn’t provide evidence that the supermarket fails to deliver benefits. Although the supermarket is an intermediary, consumers and producers may still benefit in other ways (i.e. by having information about a product’s locality embedded in a product).

Kennedy’s (2007) study of Sysco’s involvement in local sourcing provides the most solid evidence that social embeddedness values (e.g. trust, face-to-face interaction, and reciprocity) are incompatible with corporate-mediated markets to food service (p. 106). His extensive survey of 59 Sysco companies provides a thorough look at the company’s attitude toward local food distribution and its role in the local food movement. He concludes that “while there are exceptions, the benefits of direct marketing which fostered the growth of the local food movement may be absent or marginalized in corporate-mediated foodservice markets” (Kennedy 2007, p. ii). Further, Sysco’s role in procuring “local” food is relatively limited because “there is a conflation of ‘local’ and ‘regional’” (p. 110). Sysco uses the term “local” as a marketing tool to serve the interests of Sysco mainly to get customers to buy more locally so people will spend more out at restaurants; and also to improve the image of their company. But more accurately the company procures “regionally grown” food to meet its demands for higher volume. While this study is very valuable for providing a baseline of how Sysco branches view local food distribution it does not include any growers, suppliers or consumers, and is therefore lacking

other perspectives to verify that benefits associated with direct marketing of local food are not being delivered to others in the supply chain.

Ultimately, it appears that some scholars are concerned that corporate involvement in local food could undermine its meaning or retain its benefits, as has been demonstrated with organic production and Fair Trade. Yet studies that have approached this question have not given an equal voice to all in a food supply chain. More work needs to be done on the relationship of corporations involved in local or regional food systems to determine if benefits are shared across supply chain actors or not. Some studies begin to approach this question by examining food distribution companies, as discussed in Section V.

Corporate involvement in local and regional food systems is met with skepticism that benefits are retained by corporations and not shared along the supply chain, although the voices of all actors have not been equally heard in previous studies on corporate involvement in local food. This study will assess if this is taking place in Sysco's supply chain.

IV. Scaling up Local Food through Distributors

A. Studies on the Distribution of Local Food

Studies are beginning to explore benefits and challenges of scaling up local food through distribution companies (Bloom and Hinrichs 2010; Izumi, Wright et al. 2010; Day-Farnsworth, McCown et al. December 2009). These studies make up a fairly new body of work that provides a valuable context for better understanding the scope of this thesis—that is examining what social and economic benefits are shared when scaling up local food through Sysco, and what challenges remain when working within Sysco's conventional distribution infrastructure.

Day-Farnsworth, McCown et al. (December 2009) compiled 11 case studies of local food distribution systems. Their report emphasizes that local food needs to be “scaled up” from small

farmer-direct sales to larger wholesale transactions, and highlights the role of aggregation to consolidate product and to generate volume for wholesale markets. Also emphasized is the lack of mid-scale, regional aggregation and distribution systems to take local food into more mainstream markets. Some of the “bottlenecks” to scaling up local food include problems with material flows and problems with information flows.

1. *Problems with material flows*: seasonality which differs from customer’s expectations for year-round product; matching supply and demand for local products (i.e. by coordinating pre-season between growers and buyers and finding markets for blemished products); supply chain infrastructure (including the need for mid-scale food processing and for capital to invest in vehicles and facilities); and controlling for product quality and consistency;

2. *Problems with information flows*: Information flow and transparency across the supply chain (which can help foster partnerships); and differentiating products by storytelling and transparency about production (as opposed to third party certifications).

Overall, the report finds that local food supply chains that include diverse suppliers (i.e. small, mid-size, and large growers) ensure there is enough volume to access larger markets, and offer opportunities for storytelling that can appeal to consumers. While the study offers valuable suggestions for growers, policy makers, and others interested in local food distribution issues, the case studies are limited in that they feature only small regional distributors, non-profits, and co-ops—organizations that may face different issues than large national foodservice distributors.

Distributors and Farm to School Programs. Izumi, Wright, et al. (2010) examine the role of mid-tier regional foodservice distributors that sell local food to schools. The article is based on Izumi’s (2008) dissertation, and is in part a response to skepticism among some about involving large corporations in farm to school programs. The authors use the theory of social

embeddedness, marketness, and instrumentalism as its analytical framework to determine if benefits of direct marketing are present when local food is sold indirectly through a regional distributor.

The researchers conclude that regionally-based food distributors have a valuable role to play in institutionalizing local school food procurement and shouldn't be dismissed. Regionally-based food distributors may be "uniquely positioned to facilitate the institutionalization of farm to school programs" (p. 340). The authors claim that distributors' close relationships with growers and their use of existing conventional infrastructure may help them to expand the scale and scope of local food procurement for schools. Interestingly, the regionally-based distributors "all considered farm to school programs a niche market that they could directly or indirectly fill better than their broadline competitors because of their proximity to and relationships with farmers" (p. 11). These companies believed that their "informal, usually verbally-based economic arrangements that developed as a result of their long-standing ties to the agriculture community gave them a comparative advantage" (p. 12). The authors note that the distributors' social relationships with growers were expressed in terms of reliability, trust, and cooperation. These relationships are compared to relationships between Sysco and its growers in Kennedy's (2007) study, which explains that one of Sysco's challenges is its lack of personal relationships with growers.

Izumi, Wright, et al.'s study is valuable for being among the first to explore the role of food distributors in local food distribution. But the study is limited in that it does not include growers who sold to the distributors that were interviewed, so "it is not possible to know whether perceptions of reliability, trust, and community were shared between these two stakeholder groups" (p. 13). Further, the study relied on a small sampling of mid-size regional distributors,

which may face different challenges than a large national distribution company such as Sysco. The authors acknowledge the need to study broadline distributors and the relationship between distributors and their suppliers (including growers) because of their widespread presence in school food programs.

Conventional Distributors and Local Food. The role of conventional food distributors in local food systems is also explored by Bloom and Hinrichs (2010), who analyze “how food distributors who are accustomed to working within the logic of the conventional produce industry incorporate local food into their overall productions” (p. 14). This article draws from Bloom’s (2009) thesis, where she describes these as hybrid systems.²¹ The authors are particularly interested in organizational and equity issues that may arise when wholesale regional distributors buy and sell local food. They use a value chain framework to analyze relationships among growers, distributors, and end buyers in two food networks in rural and urban Pennsylvania. Each of these is what they call a “transitional” food system because it operates within the conventional food system infrastructure but is transitioning toward localization.

Bloom and Hinrichs (2010) describe how transitional food systems face organizational and equity challenges in scaling up local food. One challenge was in generating and distributing economic value throughout the supply chain, in part because consumers and growers did not associate a conventional produce distributor with local food. This affected how one distributor prioritized local purchasing; he would purchase from other sources if they were cheaper than local growers.

Also, the overall sense of partnership was undermined between growers and distributors. In one case the distributor was more aligned with the interests and needs of its end customers

²¹ The overlap of mainstream and alternative food systems has been described as hybridity.

than with growers, and interacted with growers more in arms-length relationships. This was expressed when distributors felt more compelled to offer low prices to their customers than to offer fair prices to growers. In another case local growers did not commit to selling to the distributor because they earned higher prices selling their products at farmers markets and other direct marketing outlets.

Ultimately, Bloom and Hinrichs conclude that as conventional food systems transition to incorporate local food it is important to evaluate organizational and equity implications on supply chain actors. They encourage future studies to identify and evaluate diverse distribution models for local and regional foods.

Studies on local food distribution show that distributors can have an important role to play in bringing local food to more people. Distributors' use of aggregators and diverse suppliers may be significant to the success of these supply chains. Also, relationships with growers may help make distributors more competitive in marketing local food. Researchers leave open a broader question about how to evaluate a large national distribution company that is scaling up local food. Others have begun this work through studies of Sysco, as is explored in Section B.

B. Sysco Studies

Studies of Sysco's efforts to establish value chains around local—and also sustainably grown—food began shortly after its Buy Local, Sell Fresh program was established in 2005. The earliest Sysco study focuses on major challenges and “essential elements” for three small-to-midsize food businesses in Iowa to successfully sell to Sysco (Ennis 2006).²² The report suggests mixed success for these companies. These businesses faced challenges in marketing and producing products of the right portion and packaging required by Sysco.

²² This study was part of a project funded by the Value Chain Partnerships for Sustainable Agriculture project at the Leopold Center for Sustainable Agriculture at Iowa State University.

Although not described as a value chain, Ennis's study does offer some analysis of value chain characteristics demonstrated in business relationships between the companies and Sysco—specifically communication, pricing, product differentiation, and trust. One of the study's conclusions is that "Sysco needs to know when products will be available. There needs to be lots of communication between the farmer and the distributor" (p. 11). Also, the report specified that it was challenging for the suppliers to negotiate prices and terms with Sysco that were mutually beneficial, suggesting a lack of a partnership mentality on the part of Sysco. The food businesses were advised by Sysco to develop materials to differentiate their products in the marketplace, as they did not have the time to "push" the niche organic products to their customers. Finally, trust and reliability were emphasized as important to developing successful business relationships between Sysco and the food companies.

While Ennis's study offers a preliminary take on a type of value chain analysis it is limited by including only three suppliers. The focus of these suppliers is on organic and heirloom food, not specifically on locally grown products, which may present a different set of marketing issues. Still, the study sets a baseline for comparison for some of the issues businesses could face when selling to Sysco. These findings likely paved the way for Sysco's efforts to develop value chains at some of their operating companies.

Sysco Studies on BLSF. Two studies were commissioned by Sysco to study its Buy Local, Sell Fresh programs at various Sysco branches around the United States. In 2009 the National Good Food Network (NGFN), an initiative of the Wallace Center, prepared a study on Sysco's efforts to develop value chains at some of their operating companies (Cantrell 2009). The study focuses on the transition from traditional supply chain to value chain for Sysco branches in Grand Rapids and Kansas City. According to the report value chains differ from a

traditional food supply chains in that they “operate as a series of win-win strategic partnerships rather than win-lose, interchangeable business deals; and 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” (p. 2).

Although the study did not include interviews with supply chain actors such as growers or other suppliers, it concludes that the two regional programs “achieved the win-win function of value chains” for growers and for Sysco because they moved local product into the marketplace with positive financial returns (p. 4).²³ Yet it is apparent that as these two branches transitioned from traditional supply chains they focused on certain value chain characteristics over others. For instance, Sysco emphasized differentiating local products, and the importance of developing a relationship with a third party aggregator. Pricing was still determined by supply and demand. The report concludes with suggestions for incorporating key value chain characteristics such as increased transparency and communication through face-to-face interactions and farm visits; mutual brainstorming and problem solving; and building strong relationships and strategic partnerships with growers and others in the supply chain.

Sysco commissioned a follow up study which includes Sysco Grand Rapids and Kansas City, and a new participating branch in Chicago (Cantrell April 2010). This study is valuable in that it charts these branches’ local produce sales growth over a year; discusses benefits and challenges of the Buy Local, Sell Fresh program; and expands the scope of the study to include perspectives of some growers. In the context of a value chain, Sysco learned more about the importance of developing local product differentiation at each branch. Through branding local products sales were increased by more than 30% in Grand Rapids, for example. Sysco also

²³ This definition of success does not take into account other value chain attributes. Notably, value chains are not defined solely in terms of financial gain for companies.

learned that communication with its sales staff and its customers about product availability and season is important for sales to grow and for customers to anticipate menu changes. The companies also emphasized partnering with aggregator/distributors who can handle the logistics of sourcing products from farms to Sysco.

The voices of growers in this follow up study add an important dimension to understanding Sysco's value chain relationships. While growers said that they earned the same or higher profits through Sysco than other wholesale avenues, they overall would like more communication with the company or the aggregator in regards to volumes and consistency to better plan for production. Also, some growers struggled with working through an aggregator where they once sold to Sysco directly. Building trusting relationships across these groups was emphasized in the report as a key step in building a successful value chain.

The two studies commissioned by Sysco provide great value to this thesis in setting a baseline for further understanding the BLSF program at Sysco Grand Rapids, and some of the larger challenges faced when scaling up local food through a value chain model. Yet the Wallace Center studies are primarily the perspective of Sysco representatives. The voices of growers are included only briefly in the second study, and many details about their relationship with Sysco are omitted. Other relationships with Sysco supply chain actors such as broker/sales agents, shipper/handlers, or food processors are in some cases mentioned, but there is no systematic inclusion of them in the studies. While the 2010 Wallace Center study offers a starting point, if Sysco is to describe its value chains as a success for all supply chain actors, the voices of these actors need to be included. In addition, a corporate-sponsored study may not fully disclose limitations that the company faces in its relationships with growers and suppliers. Still, this body of work represents a point of departure to address these questions in this thesis.

CHAPTER 3 METHODS

This chapter describes the methods and analysis used to gain an in-depth look at relationships between Sysco Grand Rapids, growers, and other suppliers in Sysco's fresh produce supply chain. The first section explains why a case study approach was chosen, why specific data gathering tools were employed, and how research participants were chosen. The chapter closes with an overview of how the data are analyzed and potential study weaknesses.

This study used a qualitative approach to gathering data. Qualitative methods offer a means to capture rich, descriptive detail (Trochim 2006) and are “fundamentally well suited for locating the *meanings* people place on the events, processes, and structures of their lives...and for connecting these meanings to the *social world* around them (Miles and Huberman 1994, p. 10, emphasis in original). A small sample size of people involved in a Sysco supply chain in Grand Rapids, Michigan is used. The relationships between these actors and actors' motivations for making decisions are complex areas that require in-depth understanding of a participant's point of view. A qualitative approach is best to explore the meanings actors give to selling local food to Sysco and how these actors understand their relationships with the company.

I. Data Gathering

A. Case Study

A case study approach is used for this study because it offers a framework to compile comprehensive and in-depth information related to a single, bounded unit of analysis (Patton 1990), including groups, events, institutions, and communities (Reinharz 1992). Researchers can use case studies to “analyze the change in a phenomenon over time, to analyze the significance of a phenomenon for future events, and to analyze the relation among parts of a phenomenon”

(Reinharz 1992, p. 164). Case study research relies on multiple methods to approach a question, which may lead to more solid conclusions than by using one method alone (Yin 1998).

In this thesis a case study approach provides a structure to gather in-depth, comprehensive information about the relationships between growers and other actors in Sysco's supply chain (the unit of analysis). A case study is an appropriate method to examine multiple groups including Sysco, Walsma Lyons, growers, and suppliers. Sysco's Buy Local, Sell Fresh program can be framed as a phenomenon that connects the actors in Sysco's supply chain. Similar studies have successfully used a case study approach to examine local food distribution and relationships between actors (Izumi 2008; Bloom 2009). Multiple methods used in this case study include semi-structured interviews, observation, and reviews of documents and websites.

B. Interviews

Semi-structured interviews are the primary data collection method used in this study. Interviews are used to capture the unique perspective of an interviewee, to provide targeted information which focuses directly on the case study topic, and to gain insight into perceived causal inferences (Yin 1998). While Yin (1998) suggests that case study interviews should be open-ended, a more structured approach was necessary in this study to ensure that certain questions were asked within the time allowed. A semi-structured format also ensured that interview questions were relevant to the study while leaving room to respond to interviewees and to create a space for open dialogue (Schwandt 1999). Rather than keep the conversation one-sided, which could create a barrier with an interviewee, questions and answers flowed back and forth through a conversational approach. For instance, one grower asked about the role of Walsma Lyons, and learned that the aggregator did more than "handle payments." The grower later shared ideas for how to better work with Walsma Lyons now that he understood their role.

This type of open dialogue outside the scope of the interview suggested mutual benefit for both interviewer and interviewee.

Interacting with research participants rejects the idea that a researcher must be removed, be emotionally uninvolved, and have no opinions (Oakley 1981). Thorp notes that “entering into the flow of dialogue allows for fuller participation and authorship from our respondents” (Thorp 2006, p. 123). This approach was a more authentic way to build trust and establish relationships with research participants, many of whom were met for the first time during the interview. In an agricultural community where trust is an important aspect of relationships an interactive interviewing approach likely led to more open responses and better quality data.

Semi-structured interview guides were developed for this case study with similar questions asked of different actors in Sysco’s supply chain. Interview guides are included in the Appendices. Questions for growers and suppliers focus on the relationship with Sysco Grand Rapids and Walsma Lyons. These specifically explore key characteristics of value chains including: product differentiation, fair pricing, transparency, strategic partnerships, and trust. For instance, growers were asked questions that probe for illustrations of value chain characteristics such as how they communicate with Sysco, how price is negotiated, how orders are made, and how they work through issues that may arise with the company.

Questions for Sysco and Walsma Lyons reflect these value chain concepts but also examine their motivations for implementing the Buy Local, Sell Fresh program. For example, Sysco was asked why they visit farms, how they see growers benefitting from their relationship with Sysco, and how the program has changed operations at Sysco. These questions address the role of the more powerful actor in a value chain relationship and challenge the notion that the involvement of large companies in local food co-opts values commonly associated with local

food. All participants were asked about food safety regulations to explore if they created any barriers between Sysco, growers, and suppliers.²⁴

The interview guide for growers was revised after the first couple interviews were conducted as some questions were not relevant to all of Sysco's growers. For instance, multiple questions focused on a grower's relationship with Sysco or Walsma Lyons; yet some growers were unaware that their product ended up at Sysco and had no direct relationship with either company. A second grower interview guide was created and used for subsequent interviews based on whether a grower was aware if they sold to Sysco or Walsma Lyons. Additionally, a separate interview guide was created for suppliers. This guide was necessary because it was learned that some entities on Sysco's "grower" list represented growers or had other functions, such as food processing and aggregating products.

All participants were interviewed once, with two exceptions. A follow up interview was conducted with a representative from Sysco to explore more deeply some of the topics mentioned at the first interview. A follow up interview was important because Sysco is a key actor that unites others in the supply chain. Also, follow up questions were sent by email to the first grower interviewed to reflect subsequent edits made to the grower interview guide.

A total of 25 interviews were conducted between February and May 2010. Interviews were conducted with Denis Jennisch, the Sysco produce category manager; Pat Lyons, a sales representative from Walsma Lyons; shipper/packer company sales representatives; brokers/sales agents; food processing company sales representatives; and growers (most of whom engaged in sales). The interviewees are listed in Table 3.1.

²⁴ Discussions on food safety regulations provided insight into challenges growers face in implementing them—primarily in documenting actions and in costs. However, ultimately this was too broad of a topic to be effectively covered in the scope of this study.

Table 3.1: Interviewees in this Study

Interviewee	Number of Interviews
Sysco	2
Walsma Lyons	1
Grower	15
Shipper/Packer	3
Broker/Sales Agent	2
Food Processor	2

Other Sysco supply chain actors declined to participate, were too busy, or were removed from the list because either Sysco or Walsma Lyons did not recognize them (see Table 3.2). In total, of the interviews attempted (19 farms, 13 suppliers, and two companies (Sysco and Walsma Lyons)) there was a response rate of 74%.

Table 3.2: Attempted Interviews

Group	Number	Reason didn't interview
Growers	4	Removed from list by Sysco
Shipper/Packer	2	Declined to participate
Food Processor	1	Declined to participate
Broker/Sales agent	1	Failed to connect despite agreeing to participate
Grower Co-op	2	Failed to connect despite agreeing to participate

Eight of the interviews were conducted in person —generally at a farm or an office. Phone interviews were conducted with 15 participants due to limited funds to rent a vehicle to drive to interviews. Interviews lasted on average of 45 minutes to an hour over the phone, and an hour and a half in person. Two participants responded to interview questions by email to better accommodate their busy schedules. Most interviews were recorded using an mp3 recorder and transcribed verbatim, (the exceptions being two interviews sent by email and one unscheduled interview transcribed over the phone). All interview participants signed a consent form approved by MSU's Institutional Review Board to participate in this study. With the exception of Sysco and Walsma and Lyons staff, all research participants and their affiliated companies or farms in

this study are presented by number only, as anonymity was widely requested by growers and suppliers. Anonymity may have helped participants to share information more openly.

C. Other Methods

Observation. Yin notes that interviews must be understood as “verbal reports only,” and “must be corroborated by other types of evidence before the information should be accepted as valid” (Yin 1998, p. 247). To further substantiate interviews several events were observed where Sysco representatives interacted with growers and others in their supply chain. The goal of observing events was to learn more about how the program was being marketed to Sysco’s customers and to observe relationship dynamics between supply chain actors. Observations took place at two Sysco food shows,²⁵ which occurred in Grand Rapids in March 2009 and March 2010. A “Meet the Buyers” reception for produce buyers and regional growers was also observed in December 2009. This event is hosted annually by Michigan Food and Farming Alliance (MIFFS) at the Michigan Fruit and Vegetable Expo in Grand Rapids. Finally, Denis Jennisch was observed presenting to growers at a food safety training workshop in February 2010 in Hart, Michigan. All of these events provided a greater context to assess how Sysco promotes local food purchasing and distribution, and how Sysco and its suppliers interact.

Document Analysis. Sysco documents featuring its suppliers are a useful tool to examine how the company portrays its relationship with growers to its customers. Written information can confirm or contradict interviews or observed events. Documents analyzed in this study are specific to Sysco Grand Rapids and include “farm profiles,” produce availability spreadsheets, and a packet of information about the Buy Local, Sell Fresh program. Also reviewed is the Sysco

²⁵ Sysco hosts annual food shows for their customers featuring their suppliers. Restaurateurs, school foodservice staff, and others involved in foodservice businesses visit tables where suppliers market and sample a wide variety of fresh and prepared foods. Sysco salespeople are on hand to identify customers’ needs, to guide them to new products, and to build relationships.

Corporate website's 2010 sustainability report, which discusses the "Buy Local, Sell Fresh" program.

Farm profiles are one-page narratives about a farm that generally include farm location; products grown; family members and others involved in the business; farming practices; farm history; food safety certification; photographs; and quotes from growers. Information for profiles is gleaned from growers and growers' websites; some are written by a consultant to Sysco. Sections of profiles are featured in marketing materials such as Sysco sales flyers and in Sysco food show supplier booklets and signs. Profile information may also be used to educate sales staff about farms to help them market growers' products to Sysco customers.

Another document that Sysco uses to convey information to its customers about Michigan farms is a "Michigan Grown Produce Availability" spreadsheet which is updated regularly through the growing season. This document features item codes, item names, pack sizes, packer/farm/or co-op names, locations of facilities, and the approximate Michigan growing season (e.g. Aug-Oct). Produce availability spreadsheets offer Sysco customers a sense of which products are currently available and where they are grown.

Another document that was analyzed in this study is a packet that was compiled by Sysco Grand Rapids and made available at the March 2009 Sysco Food Show. This packet includes:

- List of "Sysco Michigan Local Produce Partners"
- "Guiding Principles: A Value-Chain Partnership Charter"
- Flyer for the Farm Route to Prosperity summit in February 2009
- Flyer for GAP/GHP Workshops in February 2009 (includes an agenda which features Sysco presentation on "Retail buyers perspective of the importance of GAP/GHP")
- Overview document of the National Good Food Network (NGFN)
- Invitation to a 2009 Food and Society Conference
- Press release of the NGFN Advisory Council (includes a Sysco representative)
- An overview document "About Food Alliance"

Finally, the Sysco Corporate website is analyzed because it features information about the Buy Local, Sell Fresh program that is relevant to this study.

II. Sampling

A. Creating the Sample

Research participants were chosen for this case study using a purposeful sampling technique, a process in which "...the inquirer selects individuals and sites for study because they can purposefully inform an understanding of the research problem and central phenomenon in the study" (Creswell 2007, p. 125). Purposeful sampling is best used for information-rich cases which can be studied in depth (Patton 1990). Further, Miles and Huberman (1994) recognize that samples can evolve once fieldwork begins, a process they call "conceptually-driven sequential sampling" (p. 27).

In this case study a core group of actors in Sysco's supply chain was purposefully selected because they were affiliated with Sysco's Buy Local, Sell Fresh program. Initially, the sample group consisted of Michigan growers who supplied fresh produce to Sysco Grand Rapids, as well as representatives from Sysco and Walsma Lyons. These growers are listed on a "fresh produce partners" list included in a packet distributed at the March 2009 Sysco food show. However, after fieldwork began the sample size was expanded to include food processors, broker/sales agents, and shipper/handlers in Sysco's supply chain. This change reflected growing awareness that the list of produce partners was actually broader in scope.

With one exception growers who sold to suppliers were not interviewed in this study. Sysco did not identify those growers who supplied broker/sales agents and shipper/packers as part of the Buy Local, Sell Fresh program. This thesis is focused only on supply chain actors that have been identified by Sysco. For the purposes of this study, shipper/packers are distinct from broker/sales agents or growers if there is overlap. As a group they are referred to as "suppliers."

B. Identifying Participants

Efforts to identify and meet Sysco's growers began in March 2009 at a Sysco food show in Grand Rapids attended with Dr. Jim Bingen. At the food show Sysco made available a list of their "local produce partners," which included the names of 18 farms and three suppliers. Initially, the sample size was limited to these growers, although it later expanded to include others suppliers which were added to the program by Sysco.

In order to find contact information for research participants the search feature of manta.com was used. Manta is a free online source of information about small companies that features profiles of businesses. According to their website, "Manta is the largest free source of information on small companies, with profiles of more than 64 million businesses and organizations." The Manta database was used to search for each farm or supplier by name and to obtain contact information for each business's proprietor. In addition, google.com was used to identify farm or supplier websites, which were searched for contact information. With these resources a contact list of farm proprietors, addresses, and phone numbers was created, which was the initial list used to recruit research participants.

C. Establishing Contact with Participants

Multiple strategies were used to contact research participants over the course of the study. The initial strategy was to meet them personally, a strategy designed to build trust. The opportunity to do so arose while volunteering for Michigan Food and Farming Systems (MIFFS). In December 2009, multiple Sysco growers attended MIFFS' "Meet the Buyers" reception at the Michigan Fruit and Vegetable Expo in Grand Rapids. This event provided a casual forum for growers and large buyers (e.g. Meijer, Whole Foods, and Sysco, among others) to meet and to build new relationships. Several growers at the event agreed to participate in the study.

In February 2010 another opportunity arose to meet growers at food safety workshops hosted by MIFFS, which took place in Hart, Benton Harbor, and Detroit, Michigan.

Approximately 50 growers attended each workshop to learn about GAP regulations from staff at the Michigan Department of Agriculture and MSU Extension. During these sessions four growers were approached about the study, but only one initially agreed to participate; the others denied that they sold products to Sysco or Walsma Lyons. These growers were assured that their perspective was still of interest for this study, and interviews were later conducted with them.

The next strategy to contact growers was to be introduced by someone who knew them. Dr. Bingen suggested that facilitated introductions would build credibility and establish trust with research participants more than sending letters or other means. Staff at Sysco and Walsma Lyons were considered as ways to inform growers that they would be contacted, but this approach was initially disregarded to avoid having the companies potentially influence growers' decisions to participate.

Outside introductions were facilitated in two instances. In the first a staff member at MIFFS knew a grower on the list and told him about the study. In the second a grower was also a participant in a separate research project conducted by Dr. Bingen, who made the introduction. Other attempts to be introduced to growers through MSU Extension were not successful.

The third strategy to contact growers was to mail letters informing them of the study and to arrange follow up phone calls to schedule interviews. This approach had limited success. Farms with bigger operations had many staff—finding the person who coordinated sales to Sysco or Walsma Lyons was a challenge. Many growers did not remember receiving a letter. A different approach was needed to schedule the remaining interviews.

D. Working through an Intermediary

As a last resort Denis Jennisch at Sysco was contacted for help. He suggested speaking with Pat Lyons at Walsma Lyons. Lyons went through the list of remaining growers, suggested whom to contact, and provided phone numbers. He also added some new farms to the list and explained how the supply chain was structured with some of the growers. For instance, some growers sold to Walsma Lyons through a broker/sales agent. Working through Pat Lyons as an intermediary proved to be very successful in contacting growers, and the remaining interviews were scheduled by “dropping” Lyons’ name to the interviewee.

E. Additional Research Participants

Although it was not planned at the beginning the group of research participants expanded as the study progressed. Pat Lyons explained that the supply chain was more complicated: Broker/sales agents, food processors, and shipper/packers were all involved in sourcing locally grown produce for Sysco. This explained why some growers were unaware that their product was being sold to Sysco—they sold to a third party who then sold to Walsma Lyons or Sysco. To include these other actors in the study a new set of interview questions was developed, and a revision was requested from the IRB²⁶ board. Another interview guide targeted at growers who were unaware that their products were sold to Sysco was also developed. Ultimately, flexibility was needed to carry out this study, and it is stronger for evolving to accommodate unanticipated developments.

III. Data Analysis

Data were preliminarily analyzed through the use of notes written after interviews, observations of events, and at other times when ideas emerged. Research notes reflect personal,

²⁶ IRB is an acronym for Institutional Review Board, a body at MSU that grants approval to conduct research after judging that a project is ethical and not harmful to research participants.

methodological, and substantive issues that arose over the course of the study, and were a useful tool to begin to identify main ideas and key themes.

In addition, transcribed interview transcripts were uploaded into NVivo, a qualitative data analysis program, to organize data for analysis. Thematic areas were pre-identified using the value chain framework (identified in Chapter 2), and these themes were applied as codes to the interviews. These themes reflect value chain characteristics developed by Stevenson and Pirog (2008):

- Product differentiation (price premiums for local food and grower control over branding);
- Fair pricing;
- Trust (inter-organizational trust as demonstrated by reliability and consistency in business interactions – notably distinguished from personal trust);
- and Strategic partnerships (shared decision making, commitment to each others' businesses, and transparency/information sharing).

The unit of analysis when coding is the interviewee, and a code is applied to a statement or quote from an interview. A summary of how each theme was expressed in an interview was written in the form of a memo after each interview was coded, which was helpful to identify trends in interviews. These memos, notes from observing Sysco events, and Sysco documents/website were also used to inform analysis.

IV. Potential Weaknesses and Variables in this Study

A potential weakness in this study is a result of the case study approach. Due to a small sample size and a contextual case results cannot be generalized to a broader population. Another is the variance in interview length. Interviews conducted in person were on average twice as long as those conducted over the phone. In some cases growers gave tours of their farms, which allowed for a more personal relationship to form and created a more meaningful experience for the researcher. Data from these longer in-person interviews may be richer and may include more

probing questions than that of interviews conducted over the telephone. Telephone interviewees may have shared more information if the interview had been in person, but this was not possible due to limited time and resources for the study. This imbalance could have been addressed by limiting all interviews to the telephone, but ultimately richer data was more of a benefit to the study than having equally balanced interviews.

Another potential weakness in this study is that some of the research participants were recruited by “dropping names.” After many attempts to contact some participants success was achieved only when requesting a specific person by name, and “dropping” Pat Lyons’ or Denis Jennisch’s names as a reference. Almost all of these instances were immediately successful in creating a bond with the participant because these names were trusted and familiar to them. It is unclear if participants felt pressure to take part in the study because of this. However, some people declined to participate even when this approach was taken. Overall, using these names and suggested contacts saved time by immediately connecting to the right person to interview and built some credibility for this study. In retrospect, much time would have been saved if Jennisch and Lyons had been approached earlier for their assistance.

One variable to acknowledge in this study is the identity of the researcher, which could have altered results. The concept of acknowledging the role of one’s identity is known as reflexivity and stems from a Feminist critique of the “objective scientist.” Feminists have expressed skepticism when research does not reveal the researcher’s identity, for such studies seem to support dominant interests (DeVault 1996). Acknowledging that the researcher is situated will lead to more transparent data, or a “stronger objectivity” (Harding 2001), and will create less partial research. A reader is then aware of the limitations of the researcher and the consequences of their presence in research (Holland and Ramazanoglu 2002).

As stated in the preface I do not have a background in farming or agriculture. As an urban educated female my background is potentially very different from growers or others in the produce industry who grew up in a farming culture. My lack of background in farming and agriculture was immediately disclosed to all research participants. I made this point clear because I did not want to appear overconfident. I also desired that participants would speak concretely about their experiences and not assume that I knew what they meant by casual inferences to unfamiliar topics or ideas. This approach may have made me come across as naïve to some of the interviewees, but I believe it ultimately was a strength because it caused participants to take considerable time and care to explain ideas that were perhaps fundamental to someone who had grown up in the agriculture industry.

As a young, white female student interacting primarily with middle-aged, white male growers and suppliers I faced some cultural barriers when conducting the study. Issues of gender, age, and cultural background all came into play. For instance, one participant made a reference to my appearance that surely would not have been made had I been male. Establishing rapport often took time and required me to explain the reasons for my interest in agriculture. I found I connected best with growers when I explained that my father was raised on a farm in Poland, and I felt a longing to embrace my heritage through my study.

Also, many participants were interested in my affiliations with other organizations. I frequently explained that I am not a Sysco employee or affiliated with any other organization. I also quickly learned not to discuss my previous federal employment²⁷ or my goals to return to

²⁷ Between 2003 and 2008 I was employed as a research specialist and program analyst with the National Security Education Program, a federally funded program that provides scholarships and fellowships to students to study overseas. Students are encouraged to study critical foreign languages and topics related to national security (including food safety and agriculture in the United States and abroad). I left this agency to pursue graduate school at MSU.

the government to work for the USDA. While I thought this would grant me some credibility I didn't realize how broadly this information could be interpreted, and it was generally met with suspicion. Ultimately, I presented myself exactly as I was: a graduate student conducting academic research, and this was accepted by growers and other participants.

CHAPTER 4

SYSCO'S SUPPLY CHAIN RELATIONSHIPS

This chapter discusses the structure of Sysco's supply chain for the Buy Local, Sell Fresh program. It presents growers and suppliers in greater detail to show that Sysco provides market opportunities for growers and businesses of different sizes within a regional area. The history of sales relationships in the supply chain is described, emphasizing that actors experience a range in sales that are correlated with relationships with Sysco. Ultimately, this chapter determines that although Sysco creates market opportunities for a wide variety of supply chain actors, Sysco has uneven relationships with some actors benefitting more than others from sales. This information provides a context for chapter five, which discusses how social and economic benefits are distributed unevenly across supply chain actors through the BLSF program.

I. Sysco's Supply Chain

Sysco's fresh produce supply chain is fairly complex. Figure 4.1 shows the various types of connections that can occur along the chain. The box indicates the actors included in this study. Figure 4.2 defines the terms used in Figure 4.1.

Figure 4.1: Study Focal Area in Sysco's Supply Chain

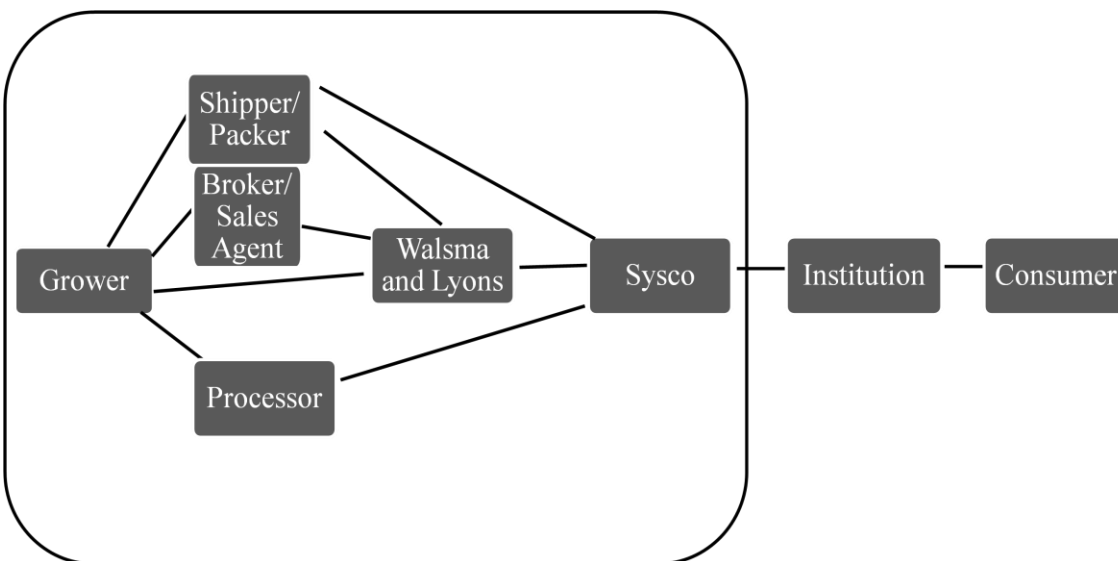


Figure 4.2: Definition of Terms in Sysco's Supply Chain

Grower: Farmer involved in managing a farm operation. This term is used by those in the industry and is distinct from farm worker, who works in the fields.

Sales agent: Represents a farm and sells that farm's product to buyers. They may be located on a farm.

Broker: May buy from multiple farms and sells products to buyers. Neither sales agents nor brokers typically take possession of a product; that is, they do not own it when they sell it. Both generally earn money based on a percentage of what is sold during a growing season.

Shipper/packer: Runs a packinghouse. Growers who do not pack their products on their farm may bring their products to shipper/packers to utilize this equipment. Shipper/packers may also make sales to buyers for the grower as a sales agent or broker would do.

Walsma and Lyons: A fresh produce distribution company and aggregator for Sysco located in Byron Center, Michigan.

Sysco: Sysco Grand Rapids, a broadline distribution company located in Grand Rapids, Michigan.

Institution: Educational, healthcare, and lodging institutions and restaurants that receive food products from Sysco Grand Rapids.

Consumer: Consumes food provided by an institution.

Growers are connected to Sysco in one of four ways. These models are indicated below:

Grower → Walsma Lyons → Sysco
Grower → Shipper/packer → Walsma Lyons → Sysco
Grower → Broker/sales agent → Walsma Lyons → Sysco
Grower → Processor → Sysco

In most cases growers sell directly to Walsma Lyons, which takes possession of the product²⁸ and resells it to Sysco. Some growers previously sold directly to Sysco, but now sell to Walsma Lyons. One grower sold to Sysco indirectly through a processing company. Other

²⁸ Growers and suppliers commonly refer to produce as “product,” so this term is used throughout the study.

growers sell to broker/sales agents or shipper/packers, which make sales on their behalf to Walsma Lyons.

The multitude of ways that growers can sell product to Sysco suggests that there are different types of relationships at play. Intermediaries that work with growers lengthen the supply chain and create more layers between a grower and Sysco. The more degrees of separation that exist between growers and Sysco the greater the challenge it is to maintain communication and relationships across the supply chain. These are two key components of value chains that play out unevenly because of the way the supply chain is structured. The next section describes how Sysco Grand Rapids decided to structure its BLSF program and how it affects communication and supply chain relationships.

II. Structure of Buy Local, Sell Fresh

A. Background Information

Denis Jennisch is the produce category manager for Sysco Grand Rapids and oversees the Buy Local, Sell Fresh program. Jennisch came to Sysco in May 2007. The company had just expanded when he arrived, which provided a unique opportunity to examine the fresh produce program. Many years ago, before it was bought by Sysco, the company was known as “Freshpak” and primarily handled frozen products. When Jennisch arrived he found that it still had this reputation:

“One of the things that I knew I had to do when I came here is to make sure that everybody understood that Sysco Grand Rapids does sell produce, and we do a very good job of it compared to some of our other produce companies in the area. We’re as good as anybody out there, but we didn’t have the recognition for it. So we really worked hard at getting our name out there, being recognized” (Denis Jennisch, Sysco).

Jennisch had bought from Michigan while working for other companies and wanted to support buying locally. He set out to identify and expand Sysco Grand Rapids’ local produce.

Jennisch’s first task was to differentiate Michigan-grown products. This was initially a process of labeling products that Sysco already purchased from Michigan growers, both directly and through suppliers. Jennisch later expanded and added on more Michigan products, which added more growers to the supplier base. Two spreadsheets from 2009 and 2010 were reviewed to gain a sense of the changes in products and the increase in farms and suppliers. These changes are indicated in Table 4.1.

Table 4.1: Changes in Suppliers, Farms, Products and Pack Sizes

Category with Change	Suppliers/Farms	Products/pack sizes
Spring 2009	14	25
Spring 2010	75	136

Involving more farms each year in Sysco’s BLSF program suggests that the program has been successful and is experiencing rapid growth. The growing list also reflects a number of new products and pack sizes to accommodate the restaurant industry’s needs for smaller sizes and unique varieties (Cantrell April 2010). For example it includes new value-added products such as cherry juice and shredded cabbage, efforts by Sysco to include food processors in its Michigan-focused program. This suggests that the program is becoming more specialized by involving processors and suppliers who can develop these products.

Relationship Building. Throughout the program’s growth between 2008 and 2010 Denis Jennisch began to form relationships with growers. This involved meeting some growers at their farms to understand more about “the growing side of the business.” This was a change from normal business interactions with growers. “For me to actually visit a local grower, prior to coming to Sysco, it very rarely happened, almost never,” Jennisch said. Visiting farms helps Jennisch to determine if a farm is a match for Sysco’s needs, and it establishes relationships between growers and the company. It is important to Jennisch to “just start the relationship a

little bit of talking to (growers) about selling to Sysco...and what our needs are, and trying to build a relationship there that they get a comfort level with.”

Additionally, Sysco hosts annual food shows where company representatives build relationships with growers and suppliers. Jennisch was observed at two Sysco food shows circulating the room, visiting booths, and spending time in discussions with growers and suppliers. The mood in the room was friendly, and growers joked with Jennisch and Walsma Lyons staff and seemed comfortable interacting with them. Also, new market arrangements were formed in some cases. For instance, one grower who had sold to Sysco through a processor tentatively arranged to also send fresh, whole product directly to Sysco. The opportunity to have these types of discussions may open new market opportunities and can be a mutual benefit for growers and Sysco.

However, the rapid growth of the BLSF program has put demands on Jennisch’s time that has limited his time to meet with growers. Jennisch fields calls from the public and Sysco representatives across the country who want to know more about the BLSF program. He participates on the advisory council of the National Good Food Network and attends events around local food distribution, such as a 2010 Planning for Local Foods Workshop hosted by the Michigan Land Use Institute.²⁹ Information from the Sysco packet obtained at the Sysco food show speaks to the depth of Jennisch’s affiliation with and support for local and sustainable agriculture groups (e.g. the NGFN, Food Alliance, and groups that attend the Food and Society and Farm to Prosperity conferences). Sysco’s involvement with these organizations suggests that the motivations behind the BLSF program are sincere, a point that Jennisch wants to emphasize

²⁹ The National Good Food Network aims to move more “good” food (healthy, green, fair, and affordable) to more people. Part of the Michigan Land Use Institute’s mission is to support local farms. Jennisch’s involvement in both signifies an active involvement in the agri-food community devoted to local food.

to customers and to those who may be critical of Sysco's involvement in local food distribution.

In addition, the BLSF program's growth has necessitated making changes to its structure, which ultimately has affected how Sysco forms relationships with growers and suppliers. Early on Jennisch realized that an aggregation point was needed to consolidate deliveries from growers:

"How do we get multiple growers into one area for maybe packaging reasons or the economies of bringing product into us on one truck instead of multiple trucks, receiving the product on multiple POs?³⁰ ...Working with one source and having one phone call and PO number written and received is much more economical than it is to work with multiple growers and making multiple calls and multiple purchase orders" (Denis Jennisch, Sysco).

Sysco identified Walsma Lyons, a distributor, as its aggregation point. While Walsma Lyons had worked with Sysco Grand Rapids for at least 20 years, they were now an exclusive supplier responsible for working with Michigan growers.

There are many benefits for Sysco to work with Walsma Lyons. They hold a large amount of liability insurance and see to it that growers have food safety certifications. They also repack for some growers—a service that helps Sysco to send foodservice-ready packs to their customers.

However, using Walsma Lyons as an aggregator lengthened the supply chain and in some cases changed the nature of relationships that growers had with Sysco. Jennisch will visit some growers but leaves relationships with others up to Walsma Lyons:

"I have been to probably half of the growers that we currently work with, and because our base continually expands it's been a challenge for me to get out and do that. But as we continue to work with consistent growers I always will make a visit out to them at some point during the growing season... And a lot of times Walsma Lyons if they know the grower and they feel comfortable working with that grower or is aware of it, we may

³⁰ PO is an acronym for purchase order, "a commercial document issued by a buyer to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to the buyer" according to Wikipedia.

not need to make that trip” (Denis Jennisch, Sysco).

Jennisch thus continually builds relationships with only new and “consistent growers,” who he visits at least once a growing season. This was evident at the Sysco food shows, where only growers and suppliers who knew Jennisch were present. Other growers and suppliers who were unaware of sales to Sysco or had no relationship with the company did not attend. This suggests that while Sysco maintains relationships with a steady group of growers and suppliers, efforts are not extended to build relationships with others. The lack of grower relationships was evident when analyzing Sysco’s produce availability sheets, which list farm names next to local products. While a minor point, there were multiple farm names that were misspelled, suggesting a lack of familiarity on Sysco’s part with a farm or a lack of a relationship with a grower.

Ultimately, while Sysco has relationships with some growers and suppliers, Walsma Lyons is the primary contact. On a daily basis Walsma Lyons is responsible for handling orders and issues related to quality, weather, and supply. Also, they obtain farm information from growers used in Sysco’s marketing materials. When asked about this Jennisch said, “I don’t have a lot of time to do a lot of research and development on those things. So I’ll rely on Walsma Lyons to get me information about the grower.”

Overall, the “scaling up” of Sysco’s BLSF program brought in new growers and suppliers, which put new demands on the program to make it more efficient. The addition of Walsma Lyons into the supply chain was designed help streamline operations, but it also lengthened the supply chain. While Jennisch values relationships with a group of “consistent growers,” demands on his time have limited his ability to form relationships with others. This has made Walsma Lyons the primary contact for some growers and has contributed to uneven relationships in the supply chain where some growers know Jennisch and others do not.

III. Background Information about Growers

This section provides background information about the growers that supply to Sysco. The sections include farm information; growers' use of brokers; history of their relationships with Sysco and Walsma Lyons; and sales to Walsma Lyons.

A. Farm Information

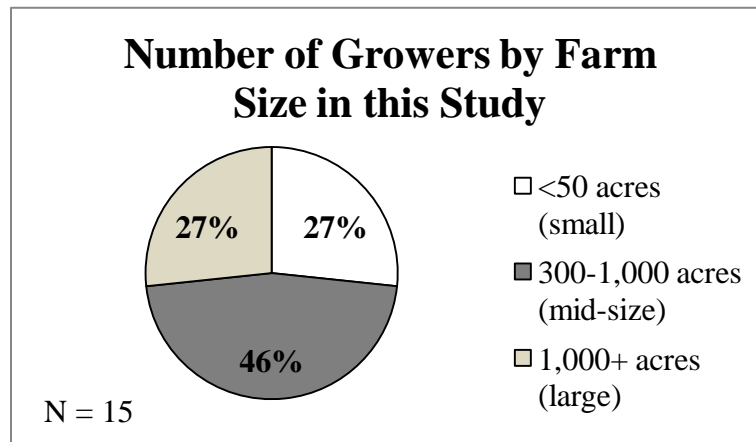
Sysco buys from a variety of growers located throughout the state of Michigan. Although most are located along the rich growing region on the West side of the state, some are as far North as the Traverse City area, and some as far East as Ann Arbor. Growers' dispersion over a wide area and the size of Sysco's distribution area suggest that Sysco and growers are connected in a regional food system rather than a local food system.

The growers that Sysco utilizes have been established for many years. With some exceptions these farms are multi-generational, with farms ranging from 15 to 108 years old. All of the growers interviewed work on farms primarily run by family members, and most work in sales. Because growers have been rooted in their communities for some time many growers know each other and share a sense of mutual respect. This was especially apparent in West Michigan, which was described by one broker/sales agent as a "microcosm." One grower who sold to Walsma Lyons even said he wouldn't go after business with Sysco because he knew it could take away sales from a grower nearby who sold to them (even though his products were ultimately sold to Sysco).

Farm sizes vary across growers. Of the 15 farms, seven were "mid-size" growing between 300 and 1,000 acres, with the average size being 500 acres. Four were small farms with less than 50 acres (several were greenhouses). There were four large growers in the study that

grew more than 1,000 acres, with the average size being 1,400 acres. Figure 4.3 represents the diversity in farm size.

Figure 4.3: Number of Growers by Farm Size in this Study



Sysco's focus on mid-size farms supports earlier claims that mid-size farms are best suited to meet the company's volume needs (Kennedy 2007). But the variance in farm size also supports Clancy and Ruhf's (2010) conclusion that a regional food system can provide more market opportunities to various size farms. However, while there are an equal number of small and large farms represented, two of these small growers did not sell to Sysco at the time of the interview in spring 2010. Reasons for this are explored below.

Most growers in the study are vegetable growers who plant a wide variety of crops. These include: beets, cabbage, eggplant, greens, herbs, lettuces, onions, potatoes, rutabaga, sweet corn, tomatoes, and turnips.³¹ Four of the growers specialize in one or two commodities. Only three growers grow fruit including apples, cantaloupe, cherries, and strawberries. In most cases Sysco buys multiple products from a grower, and commits to buying those products only from that grower. There are some instances where they buy the same product from multiple farms (e.g.

³¹ According to Denis Jennisch several commodities are widely grown in Michigan including celery, cucumbers, summer squash, zucchini, yellow squash, and peppers. The BLSF program expands beyond these products.

they buy peppers and squash from two different growers). Buying one product from multiple growers may be necessary if a grower doesn't have the volume or quality needed by Sysco.

Sysco's commitment to buying products from specific growers was evident at the MIFFS "Meet the Buyers" event where new growers approached Sysco seeking to sell their products. But Sysco indicated that they had already made commitments to current growers and suppliers to purchase commonly grown products in Michigan such as squash and cucumbers, and were not seeking new suppliers to replace their growers. Instead Sysco was only seeking to buy certain specialty products from new growers, such as strawberries and specialty products. This suggests a partnership mentality with Sysco's current growers and suppliers.

Markets. Growers sell to diversified markets including processors, large and small retailers, foodservice, terminal markets, regional and chain restaurants, institutions, farm stands, farmers markets, and CSAs. Small growers focus primarily on direct marketing outlets, regional restaurants and grocers, and institutions. Mid-size and large growers utilize other markets which accept more volume, although some do have farm stands or sell to farmers markets. These markets extend to different regions. Many growers sell to local retailers such as Spartan Stores and Meijer, but five mentioned that they sell to markets in the South, Midwest, and East.

Having diverse markets is important because different buyers accept different levels of quality. Sysco has very high quality standards for its produce; products of lower grade may be purchased in some cases but are generally designated as "ingredient grade" products. For example, Sysco's produce availability spreadsheet includes some #2 products (lesser quality than #1). These products highlight Sysco's efforts to give growers an expanded market for their lesser value products.

B. Brokerage

Not all growers make their own sales to buyers. Mid-size and large farms are more likely to use the services of brokers because they have more product volume, and brokers help to identify and sell to diverse markets. This is significant because a broker can influence relationships between growers and buyers. Nearly half of the growers in this study use brokers or sales agents. Table 4.2 lists growers by size and brokerage use.

Table 4.2: Farm Size and Brokerage

Grower Number	Farm size	Uses Broker
#1	Small	-
#2	Small	-
#3	Small	-
#4	Small	-
#5	Mid-size	-
#6	Mid-size	-
#7	Mid-size	Yes
#8	Mid-size	-
#9	Mid-size	Yes
#10	Mid-size	Yes
#11	Mid-size	Yes
#12	Large	Yes
#13	Large	Yes
#14	Large	-
#15	Large	Yes

Why do growers use brokers? One reason is that it takes time to make sales, which can take away time from farming operations. Grower #9 explained: “Selling and handling is whole other process. You need to have a certain amount of volume to make all of that economical... we’re going to concentrate on producing and not on the sales, and let somebody else do the sales.” Grower #10 agreed, explaining that with the amount of product they grow it is more efficient to use a broker:

“I’m consumed with day to day operations, financing, running packing sheds, making sure we got a quality product...(Our broker) has 60, 80 accounts he deals with...and so to sell the amount of product we got that’s what it takes...I don’t have time to do that.”

In addition, brokers can help a grower supply a buyer by consolidating product from multiple farms “to make it easier for a (retailer) to be able to buy,” said Grower #11. Grower #12 explained: “We can’t sell a full semi-load. So for us to sell directly to (a retailer) it wouldn’t benefit us to send down a half of a load or a third of a load down to (city). Whereas (our broker), can fill his whole truck up. So there is a win-win situation there.” Brokers also help access markets because of their relationships with buyers:

“Some of the brokers have a good rapport with the stores that we don’t have. We didn’t have a good rapport with that buyer at (a retailer), but one of the brokers did. So the broker bought from us, sold it to the chain, and they could’ve gotten it cheaper from us. But because we didn’t have the rapport they wouldn’t buy from us” (Grower #12).

Finally, brokers collect payments, arrange transportation, and are the first to hear about a problem with a product. All of these services may save a grower time and money.

Broker Communication and Relationships. Brokers may communicate with growers about end buyers of their products, but this isn’t always the case. Often there is a lack of communication about where products are sold. Grower #7 describes a typical scenario that occurs:

“I’m the grower, ok. I’ll have a truck back into my loading dock, and I’ll ask who he’s picking up for, and he’ll tell me. Neither of us have any idea what he’s getting, how much he’s getting, and where it’s going. Because at any given time there’s at least three or four different middle people between us. We’ll grow it, (the broker) will sell it to one company, who turns around and sells it to another company, who turns around and hires the trucking company, who hires an owner/operator truck driver.”

The many “middle people” can make it difficult to know where a product is sold because information isn’t passed along the supply chain. In one case a grower suggested that he wasn’t “privy” to know where products were sold; he believed that his brokers purposefully withheld information about end buyers “for fear of going direct.” The lack of transparency in this case suggests a broader issue of mistrust. Both of these instances can affect information sharing in a supply chain.

These scenarios aren't the case with all growers who use brokers. Information about buyers is sometimes communicated, but generally on a need-to-know basis. When asked if he knew when his broker started selling to Walsma Lyons Grower #9 said, "Not necessarily, they wouldn't necessarily share that unless we asked, or wanted to know." Grower #11 agreed, saying they talk to their broker "a little bit" about end buyers, but have little contact with them. In these instances it appears that growers may be less interested in forming relationships or establishing communication with end buyers if their broker already fills that role. Growers may only get involved if a buyer has a problem with an order (which may cause the grower to stop selling to that buyer). In these instances it appears that some growers "outsource" relationships with buyers through their brokers. Overall, growers discussed various levels of transparency with brokers about end buyers, which in some cases affect their relationships with Sysco.

C. Growers' History with Sysco and Walsma Lyons

All growers currently sell to Walsma Lyons (although some sold directly to Sysco in the past). Growers have sold to Walsma Lyons for varying lengths of time. Table 4.3 shows the variance in length of sales relationships.

Table 4.3: Length of Grower Sales Relationships with Walsma Lyons

Number of growers	Relationships with Walsma Lyons
6	New in last 1 to 3 years
5	Established in last 7 to 15 years
4	No knowledge of sales history

New Growers. Most growers were new suppliers to Walsma Lyons within the past two to three years, reflecting Jennisch's efforts to grow the BLSF program by recruiting new farms. Four of the six new growers were from small farms that grow specialty products, indicating that Sysco is making efforts to include small farms in the program, which is relatively new for Sysco. This is due to Walsma Lyons' involvement because they help to aggregate and pack product for

Sysco. However, two of these small farms did not sell to Walsma Lyons at the time of this study. Grower #1 was in discussions with Sysco and Walsma Lyons but indicated that he was not able to undergo a food safety audit required by Sysco. Grower #2 had previously sold to Walsma Lyons but the sales relationship ended, partially because the farm did not undergo a food safety audit. This suggests that while Sysco has a system in place to work with small farms they must have the resources to undergo an audit to meet Sysco's requirements.

Sysco is making efforts to help small growers with food safety audits, which were apparent when observing the MIFFS food safety workshop. Denis Jennisch discussed the company's requirements for GAP³² certification, and offered a four-page food safety self-audit guide created by Sysco and PrimusLabs (a third party auditing company) that lays out the key points of a GAP audit. This information may save smaller growers money by informing them up front of GAP standards: "We're trying to help with educating the grower so that when they do that audit they're ready for it and they're not going to not pass" (Jennisch February 2010).

Additionally, at the food safety workshop a small group of growers took the opportunity to meet privately with Jennisch after the workshop to discuss how they could work with the company. This type of open discussion with a farm suggests that the company is willing to talk with growers who are not yet GAP certified to help see them through the process, another example of a partnership mentality with growers.

Established Growers. In addition to the new growers, a third of the growers were established with long-standing relationships with Walsma Lyons. One grower had sold both to Walsma Lyons and Sysco for many years. The other four had sold to Walsma Lyons for seven to

³² GAP is an acronym for Good Agricultural Practices. This acronym was developed by the USDA and refers to a set of food safety practices at the farm level. Growers must have a third party audit to ensure they are meeting GAP regulations in order to sell to Sysco and many other buyers.

15 years prior to having connections to Sysco, which only occurred within the last three to five years. (Grower #7 denied selling to Sysco at all.) This suggests that Walsma Lyons began informing some growers that their products went to Sysco around the time that the BLSF program was started, but this may be coincidence. Walsma Lyons likely sold these growers' products to a variety of other buyers prior to Sysco's emphasis on purchasing in Michigan.

No Relationship. In addition to the new and established growers there were four growers who did not have any relationship with Walsma Lyons or Sysco and were unaware that either company was purchasing their product. Growers #9, 10, 11, and 12 are all mid-size or large farms that rely primarily on brokers. Any sales to Walsma Lyons likely went through these farms' brokers. Given the variation in information sharing between brokers and growers, information about Walsma Lyons or Sysco as a buyer was likely not shared. The lack of transparency between growers and brokers puts a "break" in the value chain relationship between growers and Walsma Lyons or Sysco. This lack of information flow is cited by Day-Farnsworth, McCown et al. (December 2009) as one of the challenges in scaling up local food because it affects the ability for supply chain actors to foster partnerships.

D. Growers and Sales to Walsma Lyons

There were nine growers that acknowledged that they made sales to Walsma Lyons; of them farm sizes varied. Table 4.4 lists these farms by their size, percentage of sales made to Walsma Lyons between 2009 and 2010, and the length of their relationship with Sysco and Walsma Lyons. An asterisk indicates that they have a relationship with Sysco.

Table 4.4: Farm Size, Sales to and Length of Relationship with Walsma Lyons

Farm Number	Farm Size	Sales to Walsma Lyons	Length of Relationship with Walsma Lyons
2	Small	“Quite a bit”	New*
3	Small	25%	New*
4	Small	25-35%	New*
5	Mid-size	20%	Established*
6	Mid-size	25%	Established*
7	Mid-size	“(Walsma Lyons) won’t buy a lot”	Established
13	Large	1-2%	Established
14	Large	2.5%	New*
15	Large	3-5%	Established

There is a correlation between farm size and the percentage of sales that it made to Walsma Lyons. Small farms’ sales to Walsma Lyons made up a significant portion of their total sales. None of these farms used brokers; they arranged their own sales. Sysco purchases a significant amount of each farm’s volume, making the company a relatively important buyer. Each of these farms was also a new supplier to Sysco in the past couple years, and has a relationship with Denis Jennisch at Sysco.

Of the mid-size farms, two growers made 20% to 25% of their sales to Walsma Lyons—also a significant amount of business for these farms. Both Grower #5 and #6 had previous long-standing relationships with Walsma Lyons and Sysco. Grower #7 had sold to Walsma Lyons through a broker for about eight years; though they bought regularly it was small quantities. This grower was unaware that Sysco was a buyer through Walsma Lyons.

The three largest farms in the study made less than 5% of their sales to Walsma Lyons. Two of these farms used a broker and did not have any connections to Sysco (although they were aware that Sysco was a buyer through Walsma Lyons). They had sold to Walsma Lyons between eight and 15 years. Grower #14 was a new supplier to Sysco within the past two years and had a relationship with Sysco.

Some of the growers who had a low percentage of sales commented that they hope that sales to Walsma Lyons or Sysco will grow in the future. Grower #14 said, “I *hope* that it increases in volume. I *really* would love to be able to say, you know, we can move, Sysco can move into 5, 10, 15, 20 percent of our sales.” This grower also commented that Sysco is a large company with the potential to move large volumes of product, especially with their focus on buying locally. He was not sure how to increase sales, however. Grower #7 also wished that sales would increase to Walsma Lyons.

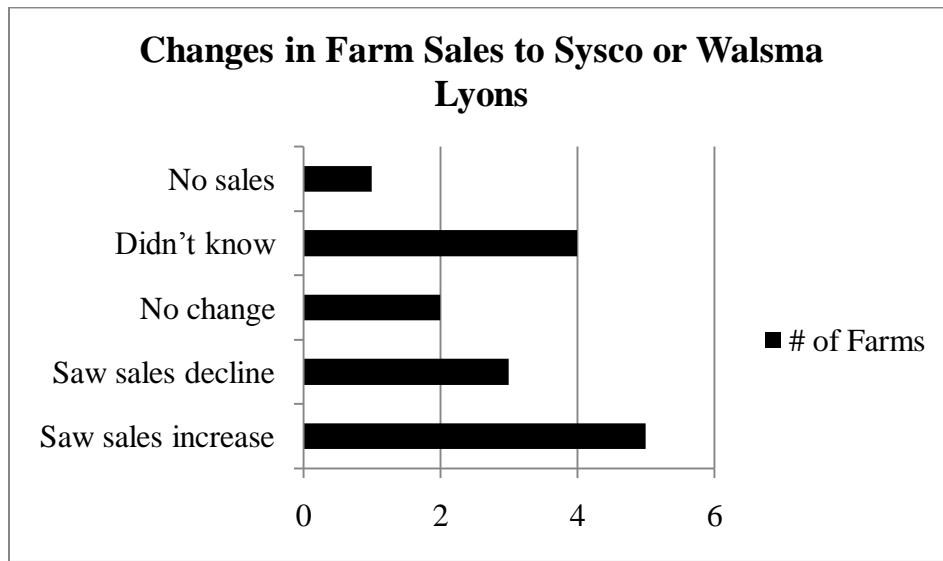
These growers’ desire for greater sales to Sysco is in contrast to claims made on Sysco’s website that “due to the size of these businesses, these partnerships will not represent high-volume business for Sysco; however, we have learned that we can work with local producers and small farms in an economically viable way” (Sysco 2010). This statement leaves customers with the impression that Sysco’s suppliers are small farms and that volume is not available. Yet the mid-size and large farms in this study have volume and the capacity to fill more orders. Also previous studies about Sysco Grand Rapids indicate that more than 88,000 cases of local product were moved in 2009 alone (Cantrell April 2010)—seemingly not representative of “low-volume” business for Sysco. This type of information suggests that Sysco is unaware of the volume produced on its suppliers’ farms, or lacks of communication with growers.

Overall, the farm sales to Sysco (through Walsma Lyons) suggest that they represent a significant market for small farms and for some mid-size farms. The largest farms consistently noted that sales were low. Yet it is difficult to compare sales percentage with volume. Smaller growers with higher sales to Sysco may sell a volume that is comparable to larger growers, but due to size differences in farms growers experience this differently in terms of sales.

Nevertheless, the farms with the higher sales to Walsma Lyons all share one thing in common: the growers have relationships with Sysco. Growers #2, 3, 4, 5, and 6 all had relationships with Sysco and had higher sales. Most of these relationships were relatively new, and Jennisch had personally been in touch with these growers or had been to their farms. However, Grower #14 had a relationship with Sysco but experienced low sales. This grower experienced some challenges in communicating with Sysco. Also, Growers #7, 13, and 15 had no relationship with Sysco and had lower sales. This suggests that there is a correlation between not only farm size and sales, but between a relationship with Sysco and farm sales. Studying changes in farm sales is one way to explore the nuance in relationships between Sysco and growers.

Buy Local, Sell Fresh and Changes in Farm Sales. Sysco Grand Rapids' shift to dedicated Michigan purchasing through its BLSF program has affected growers' sales in different ways. Sysco started the program in late 2007, and at the time purchased directly from some growers. This changed in 2009 when Sysco began using Walsma Lyons to aggregate products from farms. At that time sales increased for some growers and decreased for others. This change suggests a link between relationships and sales. Figure 4.4 depicts changes in sales to Sysco or Walsma Lyons between 2009 and 2010.

Figure 4.4: Grower Changes in Sales to Sysco or Walsma Lyons



For three growers that had sold directly to Sysco, sales dropped when Walsma Lyons became an aggregator. Grower # 5 noted that sales dropped from close to 33% to Sysco to about 20% when they started selling to Walsma Lyons in 2009. He suspected that his previous direct connection to Sysco allowed him to do more marketing, because he communicated regularly about his products' availability and volume:

"I think just to stay connected directly with them that's to your best advantage, instead of having to rely on somebody else to push your product in there for you. I hate to say this but I think since we started doing it this way that I haven't sold Sysco as much stuff... I mean, I like what they're doing with this push the local, but it seems like as soon as I start going through the distributor I'm not getting as many packages in there" (Grower #5).

Grower #14 also said that he sold more product directly to Sysco previously, but sales dropped off with the change to Walsma Lyons. Grower #2 also sold to Sysco directly, but sales stopped all together shortly after they started working with Walsma Lyons. For each of these growers the change from a direct connection to Sysco to a relationship mediated by Walsma Lyons led to lower sales. In each case there were issues with decreased communication from Sysco or problematic relationships with Walsma Lyons. These cases are explored in chapter five.

For five other growers, sales to Sysco through Walsma Lyons increased over the past couple years or had the promise of growing. Both Grower #3 and Grower #8 saw an opportunity to increase sales to Sysco in the future. Grower #6 commented that sales had doubled in the past two to three years to 25%, a significant amount of growth for that farm. Grower #15 said sales to Walsma Lyons grew steadily over the past couple years. Grower #4, who had just started working with Sysco in 2009, had made sales of 25% to 35%, and anticipated that sales would increase to “as high as 50%” in the future. This grower was expanding his capacity because he saw an opportunity to expand his markets through not only Sysco, but also Walsma Lyons:

“I anticipate that well over 50% of my production will go to Walsma Lyons, and of that a significant portion, more than half will be going to Sysco and stores in the Grand Rapids market, and hopefully to Detroit. Also we are working diligently to expand our market with Sysco to bordering states...which Walsma Lyons services at least on a weekly basis, and some of them more frequently than once a week” (Grower #4).

Each of the farms that experienced growth in sales or the promise of growth had a good relationship with Sysco and was in direct communication with Denis Jennisch. This suggests that growers who are in regular communication with Sysco have the opportunity to make more sales to grow their business.

Overall, strong communication with Sysco appears to be correlated to growth in sales. Growers that experienced a drop in sales had some challenges in their relationship with Sysco or Walsma Lyons. Chapter 5 analyzes these relationships by highlighting the presence of value chain characteristics in these relationships to determine that a strong value chain correlates to growth in sales or higher sales to Sysco, and a weaker value chain correlates to a drop in sales.

IV. Background Information about Suppliers

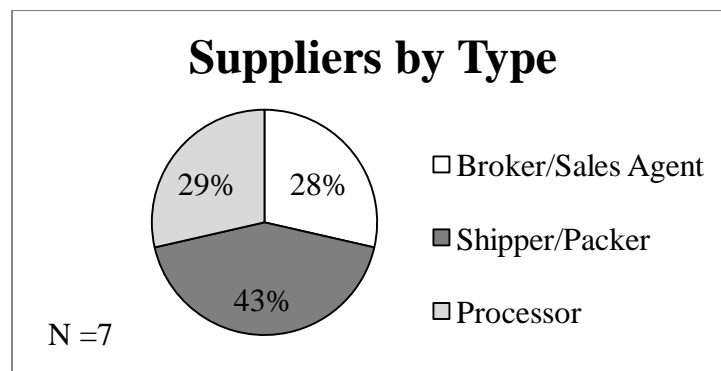
This section provides background information about the suppliers that provide Michigan products to Sysco. It includes supplier information, history of their relationships with Sysco and Walsma Lyons, and sales to Walsma Lyons and Sysco.

A. Supplier Information

Sysco buys Michigan products from a variety of suppliers including food processing companies, shipper/packers, and broker/sales agents. These categories can be somewhat blurry, as a shipper/packer may also act as a broker and make sales to buyers. Additionally, some growers have shipping/packing facilities on their farm and may pack for other growers. For the purpose of this study shipper/packers run packing facilities and make sales to buyers for growers.

Sysco buys from suppliers because they consolidate product from many different growers and are likely to meet Sysco's demands for volume. This saves Walsma Lyons time from aggregating product from many growers, as these companies provide that service. Notably, there were six suppliers who declined to participate in this study, for a total of 13 suppliers. This suggests that Sysco relies on nearly as many suppliers as growers to supply Michigan product for the BLSF program. Figure 4.5 shows the percentages of suppliers in this study by type.

Figure 4.5: Percentages of Suppliers in this Study by Type



Shipper/packers make up the bulk of the suppliers. Two of these three companies primarily pack fruit, and the other packs root vegetables that are less commonly ordered by Sysco customers. Using shipper/packers to supply these products may be easier than working directly with growers because these products may be grown in smaller quantities at individual farms.

The suppliers in this study ranged in how long they had been established. The two broker/sales agents were the newest businesses (between six and seven years old); the others ranged from 21 to more than 65 years old. Most businesses are based in Michigan, but some have offices in other states in the South and Midwest. They work with a wide range of products from Michigan and other states including: apples, apricots, beets, bell pepper, blueberries, carrots, celery, corn cucumbers, grapes, melons, nectarines, parsnips, peaches, pears, peas, plums, potatoes, pumpkins, radishes, rhubarb, sour cherries, sweet cherries, sweet potatoes, tomatoes, turnips, watermelon, winter squash, yellow squash, zucchini, and other products. (Notably this is a much longer list than what is grown by growers in the study, suggesting that suppliers have access to a wider variety of products, specifically fruit.)

Each supplier works with Michigan farms, but may also work with from farms in other states. Table 4.5 lists each supplier and the number of Michigan farms from which they purchase.

Table 4.5: Suppliers and Number of Michigan Growers

Supplier	Number of MI Growers
Broker/Sales Agent #1	8 to 10
Broker/Sales Agent #2	1
Shipper/Packer #1	60
Shipper/Packer #2	50
Shipper/Packer #3	10
Processor #1	Unspecified
Processor #2	6

All together, these suppliers aggregate product from at least 135 Michigan farms. With few exceptions, Sysco does not identify individual growers who sell to these suppliers in their marketing materials, and does not have relationships with them. (The one exception is a grower who sold to a processor, but was in discussions about selling whole product to Sysco.) Communication and partnerships thus do not extend down the supply chain past suppliers to their growers. This suggests that only growers who sell directly to Walsma Lyons have the opportunity to be in a partnership with Walsma Lyons or Sysco. Nevertheless, the potential impact of Sysco's BLSF program on Michigan growers is quite large.

B. Supplier Sales

Suppliers indicated a range of sales to Walsma Lyons or Sysco. Table 4.6 illustrates suppliers' sales to either company. Relationships with Sysco are marked by an asterisk.

Table 4.6: Suppliers and Sales to Walsma Lyons or Sysco

Supplier	Sales to Walsma Lyons or Sysco*
Broker/Sales Agent #1	5%
Broker/Sales Agent #2	<1%
Shipper/Packer #1	Unaware of sales to either company
Shipper/Packer #2	.002%*
Shipper/Packer #3	<1%
Processor #1	Unspecified but "large"*
Processor #2	Unspecified but anticipated large growth*

Although they did not supply a specific percentage, the two processors indicated large sales to Sysco. Yet for most suppliers sales to Sysco or Walsma Lyons were less than 5% of their total sales. However, there were transparency issues with some suppliers. Shipper/Packer #1 did not seem aware that Walsma Lyons or Sysco bought products from them, but notably he had not been involved in the company's sales for several years. Both broker/sales agents had relationships with Walsma Lyons and did not seem aware that their product went to Sysco.

Demand and Suppliers' Sales. Suppliers had varying levels of growth and demand for Michigan products from Walsma Lyons or Sysco. There was relatively low demand from Walsma Lyons or Sysco for products from shipper/packers. Shipper/Packer #3 had only seasonal sales to Walsma Lyons, and said that demand was “about the same” over the past few years. Shipper/Packer #2 sold directly to Sysco and saw the company as an opportunity for growth, but would like an “increased quantity of orders.” Broker/Sales agent #2 would also like “more steady business, weekly instead of seasonally” from Walsma Lyons in the future. Broker/Sales agent #1 had seen Michigan sales increase to Walsma Lyons over the past couple summers, but he believed that because Walsma Lyons has relationships with Michigan growers they have less of a need to work with a broker. Still, he wished for sales to increase:

“You know, the whole local thing with them I know is kinda new...once everything got local, you know, it kinda cuts out the need for a broker, a southeast and western buyer, because everything is right around here...So yeah, I'd love for them to push a little more on the local deal” (Broker/Sales agent #1).

The relatively low levels of sales and low demand that broker/sales agents and shipper/packers experience may be correlated to their lack of communication with Sysco. Only one shipper/packer sold directly to Sysco, and this company did note an increase in sales over the past few years. But most of these suppliers sell to Walsma Lyons and do not have a relationship with Sysco. Also, each of the shipper/packers and broker/sales agents interviewed for this study is identified as a “grower” on Sysco’s list of “local produce partners” that was distributed at the 2009 Sysco Grand Rapids Food Show. This is a somewhat inaccurate term; some companies are associated with farms, but most represent other growers and make sales to Walsma Lyons or Sysco. Sysco’s description of these actors as growers suggests that they do not have relationships with them or are unfamiliar with what they do.

In contrast with the other suppliers the processing companies indicated a significant amount of sales. Both sold directly to Sysco. Processor #2 said that to Sysco had grown, and they were looking to “expand the program” to include more products. This company was also interested in expanding sales to other Sysco branches. Processor #1 also hoped to expand from a regional to a national market through Sysco branches all over the country. This processor anticipated a growth from “100 to 1800 cases a week” sold to Sysco in the future.

The high level of growth with food processors suggests they are an important part of expanding Sysco’s BLSF program. Jennisch confirmed this:

“Processed products are very key, labor saving products. So we’re trying to take those items that are grown here in the state that we might be able to have processed in a more ready to use state when it gets to our customers” (Denis Jennisch, Sysco).

Overall, suppliers appear to be part of Sysco’s strategy to aggregate product from more regional growers, but only processors seem to have a direct connection to Sysco and are experiencing growth. The work of processors is central to expanding the BLSF program, as labor saving products are needed by foodservice establishments. Still, Sysco has the potential to influence more than 100 Michigan farms by supporting suppliers, which could expand the reach of its BLSF quite far. It may be unrealistic to extend relationships across the supply chain to these farms, but relationships could be established with some of the suppliers to enhance communication and bring them into the value chain.

CHAPTER 5

VALUE CHAIN ANALYSIS

The question of how social and economic benefits play out in Sysco's supply chain can initially be answered this way: unevenly. As a "transitional" supply chain working within a conventional food system infrastructure (Bloom and Hinrichs 2010), Sysco is adopting some value chain characteristics over others. This chapter uses a value chain framework to analyze what social and economic benefits are evident in Sysco's supply chain relationships, and how they are unevenly distributed.

The first value chain characteristic analyzed is product differentiation, specifically price premiums associated with local product, and growers' control of their brand up the supply chain. The second characteristic is fair pricing. The third characteristic is strategic partnerships between supply chain actors. This is expressed through joint problem solving, a commitment to each other's businesses, and transparency or information sharing. The final characteristic is trust, often expressed as inter-organizational trust—reliable, stable, and consistent business relationships, although personal trust is also expressed. Figure 5.1 lists a summary of each of the value chain characteristics analyzed in this chapter.

Figure 5.1: Value Chain Characteristics

Value Chain Characteristics	
1.	<i>Product differentiation:</i> Price premiums for local food, grower brand control
2.	<i>Fair pricing:</i> Costs met plus a fair profit margin
3.	<i>Strategic partnerships:</i> Joint problem solving, commitment, transparency
4.	<i>Trust:</i> Inter-organizational through reliable transactions, personal trust

I. Product Differentiation

A. Sysco and Walsma Lyons

According to Bloom and Hinrichs (2010) labeling and processing fresh produce are two forms of differentiation that can bring price premiums to growers. Differentiated products are said to have a competitive advantage in the market place, but “the ability of producers and distributors to extract value from local produce depends on consumers’ willingness to recognize and pay a premium for that extra value” (p. 17). Examining if price premiums are associated with local food is one way to assess if economic rewards are shared along the supply chain.

According to Denis Jennisch, differentiating Michigan products was done to meet demand from Sysco’s customers, primarily schools, universities, healthcare institutions, and restaurants. Michigan State University in particular drove a lot of that demand. “There has always been an interest in where the food came from,” Jennisch said. “But it’s really grown in the last several years for one reason or another... The demand is continually getting stronger.”

One goal of differentiating products is to earn a price premium for their added value. In the case of Sysco, the origin of a product in Michigan is defined as extra value.³³ Are Sysco’s customers willing to pay higher prices for Michigan grown produce? Jennisch claims that customers are willing to pay “a little bit more” for local products. But the higher prices have their limits: “If it comes to the expense of being much higher than where the markets currently are at there is some resistance there,” Jennisch said. Sysco has some customers that value local food, and others that do not: “You have a group of restaurant owners that could care less. All they are concerned with is food costs, and how cheap can I buy this?” he said. This mixed demand for

³³ Although Sysco is part of a regional food system, growers and others frequently refer to “local” food and products, so the term “local” is preserved or used alongside “Michigan grown.”

Michigan grown products creates a scenario where Sysco's prices stay close to market prices to appeal to the company's broad customer base and to stay competitive.

Sysco and Walsma Lyons both talked about instances where they may pay a Michigan grower more. Jennisch explained that small and mid-size growers have different economies of scale than larger growers; their costs to produce a product may be higher. "We've had several instances where we've paid growers much higher than where the market, the true market was," Jennisch said. He also mentioned that specialty items such as patty pan squash may garner a price premium. Pat Lyons of Walsma Lyons discussed higher prices associated with quality: "We basically look for somebody who puts up a nice pack and yes, they're going to get paid a bit more because we can give a little bit more." For Sysco, specialty products and recognizing cost structures of smaller growers were important factors in determining price premiums; but quality was another reason that growers may earn higher prices according to Walsma Lyons. In either instance, differentiating a product as Michigan grown is less likely to earn a price premium than other factors like farm size and product quality.

B. Price Premiums and Growers

While growers were overall supportive of Sysco's efforts to differentiate their products and market them within the state, they generally do not perceive a price premium from Sysco. Most growers set their prices to follow the market (explored in Section II under "Fair Pricing"). Only one grower said he earned more from Sysco because of marketing his products as locally grown. Grower #3 said his product was more expensive than one grown in another state, but Sysco was still willing to pay more for it:

"Basically we know what they're buying it for and we kinda push the envelope a little bit, see how far the grown locally we can take advantage of that... So we have to take advantage of whatever we have to take advantage of, and that's locally grown and less freight" (Grower #3).

This grower recognized that “local” was seen as added value and could earn him a higher price, and he pushed his prices higher to capitalize on it. He also saw a savings in shipping.

Grower #13 discussed the importance of differentiating a local product from a general commodity to give it added value:

“Always we complain, *they don't give us nothin' for our (product)*... You gotta learn to distinguish your (product) or something different than someone else. Because otherwise it is just going to be a (product), and the only marketing tool you have is who you're going to sell to the lowest price... Their marketing program is being the cheapest. Well, being the cheapest is not sustainable for your profitability because someone else is always going to be cheaper” (Grower #13).

This grower believed that selling locally was important, but said he was not involved in marketing because of his relationship with his broker. Still, he had hope that Sysco's local marketing could eventually lead to more profitability for him and other Michigan farms.

Two other growers discussed earning price premiums for local products, but not in the context of selling to Sysco. Grower #10 (who was unaware Sysco bought his products) said his brand is well recognized in his area and commands a price premium. He described a conversation with a buyer who agreed to pay the premium after some haggling over price: “Then they got talking about the local thing, and I said you still want to be price conscious, I'm not going to play the game. He says, *well, I think with this local thing we can pay a dollar or two more and meet your demands*. I said ok, then we'll talk” (Grower #10). Grower #10 used his local product as leverage to convince the buyer to pay more for his product.

Another grower also mentioned that he obtained price premiums for local produce—at a farmers market. Grower #5 described how he could get “pretty premium money” for a greenhouse product that he sold exclusively to a buyer who took it to a farmers market. Grower #5 saw that marketing through a farmers market could earn higher prices, and he did not sell any of this greenhouse product to the wholesale market for that reason.

Cost Savings from Local Markets. Although growers generally do not earn price premiums specifically because their products are differentiated as local, some mentioned other cost savings from selling locally to Sysco. For instance, Sysco picks up orders from some farms which saves them money on shipping and fuel costs (freight). The majority of growers arrange their own shipping of product to Walsma Lyons, or they have a broker that does that for them. But two growers had orders picked up from the farm, which they saw this as an added benefit: “That’s huge. That’s huge. I don’t have to put it on my truck and drive away,” said Grower #14. Grower #8 agreed, noting that “they have a situation where they make deliveries every day in our area. And they’re able to pick up by us then on their way back. They call it a back haul.” For these growers a cost savings from shipping could be perceived as a slightly higher price for their product.

Selling locally to buyers like Walsma Lyons can also reduce costs associated with product quality. If a product is shipped more locally it will be fresher, Grower #15 argued, and that saves costs from spoilage:

“If I could sell 100% of my product in the state of Michigan, I’d do it in a second. Even if I didn’t get as much for it as sending it down to Texas...because there’s other costs incurred in sending your product down the way. I mean the fresher you keep your product...if you’re getting the sweet corn that I picked yesterday versus what was picked down in Florida two weeks ago, then you’re gonna be a lot happier with my product” (Grower #15).

Selling locally saves this grower money due to higher customer satisfaction because of better quality.

However, not all growers had cost savings with selling locally. Grower #9 was skeptical that selling to a local buyer was better than any other because he believed that buyers pocketed any extra savings from a local sale:

“The savings for the buyer because its locally grown is as much a factor of why they’re pushing it as the fact that it is locally grown...I guess if the locally grown were such a *big* deal to (retailers) they wouldn’t care that the net delivery in price, if it was the same from

(state) or from here, they would just as soon have mine because it's locally grown, right? But they don't want it unless they can save some money on it. Then they want mine... They want to have the opportunity to have some of the savings themselves" (Grower #9).

Notably, this grower sold through a shipper/packer who was also his broker and was not aware that Sysco was a buyer. He also did not see any added value in differentiating his commodity product, possibly because he did not see that buyers would be willing to pay any more for it.

To summarize, few growers perceive a price premium from selling locally to Sysco, although some believe that differentiated products sold locally can earn more money. Others see a cost savings in the form of saving on freight and less spoilage from having a better quality product delivered to local customers. While not a price premium per se, the added savings may be an economic benefit to growers if the money is passed on to them.

C. Price Premiums and Suppliers

Among Sysco's suppliers there were mixed perceptions about the value of differentiating local products and earning a higher price for them. Differentiating local products was less important for two suppliers that both did business out of state. Shipper/Packer #3 believed that Michigan farms were already committed to buyers and that there was too much competition: "There's so many people selling in Michigan that it's tough... There's growers out here that have dealt with (retailer) for years. So that's why we don't sell much in Michigan." He did not see an opportunity to capture higher value for Michigan products, so 95% of his business was subsequently done out of state.

Broker/Sales agent #1 agreed, saying that there was more demand in the South for Michigan products because of their quality. He described the products he marketed as commodities, and not as differentiated local products. More specifically, the quality and condition of a product mattered more than where it was grown or who grew it. Although both of

these businesses bought and sold Michigan products locally, the lack of differentiation suggests they do not see added value for marketing locally to their buyers.

Other Sysco suppliers saw value in selling locally, but they did not necessarily differentiate products as locally grown. Broker/Sales agent #2 said that he preferred to sell locally because it reduced food miles and was fresher than products from the West coast. This may have saved their company money on freight and spoilage. Similarly, Shipper/Packer #2 was dedicated to marketing Michigan products locally to support the state. Still, both businesses did not suggest that there were price premiums associated with selling local products.

Supplier Price Premiums for Local Product. Only one shipper/packer specifically mentioned that he could earn more from marketing Michigan products. Shipper/Packer #1 was not aware that his products were sold to either Walsma Lyons or Sysco and could not speak to prices paid by them; however, he had noticed increased demand and higher prices for local products through several retailers. He could “gain a little bit,” by selling local products to retailers, and his growers were benefitting, too. “The grower right now is noticing a difference,” he said, “because we are getting more money for the product that we do sell in Michigan. And some of that is the freight advantage.” Yet he was adamant that price and quality of Michigan products must be similar to products from other regions to remain competitive:

“Locally grown has the advantage of getting you into these markets... But then after that you have to perform, and the quality has got to be similar, and the price has to be similar. Now we can gain a little bit because if you’re selling all Michigan you don’t have a lot of freight involved. But really (retailer) or (retailer) isn’t going to give us \$4 advantage over anybody” (Shipper/Packer #1).

The value of “local,” may be opening up new markets to growers and saving them money on freight (shipping) costs. However, similar to Grower #9’s concerns about economic benefits being distributed for selling locally, Shipper/Packer #1 did not believe that buyers would pass on

these savings to growers or suppliers.

Processors and Local Product. The two processing companies in this study stood out for being dedicated to sourcing locally and differentiating Michigan products for Sysco. Both companies had previous relationships with Michigan growers and were already sourcing locally when they started selling to Sysco. Processor #1 exclusively differentiates Michigan-grown product for Sysco; product from other states is not differentiated. It would be difficult to match up demand for differentiated products by state, he said. For example, if a customer from Florida asked for only Florida asparagus this could be difficult to arrange logistically, and there are higher costs involved. Processor #1 did not mention receiving a price premium from Sysco or paying growers higher prices for Michigan product. However, the fact that the processor was willing to “stop the line” to process Michigan product exclusively and to “stage it” (label it) differently than other products suggests that there is added value for the processor to do so. Also, Processor #1 noted that there is a savings in transportation costs when selling to local buyers, including Sysco:

“(The benefit) is the transportation costs...We use a bracket pricing or a tiered pricing system. The further you are away we have to include more. It’s definitely an economical benefit to being a little closer” (Processor #1).

Similarly, Processor #2 was committed to processing Michigan products for Sysco.

While he didn’t discuss if Sysco paid a premium for local products, he did discuss how growers benefit from selling locally to their company:

“We’re always looking to help out the state...I’m not untruthful if I said I’m buying Michigan just to be supportive. There doesn’t have to be a savings, but all things being equal I’d definitely buy from Michigan. *And I have paid* a little bit more, actually, just to buy from Michigan. But bottom line is your bottom line is business. (Growers) have to be competitive” (Processor #2).

This processor prefers to buy from Michigan if all things are equal—a reference to comparable price and quality with products grown in another state. He has occasionally paid more for

Michigan product, but if the products were not comparable he would buy from out of state to look out for his “bottom line.” However, he specifies that Michigan growers have an advantage because they can save on freight—savings which he splits or passes on to them:

“Gas being up, there’s a savings there with freight. Usually, it’s not all passed on to us...so (growers) make a little bit more. When they ship out of state they absorb some of the freight. So the advantage to them is to sell locally, and we split it...or sometimes they even get a little bit more. I’ll pay the same price locally. But if something costs... let’s say 10 cents a pound, and 3 cents is freight, they’ll still charge me 10 cents. So they’re making 30% more on my product, but I’m paying the same, so I don’t push that. I want to buy Michigan product so they stay in business... And *personally* I like supporting (them)...But I still have to come out as far as my bottom line. That’s just the way it is” (Processor #2).

While he could negotiate growers down in price, this processor does not “push that” because he wants to keep growers in business. He also agrees with others that Michigan growers can save a little more on freight, which can be a savings to them. While not the same as a price premium, the savings on freight may be an advantage.

In summary most of Sysco’s growers and suppliers do not see price premiums associated with local products. Of those that noticed some type of benefit it was largely associated with savings on freight, although there was a mixed response as to whether these cost savings were passed on to the grower. With the exception of one grower who marketed a specialty product to Sysco, growers believe that price premiums from selling locally to Sysco are less from product differentiation and more associated with saving on costs from shipping or product spoilage. These views reflect Denis Jennisch’s comment that Sysco’s customers are not willing to pay much above market prices for local food. A mentality that “local” is generally not worth that much more is thus shared along the supply chain.

D. Grower Brand Control

In a value chain product differentiation also takes place through branding. Branding techniques such as farm-based brand may help a grower maintain ownership over a product, which can help even out power imbalances along the value chain (Bloom and Hinrichs 2010).

Sysco markets local products by using a farm's name, not necessarily a farm's brand. Not all growers had a brand, which is perhaps partially the reason for using farm's names in marketing. The use of a farm name may also resonate more with Sysco's customers seeking to connect with a specific farm. A farm name may be accompanied by a short biography on a grower family or farm history in marketing materials.

There were two instances where some growers were aware of Sysco's marketing of their farms. Some Michigan growers and suppliers were showcased at the 2009 Sysco food show in a "Local, Local, Local" section and in the "Michigan Manufacturers" section at the 2010 food show. Each supplier had a table featuring their products (or examples of their products, as in March these growers generally have nothing to show); and a large sign with pictures and a short blurb about the supplier's location, proprietors, history, and practices. One farm had a PowerPoint slideshow projected onto a TV screen. These visual displays highlight Michigan farms and companies to Sysco's customers and offer growers an opportunity to take a part in marketing.

Still, growers had limited control over how their farm's identity is used. Sysco created the farm signs for the food show, and information from these was used in Sysco marketing materials. Growers are generally not aware or in control of the use of their farm's name in Sysco's marketing. For example, multiple farm names were misspelled in Sysco's produce availability lists, suggesting a farm's lack of control over how Sysco markets them.

Although there were two exceptions, Sysco and Walsma Lyons said that growers generally hadn't mentioned the use of their name or brand. This is likely because growers did not see a price premium associated with differentiating products as locally grown, and were therefore looser about how their farm's names were used for marketing purposes. Denis Jennisch discussed that although growers had not spoken to him about how their brand is used he was open to doing that in the future:

"I'm surprised that I haven't had a grower come to me and say, this is my brand, and this is the brand that I want to fall through to the end user. All they're concerned about I think is just selling it and letting the customer know that it is grown here in the state of Michigan. But it will be interesting to see if we can maybe brand for our grower and get that started."

Jennisch's comment suggests that growers are more concerned with selling a product rather than marketing it, a task that growers may leave up to Sysco. Pat Lyons said he had not conversations with growers about the use of their farm name, and said no one had asked about it. This may suggest that growers either trust Sysco or have a disinterest in marketing.

Growers' Opinions of Sysco's Marketing. Most growers were fine with Sysco using their farm's name for marketing, and some believed it could help their farm. Two growers said it was a benefit for Sysco to use their farm's name to help market their products. "If they did (use our name) I'd say all the more power for it," Grower #13 said. "Anything we can promote it." Conversely, one grower believed that Sysco could sell more product from the positive reputation associated with their farm's name: "(Sysco) want(s) a local name. We've had some good publicity. So they're also using our name...people recognize it" (Grower #3).

Only one grower mentioned specifically that there had been discussions with Sysco about using the farm's brand or name in marketing. This grower described a conversation with Jennisch about using his farm's packaging to make it more obvious to customers that the product

was locally grown. The concern was more on differentiating the product for consumers to recognize it, however, than control of the farm name up the supply chain.

Of the growers who were unaware that their product was sold to Sysco there were mixed reactions when they learned that the company used their farm's name in marketing. One saw the publicity as beneficial so long as it didn't harm their farm in some way: "We don't deal with Sysco a whole lot so I guess I was kinda surprised to hear that (they used our name). But that's good, as long as it's not a negative thing" (Grower #11). Another grower sounded positive that he got publicity through Sysco, but acknowledged that Sysco was benefitting from his farm's reputation: "The worst thing is the publicity they get for using our name, but then the publicity I get for being in their flyer" (Grower #10). But one grower described Sysco's use of their name as "false advertising." Grower #12 did not see a benefit in having the company market their products when he did not have a relationship with the company. These mixed views suggest that more transparency could help to build buy-in and support on marketing from growers. The lack of some growers' awareness that Sysco markets their farms also challenges credibility on forming a value chain with growers.

Branding and Farm Reputation. There were two growers who also expressed some concern about their farm's name being attached to products sold by Sysco. Grower #14 sold a B grade product to Sysco for use in foodservice, but he worried about how it could affect his farm's reputation:

"When my buyers start to use, because of whatever the reason may be, if it's a price-driven reason, to where they start using a lower grade (product) and associated my name with that lower grade (product), I don't want that" (Grower #14).

The grower said he had conversations with Jennisch about where this product could be used, but he still seemed concerned that others would associate his farm name with poor quality.

In the other instance a grower initially worried that his product could have quality problems by the time it changes hands and reaches Sysco. This grower expressed his concern to Jennisch, who had a conversation with him to address these issues:

“(The grower) was concerned about how long his product, once it leaves the farm and when it gets to us. So he understands exactly the timing of when our orders are going to be placed, when he’s going to be harvesting that product, when he’s gonna be loading that product on a truck, and then the timeframe that you know, it’s going to be coming back to Sysco at that point in time” (Denis Jennisch, Sysco).

The discussion seemed to put the grower at ease that his product would be appropriately handled so that he felt more confident about using his farm name with Sysco.

Ultimately, growers have expressed little interest in how their farm name or information is used when selling to Sysco. Most growers were fine with it, and a few saw a direct benefit in marketing. But growers who are unaware of marketing do not have the opportunity to have any control at all over the use of their farm’s name – an issue that raises questions about the credibility of Sysco’s value chain. A few of these growers were apprehensive if their name was being negatively, and one grower even found it insincere that Sysco used his farm’s name without his knowledge. The challenge remains for Sysco and Walsma Lyons to reach out to growers who they are not in direct contact with to inform them about marketing their farm name, a challenge if a grower works through a broker/sales agent.

For growers who are in touch with Sysco, expressing concerns to Jennisch seemed to ease their mind about product handling through the supply chain. Jennisch also pointed out that if there was a problem with quality they would contact a grower and trace the problem, though he said that this was rare with growers. Overall growers’ control over some farm information is limited, suggesting that it is not an efficient way to even out power imbalances with more powerful supply chain actors—especially if growers are unaware that their brand is being used.

II. Fair Pricing

Another way to determine if economic benefits are shared with supply chain actors is to look at pricing in the supply chain. Value chain scholars suggest that buyers should commit to the “welfare” of others by offering fair prices which cover costs plus an adequate profit margin (Stevenson and Pirog 2008). Competitive pricing and bidding are thus less common in value chains (Bloom and Hinrichs 2010).

A. Fair Pricing: Sysco and Walsma and Lyons

Denis Jennisch has said on multiple occasions that Sysco Grand Rapids offers fair prices to growers (Colyn, Jennisch et al. 2009; Watson and Jennisch September 16, 2010). To determine a fair price Jennisch has visited some growers to ask about their cost structure:

“One of the things I ask a grower is what’s it cost to grow this product? Because we are concerned with making sure (small and medium size growers) are sustainable and they’re getting money, get their costs back out of what it grows. Because we have sometimes driven the market down so far that they’re not able to survive” (Denis Jennisch, Sysco).

Jennisch was amazed that some growers knew exactly how much it costs to grow a product, whereas other growers were not sure. He encouraged growers to “figure it out so I know is it affordable or can we make it affordable enough for our customer base.” This comment suggests that Jennisch experiences some tension between meeting a grower’s costs and offering prices that Sysco customers will accept to keep the company competitive. In the process of talking with growers about costs Jennisch learned that “small and mid-sized growers don’t have the scale of economies that a large grower has, so sometimes their costs are a little bit higher.” Jennisch may try to mediate that by paying slightly higher prices, partly out of a desire to keep these growers in business. But he also tries to connect growers with resources to make their operations “more sustainable.”

“If (growers) currently do not have the practices in place to be competitive in their growing practices, we most certainly want to help them, point them in the right directions

that somebody might be able to help them improve their operations. And that's through the university ag departments or somebody in the business that can help them understand, how can I improve my operation if they truly want to open up their markets to a wide range of customers" (Denis Jennisch, Sysco).

Jennisch's comment suggests that investing in higher prices for small and mid-size growers is not a long-term strategy for Sysco. Growers are encouraged to invest in new practices or network with other successful businesses to make them more competitive and to lower their costs. For example, Jennisch connected a grower exploring doing business with Sysco and one an established Sysco grower to see if the new grower could learn cost-saving strategies. He also tried to connect one grower with Michigan State University to help them "figure out seed varieties" to improve their operation. In this way Sysco is helping growers to possibly reach more markets by lowering their production and transaction costs. This approach can be seen as an investment in the longer-term earning potential of a grower, but it also serves Sysco's interests in keeping costs down for their customers.

While Sysco has discussions with some growers about their cost structure, prices are still largely set by the market. The ordering process for Sysco is generally as follows: Walsma Lyons sends Sysco a weekly pricing sheet; Sysco orders product; Walsma Lyons contacts growers with orders; and payments from Sysco come through Walsma Lyons to growers. Pat Lyons explains how pricing is determined with growers:

"It's pretty much what the market is... We pretty much kinda check around to see what other people are quoting. Sometimes we may be a little bit high, sometimes we may be a little bit low. But for the most part we pretty much have a feel for what the market is. And you can pretty much tell weather is a big factor... So, basically it's the supply and demand factor will always come into place. And it's not gonna go away" (Pat Lyons, Walsma Lyons).

Using supply and demand to set prices is, "still the way to do commerce in items," argues Lyons. He acknowledges that there are times when there is a glut of product on the market, and growers

“take a hit,” which he says is too bad because they’re still working just as hard. “For the most part it pretty much takes care of itself,” he said, “because some of these farms have been around a long time.”

Lyons’ comments suggest that Walsma Lyons treats growers more as arms-length suppliers because pricing is based on supply and demand. However, Lyons argues that grower costs are incorporated into pricing, which suggests a more partner-like mentality with growers:

“What we’re *trying* to do is trying to keep the good growers in business. You can’t sit there and nickel and dime ‘em. They’ve got kind’ve a fixed cost, and they have a very short season. In order to keep these family farms working they have to have a good return on their investment. And Denis is very much aware of that, which is nice” (Pat Lyons, Walsma Lyons).

It is a fine line between paying growers prices that are with the market and paying growers prices that meet their costs with a profit built in. But the two are not necessarily mutually exclusive. Growers determine if they’re going to sell at market prices, and most will factor in their costs and add a little more to make a profit.

Fair Prices for Walsma Lyons. Growers are not the only ones that need to earn a fair price. Walsma Lyons as a “middleman” must sell to Sysco at a price that covers growers’ costs, and their own costs to earn a profit. This process is sometimes complicated. Lyons sends Sysco a weekly pricing sheet so they can inform their customers of prices and make orders. “(Sysco) puts (prices) in their books and their sales people, instead of flopping around from day to day, they know pretty much for the week what the pricing will be when they go out on the street to sell,” Lyons said. But the market may change during the week, causing prices to rise from what was originally quoted to Sysco. Lyons acknowledged that “there are times when stuff gets pretty tight, but we’re committed to a price. But our main goal here, our main responsibility is to make sure that (Sysco) (is) supplied on a day to day basis of whatever they need.” Walsma Lyons may

also occasionally “take a hit” to ensure that Sysco is supplied, just as growers may occasionally take a hit on price.

Jennisch understood that this could occasionally happen, and encouraged Walsma Lyons to remember their bottom line as well:

“In asking some of the things that I’ve asked (of Walsma Lyons) in the past I always caution them with make sure that it’s sustainable...If I ask you something make sure that it’s not going to affect your business, that I’m going to put a huge increase in your expenses and you can’t get a return on those expenses” (Denis Jennisch, Sysco).

This comment suggests a partnership mentality between Sysco and Walsma Lyons and a shared commitment to each other through pricing that looks out for the welfare of each others’ businesses. However, there is some tension between Sysco’s commitment to fair pricing for growers and their need to stay competitive and to keep Walsma Lyons profitable.

B. Fair Pricing: Growers

Growers agree that their pricing is determined by market forces. Almost all growers said that pricing was set by supply and demand. Some said that keeping their prices near the market is important in order to move their products. “You can tell when you’re priced too high because you’ll stop moving stuff,” said Grower #5. “I mean, your stuff will just not move.” Growers learn what the market is doing—it usually changes twice a week—and then determine their prices, trying to build in a reasonable profit. These prices are sent weekly or bi-weekly to Walsma and Lyons depending on how often the market changes. As one grower put it, “we price produce two times a week. It’s like *gas (laughs)*; it fluctuates so much” (Grower #5).

When asked how he negotiated price with Walsma Lyons Grower #5 explained, “I just take a guess and figure this is what the market’s been, and I’ll try to hedge mine up a little bit, you know, 85, 35 cents. I’ll fax Walsma a price sheet...And they either call me and say, *that is way out of line*. And then we have to adjust something from there.” Grower #15 went through a

similar process: “I set prices for our product, guideline prices on Mondays and Thursdays...If Walsma likes my price they’ll call me, give me an order...You take what we’re gonna get paid,” he summarized. Growers have some control over how much they set their prices at, but Walsma Lyons may try to negotiate a price down if they don’t think they can make a profit on it when it is resold to Sysco. Having a “middleman” in the supply chain can thus occasionally lower prices paid to growers.³⁴

For the most part, growers were satisfied with the prices paid by Sysco and Walsma Lyons. One grower felt that Sysco paid very well: “The returns you get are on the upward end of it,” said Grower #13. Pricing was “very, very fair” according to Grower #3. And Grower #14 indicated that negotiating prices with Sysco was never an issue because he set the price and Sysco honored it. “I never got into the fact where Denis has said oh, that’s too much money,” he said. However, he specified that he made sure he kept his prices within the industry average. Another grower agreed that he was able to set his prices: “We are not the only one that grows these types of products, and Sysco is accepting the price that we have quoted them” (Grower #4).

Several growers also acknowledged that they had to keep themselves priced at a point where Sysco could sell their products with a mark-up to their customers. This attitude suggests a partnership mentality. “Basically we want a little more than (Sysco) can get from (state), but you can’t price yourself out of the market either,” said Grower #3. “If (Sysco) work(s) on 11% or 30% mark up we have to understand that part, too. That they have to be able to handle it, ship it, and control it.” Another grower agreed that they had to be competitive for Sysco to be able to market their product: “We know that we have to charge the right price to Sysco so that they can

³⁴ This is one reason why direct marketing from growers to consumers earns higher prices for growers.

put on their margin and distribution costs and get it to their customers at a reasonable price to entice them to purchase” (Grower #4).

Price Issues with Growers. However, the tensions that occasionally occur between Walsma Lyons and Sysco on pricing are sometimes experienced by growers. Some growers had problems with the way that Sysco negotiated price. In one instance a grower entered into conversations with Sysco that did not work out because they felt that Sysco was not willing to pay them for their product:

“(Sysco) wants the best local (product) they can find, but they want it for the cheapest price they can get it for as well. So they are looking to cut back on the cost, and it comes to a certain point where if we’re not going to make money we’re not going to sell it. It’s poor business practice to sell something for a loss...They’ll substitute quality to keep a couple extra bucks in their pocket” (Grower #7).

This grower emphasized that for a regular buyer and “good customers” they may be willing to sell at cost, but otherwise they would not sell below cost. He was skeptical of why Sysco was not willing to pay them a fair price, and believed it was for their own financial gain.

Another grower had negotiated a price with Sysco that he felt satisfied with, but felt that Walsma Lyons would not honor that price. “(Walsma Lyons) said that’s too high, ‘cause he couldn’t make a percentage off what he was handling,” Grower #2 said. Ultimately, sales between this grower and Sysco stopped, partially because of pricing conflicts.³⁵

Another grower who was a regular supplier to Walsma Lyons said that while a steady buyer, Walsma Lyons would buy from somewhere else if it were cheaper:

“If they can buy whatever cheaper from another grower they’re gonna do it...I can’t blame them. But that’s where the ‘you stick with me, I’ll stick with you through thick and thin,’ you know. And so I guess I would like not to get dropped for 50 cents. If they can buy it for 50 cents cheaper somewhere else they’re going to, and that would be nice if that didn’t happen” (Grower #15).

³⁵ Although this grower was also not GAP certified, which contributed to the end of the sales relationship with Sysco.

The pricing concerns described by growers suggest that Walsma Lyons and Sysco have a “buy and sell”³⁶ mentality with some growers. If costs are too high for Sysco or Walsma Lyons to make a profit that may be experienced by a grower as no sales. While only three growers said they experienced “buy and sell” from Sysco or Walsma Lyons, this strain reflects the thin profit margins occasionally experienced on some products up the supply chain. It also suggests that growers suffer the most when their costs are higher because they may be passed over by Walsma Lyons or Sysco—they can choose to buy from a cheaper grower.

Are higher grower prices correlated with farm size? While Jennisch says this is sometimes the case growers who lost sales to Sysco over pricing problems were from small, mid-size, and large farms. However, two of them grew the same product, suggesting that some profit margins may be thinner than others because Sysco’s customers have a set limit on what they are willing to pay for that product.

C. Fair Pricing: Suppliers

Sysco’s suppliers generally took the same approach as growers and priced based on the market, which fluctuates throughout a growing season based on weather and other factors affecting quality. Broker/Sales agent #1 explained how the market sets prices, and emphasized the lack of control a grower has over this process:

“Generally speaking Mondays and Thursdays a new market price on every commodity will come out. That market price is decided basically by all of the grower/shippers and salesmen...And this is all very vague, nothing written in stone type of thing. But on Monday and Thursday mornings we all talk. We all see kinda what each other have, what kind of volume is around, what kind of volume is anticipated and come up with prices for everything. So the grower has no control over that, *at all*. It’s a collective decision...So the farmer cannot, although some of them still think they can (*laughs*), the farmer cannot designate a price. You have to go with what everyone else is doing is the most simple way to put it” (Broker/Sales agent #1).

³⁶ “Buy and sell” refers to buying at the cheapest price.

Broker #2 added that “at times (mostly) the customer is in control...if markets are tight and supply is short the grower is more in control.” Growers are thus mostly price takers in market-based pricing unless the market swings in their favor. This position is not necessarily conducive to fair pricing, as markets can put a grower at a disadvantage.

Shipper/Packer #1 acknowledged that on rare occasions when the market is really poor “we give money away” to help growers. He explained that “if it gets so bad we may give up some of the storage and we may give up some money, because we realize we have to keep our suppliers in business. Otherwise it’s only a couple years and we’re not in business” (Shipper/Packer #1). “Giving up money” refers to forgiving growers on storage so that they can at least earn back their harvesting costs. This comment suggests a partnership mentality between this supplier and his growers based on interdependence, and a commitment to do whatever he can to make sure that they are all profitable.

All broker/sales agents and shipper/packers said that they sell based on supply and demand. They will start with costs and try to earn as much as they can on a product. If prices fall they will notify a grower to see if they still want to sell, as they may lose money. Shipper/Packer #3 said, “if the price gets so low that we know that they’re not making any money we’ll tell them, and they’ve got the option of whether to sell it or not.” Broker/Sales agent #2 agreed: “Growers may impose a bottom price we try not to sell below. We go with what the market brings and try to get a high price.” It is in their best interest to try to sell high, as most broker/sales agents make their money by charging a percentage on the gross sales at the end of a growing season.

Suppliers agreed that Walsma Lyons and Sysco paid based on the market, but overall said they were satisfied with pricing. Processor #2 said that Sysco “pays good.” Broker/Sales

agent #1 felt that Walsma Lyons was easy to negotiate with: “They don’t complain about price as a lot of these people do to put an extra buck in their pocket. They’re not like that.” These comments suggest that Sysco pays closer to the upper end of the market.

III. Strategic Partnerships

In value chains supply chain actors are partners in a strategic alliance. They emphasize cooperation and a commitment to each other’s businesses, and may jointly solve problems. Information is shared openly because of greater transparency across businesses. This type of relationship is different from a traditional supply chain where actors treat each other as interchangeable and have arms-length relationships. The commitment and cooperation of partners helps them grow together and can lead to success, which is a social benefit to actors in the supply chain. This section reviews how elements of partnerships are expressed in Sysco and Walsma Lyons’ relationships with each other, and with growers and suppliers.

A. Partnerships: Sysco and Walsma Lyons

Sysco and Walsma Lyons exhibited many elements of a strategic partnership with each other that were evident in interviews with both Denis Jennisch and Pat Lyons. They shared the goal of selling locally, engaged in joint problem solving, communicated regularly, and saw their businesses as interdependent. Both Jennisch and Lyons described their relationship as a partnership. Jennisch talked about Walsma Lyons’ commitment to Sysco’s success:

“(Walsma Lyons’) job is to make Sysco successful along with some other companies that they work with. And they’re always willing and looking at ways of how can we get this accomplished...so they’re very open to different ideas... It truly is a partnership with a supplier that, ‘here’s what my needs are,’ and we talk about how can we accomplish this, and we continue to overcome those hurdles” (Denis Jennisch, Sysco).

Jennisch described how Walsma Lyons goes above and beyond what they would normally do to meet Sysco’s needs including tracking growers’ food safety certifications, repacking for growers

to meet Sysco's requirements for foodservice-size packaging, and working with multiple smaller growers to aggregate product. When he asked if they could expand from the commodities they normally buy from larger growers to other products, Walsma Lyons accommodated. They also help to solve problems. For example, Walsma Lyons helped come up with a solution for a grower who didn't have a packinghouse. The grower ships product in crates to Walsma Lyons, who then repacks it into sizes accepted by Sysco.

Pat Lyons agreed that their company's primary objective was to supply Sysco and see to it that they are successful. Their dedication to Sysco is rooted in Sysco's commitment to them. Lyons said that Sysco used to have a buy and sell mentality which focused on paying the lowest price for a product regardless of origin. If another company was priced cheaper than Walsma Lyons for a product Sysco would buy from the other company. Sysco's new approach to sourcing Michigan product has driven their decision to work exclusively with Walsma Lyons. Lyons explained:

"It used to be Sysco, the buyers would say, well, this guy is this much, you are this much, we are gonna buy from the cheapest guy, even though it's still in the homegrown realm. See, but now, we do more what we call partnering... So they pretty much give us the peppers and the cukes and all those items, basically 100%" (Pat Lyons, Walsma Lyons).

It may seem one-sided that Sysco asks Walsma Lyons to accommodate its needs, but the reliability of Sysco's business has helped Walsma Lyons carve out a niche for itself as a supplier of Michigan products for Sysco Grand Rapids. They are now seeking to partner with other Sysco branches as a local produce supplier. Their success is tied to Sysco's success. Both Sysco and Walsma Lyons believe that they are in a partnership to carry out the Buy Local, Sell Fresh program, and they rely on each other to make it successful.

B. Sysco, Walsma Lyons and Relationships with Growers

In contrast, Sysco's relationships with growers are complex and multi-faceted. While some can be described as partnerships, others are more like arm-length relationships typical in a traditional supply chain. Growers are more likely to be in a partnership with Sysco if a grower makes their own sales; those that use brokers are less likely to have a relationship with Sysco, or even to know that Sysco purchases their products. Growers of items less in demand may do business with Sysco occasionally but not enough for Sysco to establish relationships with them.

Grower Commitment. If Sysco forms a partnership with a grower it commits to them and will buy from them regularly so long as they fulfill Sysco's requirements for quality and food safety. Now Sysco is committed to specific growers for specific products. "If we start this partnership we're not going to leave (the grower) because somebody else comes in and offers us this same product line for so much less a pound," Jennisch said. "We value that partnership."

However, as noted earlier one grower expressed that they are occasionally passed over by Walsma Lyons if they are priced slightly higher than another grower. This suggests that Walsma Lyons may occasionally use a buy and sell approach themselves with some growers, possibly if the market is tight and they are struggling to make a profit off a product. In this sense Sysco's verbal commitment to growers may not always be honored by Walsma Lyons.

Sysco's partnership with growers involves maintaining relationships with them despite issues with product quality. Both Sysco and Walsma Lyons are committed to working with a group of growers for most of their supply. But quality issues are common in the fresh produce industry, and Walsma Lyons needs flexibility to move to other growers if a product has problems. However, Sysco's partnership with some growers has resulted in Walsma Lyons finding new ways to work with growers. In one instance Pat Lyons described how a grower was

having quality problems with his #1 product. Lyons had to stop buying that product, but they remained committed to the grower:

“I was buying more number two stuff, which is cheaper... So between Denis and I we kept (the grower) in the game. Not 100%, but we kept them in the game. In years past before Denis ever came along they'd of just cut them out completely. *Boom*. Just source everything out of (state), get it here, and we go on” (Pat Lyons, Walsma Lyons).

Sysco would have normally left this grower and gone to a different supplier, but because of their commitment they worked together to find a solution to maintain the partnership.

Sysco also shows a partnership with some growers by visiting their farms. Jennisch has visited about half the growers they buy from to establish relationships and to let the grower know that they are committed. “(I) just get out there and make sure that I keep that connection so that they know that we are a true partner out there,” Jennisch said. Conversations cover a range of topics including Sysco’s needs and requirements, working with Walsma Lyons, packaging, transportation, products, and volume. It’s also an opportunity to communicate with a grower openly about things such as cost structure and pricing, a sign of transparency between the businesses. In some cases growers discuss pre-season planning to anticipate Sysco’s needs for certain products (although more growers wished to have this discussion than had it). By visiting farms Jennisch creates a line of communication with growers that is at the base of their partnership.

Partnerships Limits. There are a number of factors that limit relationships with growers, however. Farm visits are demanding on Jennisch’s time. Sysco’s base of growers is expanding, making it more challenging for Jennisch to go to farms and to establish relationships with growers. His first priority is to visit their “consistent growers” each season to maintain these relationships. He will also visit new growers to build those partnerships. Given Jennisch’s limited time he said it is unnecessary to visit some growers if Walsma Lyons already knew and

felt comfortable working with them. Jennisch trusts Walsma Lyons to establish partnerships with these growers who had already been supplying to them.

In addition, maintaining communication with all of Sysco's growers can be a challenge. Walsma Lyons is in touch with growers more regularly than Sysco, and Jennisch relies on them to communicate with growers throughout a season. Growers may not feel comfortable or knowledgeable about how to approach Sysco to talk about other issues (e.g. irregular or small orders from Walsma Lyons).

Sysco's requirements for Michigan product may also put Walsma Lyons in a position to source a product without forming a relationship with a grower. It can be challenging to find a Michigan-grown product in the right volume that meets Sysco's requirements for food safety and quality; in order to keep Sysco supplied Walsma Lyons must try to find Michigan products wherever they can. In some cases Walsma Lyons buys Michigan product from broker/sales agents or shipper/packers and does not necessarily form relationships with the growers who supply to them. If Walsma Lyons has an arms-length relationship with a grower it is more likely that Sysco will as well.

When asked about forming partnerships with these arms-length growers Jennisch was open to the idea: "If they felt that they needed a relationship or wanted to understand who the end buyer was, most certainly I would want to go out and meet the grower and talk to them and maybe give them some comfort in here's where your product's going." This comment suggests that the burden is on the grower to form a relationship, but transparency issues may make this impossible. Still, Jennisch suggested that there are some growers who do not want partnerships with buyers when they elect to sell through a broker:

"Basically it's a grower saying I'm gonna sell you, you're my agent, you move my product for me. I don't care as long as you sell my product, I don't care where it's going

or who it's going to. He's just concerned with moving the volume that he has" (Denis Jennisch, Sysco).

Sysco is willing to form partnerships and relationships with growers, but there is an impression that growers must meet them halfway and be interested in forming those relationships, too. This may or may not be the case with growers who sell to broker. A number of growers who sold to broker/sales agents were interested in where their products were sold, whereas others were less interested. Growers may have no way of knowing where products go unless an end buyer contacts them, as not all brokers share sales information.

Finally, Sysco did not seem interested in forming partnerships with growers who supplied shipper/packers and brokers that sold to Sysco, especially if they grow low-demand products. Jennisch argued that in some cases consumers care more if a product is from Michigan than about the identity of a grower:

"I think there's key items that customers really want to know where this product's coming from. There's some maybe other items...a turnip is a Michigan turnip, and they really don't care...The value of letting them know more about the grower is there, it's nice, but all they're concerned about now, and I think the biggest push is that it's Michigan grown. And then if they are concerned about who that grower is, we most certainly can help them, or tell them and show them in our shows who that grower is and put a face to it, a name or a face to the product" (Denis Jennisch, Sysco).

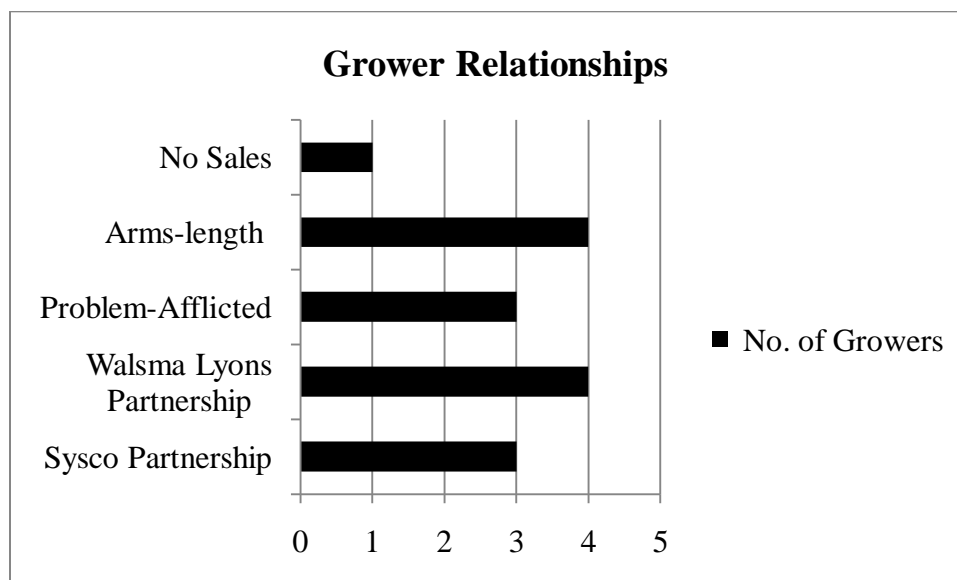
In this circumstance Jennisch is suggesting that not all products are deserving of forming a relationship with the grower unless customers demand to know the grower behind a product. However, this comment indicates that there are limitations to how many partnerships Sysco can form with growers. Jennisch cannot go to all farms and meet all growers that Sysco buys from – there are simply too many farms that sell product to Sysco. Growers that sell to Sysco through processors, shipper/packers, and broker/sales agents (at least 135 growers) are too numerous to realistically form become strategic partners, and arms-length relationships may be more appropriate. However, if the company specifically promotes a grower by name they may

consider forming a relationship with that grower, or at least establishing communication to inform them that they are part of a marketing strategy to increase transparency in the supply chain.

C. Partnerships: Growers' Perspectives

There are four types of relationships between growers and Sysco. One group is in partnership with Sysco, where there is full communication across the supply chain. This group may be considered Jennisch's "consistent growers." Another group is in partnership with Walsma Lyons; communication with Sysco is largely mediated through them. The third group experienced challenges with some aspects of a partnership, mainly transparency and commitment issues. The fourth group is treated as arms-length suppliers and has no relationship with either company. Finally, there was one grower who doesn't really fit in a group. He was in discussion with Sysco and Walsma Lyons, but was not able to sell to the company because their farm decided not to do a food safety audit. These relationships are shown in Figure 5.2

Figure 5.2: Grower Relationships with Sysco or Walsma Lyons



Sysco Partnership. The first group of growers includes three who are all relatively new to selling to Sysco (within the past few years), and who all had relationships with Denis Jennisch. These growers had partnerships characterized by open information sharing, a commitment to each other's businesses, and joint problem solving. Grower #4 had the most exemplary value chain partnership with Sysco and Walsma Lyons. He described his interdependence with Sysco in terms of a partnership:

“Any good business relationship is only good if it works for both parties involved. It has to work for me. It has to work for Denis and his company, and if you don't have that relationship where it's mutually beneficial for both parties then the relationship's not going to go anywhere” (Grower #4).

Grower #4 had dedicated product to supply Sysco to ensure they were always stocked: “Even in the event that we have to plant more product than we think we can sell and guard a portion of that product. We are willing to do that because we feel that the growth potential is out there,” he said. There was also a high level of communication with Sysco. Grower #4 had been to the Sysco office multiple times to talk about how to work out the marketing relationship and to plan for the upcoming season. He understood how orders are made down the supply chain. Also, the grower engaged in joint problem solving with Sysco to overcome a scenario where they were shipping product to Sysco through a Sysco competitor. Grower #4 saw both Sysco and Walsma Lyons as integral to the future of their operation. “Dennis and Pat are really the key to our ability to expand beyond our local market,” he said. Through both companies he was planning to expand to more Sysco branches in other states.

Grower #3 also described open communication with both Sysco and Walsma Lyons. For example, he knew how much his product was being sold for along the supply chain, which he said was rare in the fresh produce business. While Grower #3 had a lot of communication with Sysco he viewed them as the end user and relied on Walsma Lyons to help navigate Sysco's

structure. “There’s a lot of layers at Sysco,” he said. “And I think we’re cutting some of that out by working with Walsma Lyons.” Grower #3 also experienced joint problem solving with Sysco. He had some challenges in growing some products that Sysco requested, but they were able to communicate to find solutions for other products to grow. He also showed loyalty to Sysco when he was approached by a customer at a Sysco food show who wanted to buy directly from him. The grower turned him down. “I’d rather be up front with Sysco,” he said.

Finally, Grower #8 was in more of a new, tentative partnership with Sysco, but one characterized by lots of open communication. Jennisch came to their farm, and the grower visited him at the Sysco office. Grower #8 had talked to Sysco about pre-season planning and using the farm’s packaging for Sysco orders. In addition, both the grower and Jennisch shared a deeper value of a commitment to Michigan agriculture, and the grower felt a stronger bond because of it: “Some buyers I would say, the majority of buyers, all they really are concerned with is price, quality, and service. Where this situation... (Sysco is) one of the buyers that also consider where it’s grown. That’s what makes this relationship a little more unique. At the same time a little bit more exciting, too” (Grower #8). This grower understood that the relationship was still forming but felt that there was a lot of promise as it was developing into a partnership between the farm and Sysco.

Walsma Lyons Partnership. In the second group there are four growers who are in a partnership with Walsma Lyons with limited contact with Sysco. These growers described Walsma Lyons as committed to working with their farms through a problem without jeopardizing future business. If a quality issue arises Walsma Lyons won’t just “kick” a shipment back to a grower; rather, they have a chance to fix a problem. In some cases Walsma Lyons staff will go to some farms to inspect product quality, as was the case with Growers #13 and 15.

Another grower commented on the level of commitment that Walsma Lyons had to their farm and compared that to other more tenuous buyers:

“If we send (a product with a problem) to Walsma, we’re not going to lose them as a customer. A lot of places you send them one load of stuff they don’t like they’re going to turn around and start buying somewhere else. Walsma on the other hand, we have sent them something that they ended up rejecting because it didn’t look good and they send it back. We look at it and say, yeah, this kinda looks like crap. You know, but that’s where the relationship comes in... You know, the relationship is good enough, they know we’re growing good produce, and they know we’re not intentionally trying to send anything bad out to screw them or just to make a buck or anything. They understand that. And that relationship obviously comes into play there. Because, you know, you send one bad load of (product) to (retailer), they may not buy for the next month” (Grower #7).

These growers’ comments suggest that Walsma Lyons’ commitment to their farms created a stronger bond with them and a loyalty to their company as a result.

In turn Grower #15 expressed an especially strong commitment to Walsma Lyons. For example, if he was anticipating weather problems he would notify Walsma Lyons and would take extra steps to see that they were supplied for Sysco. Grower #15 even described his partnership with Walsma Lyons as if they were an extension of the farm:

“We know this order’s going to Walsma. I know it’s not going to sit in their cooler for a couple a days. If there’s gonna be an issue I know about it the same day. It’s an open relationship. Like (other buyers), we deliver everything on our own trucks, with our own employees, we’ve got control over our product all the way to the end. But with Sysco although we lose control of our product after we drop it off at Walsma, it’s almost like we still have control of it. We know that that product is gonna get cared for. It’s gonna get delivered in a timely manner. And if any issues do arise they’re going to arise now and not three days from now” (Grower #15).

This comment suggests that the grower trusts Walsma Lyons to handle a product appropriately, exhibiting a sense of trust between the businesses that led to greater stability in the partnership.

Grower #6 also had a close relationship with Walsma Lyons. Their relationship “really almost couldn’t be better,” he said. “Of all the people we work with they’re probably our favorites.” Grower #6 explained that Walsma Lyons was loyal to them and would work with

them through a problem. For example, if there is damage to a crop they can quickly work it out with Walsma Lyons to replace the product the same or next day. The grower also sold #2 product to Walsma Lyons when their #1 product had a problem. Sysco had been to the farm to meet the grower, and they had open discussions about Sysco's needs and the farm's capacity. "We now know what they expect for size and color and packaging," Grower #6 said. "And we're trying to accommodate (Sysco) in any way we can."

Transparency with Sysco. Yet despite the high level of commitment between growers and Walsma Lyons, growers in this second group described some minor transparency issues in the relationship. Growers were generally looking for more information about how to better meet Sysco's needs. For instance, Grower #15 is not in direct communication with Sysco, and he wondered if he was meeting Sysco's requirements exactly. He would like to hear about any special promotions that Sysco is trying to run, or if they need a specialty pack, because he could help meet their needs and potentially help out with marketing. Yet he is unaware of Sysco's needs beyond what Walsma Lyons communicates to them. Also, he would like Walsma Lyons to communicate more with Sysco about what crops are coming on: "In the best case scenario they can call Sysco and say, listen, let's drop the (product) price down a dollar and let's try to get some more volume moving. That's the best case that's what happens. That's sometimes not always" (Grower #15). This also suggests that when growers need to move product Walsma Lyons may not be in the best position to help because purchasing decisions are determined by Sysco.

Other growers agreed that information sharing could be improved. Grower #13 spoke about the lack of pre-season planning with buyers like Walsma Lyons, and wanted more visionary thinking so he is not responding but planning for their needs. Having more direct

communication with Sysco could help do this, he said. In the case of Grower #7 transparency was a bigger issue as he was unaware that Sysco was buying their product from Walsma Lyons. This grower worked through a broker to sell to Walsma Lyons, and it possible that this information was not shared along the supply chain. Finally, Grower #6 did not know how much his product was sold for to Sysco, and he was unsure of exactly how much of his product went to Sysco from Walsma Lyons. Open discussions on pricing and where his products are sold could help achieve transparency, which may help the grower in making business decisions.

Problem-Afflicted. The third group included three growers who had formed relationships with Sysco, but the relationships experienced challenges that interfered with forming a stable partnership. In these situations transparency and communication were issues that affected the relationship. All three growers said that they used to sell directly to Sysco and were satisfied with the relationship because of direct communication with the company. But that arrangement changed “suddenly” when Sysco began working through Walsma Lyons. Problems began to occur. Two of the growers did not understand Walsma Lyons’ role in the supply chain, which created some mistrust. “I don’t know what kinda a deal Walsma’s got with Sysco,” Grower #2 said. “He didn’t explain to us, Denis didn’t, what they were doing.” Grower #14 even speculated that they could be engaged in an illegal activity because he didn’t understand how finances were structured.

There were communication issues with these two growers over coordinating transportation. In several cases trucks showed up at the farms and left partially full or empty because the grower was either not aware of an order, or hadn’t been given enough time to fill an order from the time it was placed to pick up. While growers may have had inventory ready in

most cases to put on the trucks, Sysco requested certain products that were problematic for the growers to quickly procure because they did not regularly stock them.

Grower #5 also wondered about product handling with Walsma Lyons. This grower was uncertain over how Walsma Lyons was handling a product. “The biggest thing I worry about is if they’re sitting on stuff too long,” he said. He worried that his product would not arrive at Sysco in its best form. He also was unaware if other buyers were buying from Walsma Lyons, and worried about them sending the wrong grade of product to non-foodservice buyers. He also said was unsure how much product actually went to Sysco or if all of Sysco’s orders for a certain product went to him or not.

All the growers that experienced problems felt that involving a “middle man” limited communication with Sysco. None were sure if they could talk directly to Sysco about the issues they were experiencing with Walsma Lyons. “The lack of communication and the lack of contact is very not typical. It’s probably very poor,” Grower #14 said. This grower felt that it was too complicated to try to communicate with Sysco through Walsma Lyons, and described them as “muddying the waters.” “I haven’t had any conversations with Walsmen and Lyons (sic) because I had no idea what they did,” he said.

In addition to these transparency and communication issues, two growers described activities that could be considered a lack of loyalty to Sysco. Denis Jennisch indicated that he would like growers to commit to Sysco and not sell to their competitors. However, this was the case for one grower who sold a lot of product to a Sysco competitor. He was worried that Sysco would drop business with them if they found out; suggesting that transparency is blocked when one party fears the other will sever the relationship. For some larger growers this is especially a

challenge, as they have a lot of product, and Sysco buys a very small percentage of it. Expressing loyalty to Sysco could cut off other markets for their products.

The other commitment issue took place when a grower had attended a Sysco food show and mentioned that he had been approached about selling directly to a Sysco customer. The grower seriously considered it, but was not able to figure out how to make the logistics work. These actions suggest a lack of loyalty to Sysco.

Ultimately, these partnership challenges have had an effect on these growers' relationships with Sysco and Walsma Lyons. In one case Grower #2 no longer sells to the company, although this is also partly due to the grower's failure to undergo a food safety audit required by Sysco. In the other cases growers' sales dropped over the past couple years. All the growers wanted to increase sales to Sysco, and one wanted to sell more to Walsma Lyons, but overall they were not sure how to do that or how to improve communication.

Arms-length Relationships. The fourth group included four growers who sell through brokers and have no relationship with Sysco or Walsma Lyons. They were unaware that their products were going to either company. This lack of awareness suggests that there are some transparency issues somewhere along the supply chain where information about buyers is not being shared. However, these growers were generally comfortable leaving sales up to their brokers. All had invested in long-term relationships with their brokers, some stretching back 40 years. Many have built their businesses alongside dedicated brokers and see them as business partners. "My father was a grower for (broker), so you tend to, as long as the relationship is good you stay there and don't look for somebody else to be your broker. So we continue to stay there," explained Grower #9.

The issue that arose for some of these growers was that they were being marketed as a Sysco supplier without having a relationship with Sysco. The personal information shared about these growers on Sysco flyers and ads may lead one to believe that this relationship existed or was approved by the grower, when this was not the case. Some may question if Sysco is benefitting from this marketing at the grower's expense, while the grower did not perceive any shared benefits. Greater transparency with this group of growers could help Sysco to avert that claim from occurring.

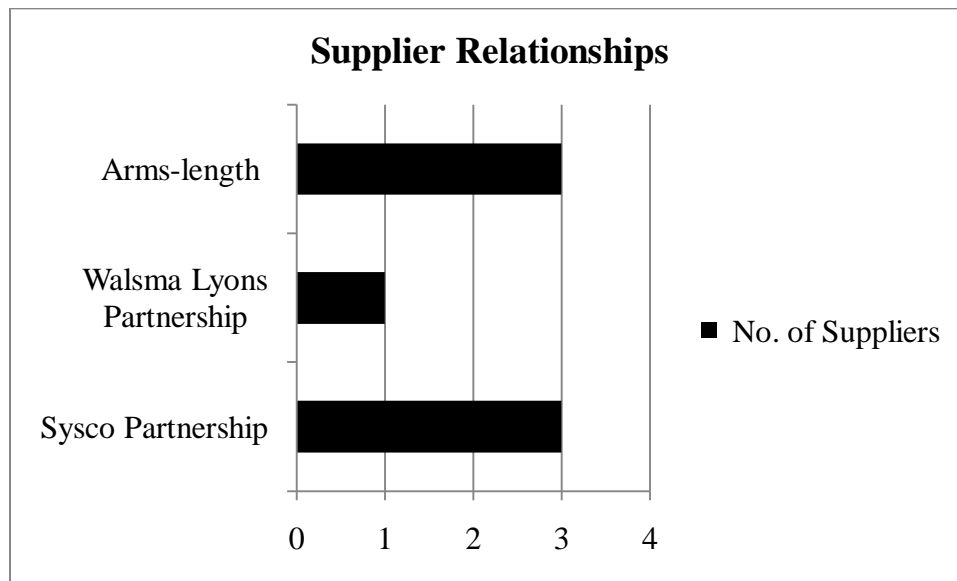
The wide diversity in relationships that Sysco and Walsma Lyons have with growers suggests that those who have direct communication with Sysco are the closest to a value chain partnership. Growers who sell to Walsma Lyons and have no real connection to Sysco recognize that Walsma Lyons is committed to their business, although some transparency issues remained for some. Resolving these issues could lead to more opportunities for these growers to do business with Sysco. The group of growers that exhibited some issues with a Sysco or Walsma Lyons partnership did so for various reasons, but lack of transparency and commitment were among them. Finally, there was a lack of transparency with growers who did not know they sold to either Walsma Lyons or Sysco.

The significance of strong or weak partnerships is that they can affect the nature of business relationships. Business runs smoother when communication is good and information is flowing across supply chain actors. Loyalty increases trust between businesses, which leads to more transactions. Overall, growers who had strong partnerships with Sysco were more likely to see growth in sales or the potential for growth than those with weak partnerships. Two growers that were especially dedicated to Walsma Lyons also saw sales growth. Solving transparency issues may lead to steady growth and more stable business transactions for all actors.

D. Partnerships with Sysco Suppliers

Among the seven Sysco suppliers there are a variety of relationships with Sysco and Walsma Lyons, shown in Figure 5.3.

Figure 5.3: Supplier Relationships with Sysco or Walsma Lyons



Sysco Partnerships. The two processors in this study said that they felt a partnership with Sysco, as these companies were growing as part of Sysco’s plans to expand the Buy Local, Sell Fresh program. Processor #1 had developed a close relationship with Sysco. He discussed his company’s commitment to them by saying that they want to make sure the “program works for Sysco.” Further, he credits Jennisch for being a leader in buying locally and for “looking to help the local people.” There is a broader sense here of a relationship with the company based on shared values and respect.

Processor #1 also exhibited a commitment to Sysco by creating a product line that meets Sysco’s needs including sourcing, processing, and labeling Michigan product for Sysco. This arrangement is unique to Sysco, and the company was not willing to extend it to other buyers

outside of Sysco operating companies. Denis Jennisch recognized that what Sysco was asking the processor to do was unique and said it incurred extra costs:

“If I ask my (product) processor... to process only Michigan (product), it’s a separate run for them. They have to shut down the line, they have to make sure that all the sanitation is done on it, and then they’ve got to run that product specifically for Michigan product. So there are some things that it’s not something that’s done very easy, but we are working to get those things done with growers here” (Denis Jennisch, Sysco).

Finding the right supply and quality of product are also challenges that Processor #1 faces. But both Jennisch and the processor say they are committed to finding a solution together. It is part of the processor’s long-term strategy to add more Michigan (or regional) products and to expand and work with other Sysco companies. Processor #1 recognized that the program has “worked out well” for “both entities,” suggesting a partnership mentality by acknowledging mutual success for each company. Jennisch also described the processor as a partner. “They’re willing to do things for us,” he said.

Processor #2 also exhibited elements of partnership with Sysco and described their relationship as “confident in each other.” He anticipated a large growth in the number of cases sold in the coming year, and was looking to expand his business through Sysco operating companies around the United States. This expansion strategy demonstrates his loyalty to Sysco by excluding Sysco’s competitors:

“From there we want to go to Chicago, and what we want to do is go regional, then nationally through Sysco rather than U.S. Foods and some of the others, because they all compete and they don’t like you to sell one of them and then the others. And hey, so long as it’s working with them we’ll stay with Sysco” (Processor, #2).

While this comment shows the processor’s dedication to growing his company through Sysco and committing to their success, there was a tenuousness regarding the future. The processor was cautiously optimistic that expansion would be possible but at the time of the interview was not yet sure what would be possible.

Finally, Shipper/Packer #2 can also be described as being in a partnership with Sysco. This company worked with Sysco for many years and was steadily increasing the number and types of products sold to Sysco. Although representatives from neither Sysco nor the shipper/packer had visited each other, Shipper/Packer #2 felt that they could communicate directly with Sysco if there was an issue with a product. Further, they had a shared vision to promoting Michigan agriculture. In 2010, Shipper/Packer #2 had developed a new pack for foodservice, which according to Jennisch increased its sales. Working together in this fashion the companies are poised for growth together.

Walsma Lyons Partnership. There was one supplier who did not have a relationship with Sysco but can be described as having a partnership with Walsma Lyons. Broker/Sales Agent #1 was in close communication with Walsma Lyons because they bought from them throughout the year. Frequent communication on markets, order changes, and solving product issues helped to build a close relationship. “My relationship with Walsma is a little better than most (buyers),” he said. One area that the broker/sales agent appreciated was the high level of transparency. He described how Walsma Lyons was honest about problems, which is unique from other buyers:

“Lots of customers, far too many in our business, will make up, say they had some problems, will say there’s stem decay in the (product) and there’s bruising in the (product). They need a price adjustment or they can’t sell the product. Well really the problem is the market went down and they don’t want to lose money. (Walsma Lyons) is very honest with you and he’ll say, look, this product is beautiful. It’s absolutely gorgeous. But the market dropped \$4, I need some help...we have an honest working relationship. I don’t question them at all. So that’s why I kinda of cherish buyers like that you can trust and will tell you up front, hey, I’m gonna lose money. The market dropped, give me some help. That’s better than making up a problem” (Broker/Sales agent #1).

The level of transparency on this and other issues related to product was very high, which helped build trust between the businesses.

Arms-length Relationships. Finally, three suppliers can be described as having arms-

length relationships with Sysco and Walsma Lyons. Shipper/Packer #1 was unaware of any relationship with either company, suggesting a lack of transparency somewhere along the supply chain. Pat Lyons also acknowledged that “we don’t do much with them.”

Broker/Sales agent #2 and Shipper/Packer #3 both sold to Walsma Lyons when they needed a certain product but did not have a steady year-round relationship with them. This is because Walsma Lyons only purchased Michigan product from them when it was in season. Communication with Walsma Lyons focused on communicating upcoming product availability and working out the details of an order and shipping. Shipper/Packer #3 said they work with Walsma Lyons “on occasion.” “Is there something that they need that we’ve got?” he said. “Yeah, we’ll sell it to them.” However, in both cases there was not a sense of an interdependence of their businesses.

Ultimately, there are a variety of different relationships at play between growers, suppliers, Walsma Lyons, and Sysco. Communication flows differently across the supply chain, and sometimes it doesn’t reach some people. The varying relationships indicate that the social benefits of value chain strategic partnerships that create stability between businesses are not evenly extended across the supply chain.

IV. Trust

The final value chain characteristic examined in this analysis is trust. Personal trust is a characteristic common in direct markets between a grower and a consumer, but in value chains the emphasis is more on process-based trust between organizations (Stevenson and Pirog 2008). This is defined as the stability, reliability, predictability, and fairness of procedures and agreements among strategic partners. Yet this study also found that personal trust gained through honesty is important in the fresh produce industry and that it influenced relationships in the supply chain, a point echoed by Bloom (2009).

A. Inter-organizational Trust

The vast majority of growers and suppliers claim that Sysco and Walsma Lyons are trustworthy buyers because of their predictable and stable purchases and payments. For example many people described consistent sales with Walsma Lyons:

“They’re consistent” (Broker/Sales agent #1).

“They’ve been stable in buying (products)” (Grower #7).

“They’re faithful. They’re with me every day” (Grower #15).

“Last year we did two days a week, I anticipate three days a week minimum this year” (Grower #4).

“(They buy) twice a week” (Grower #13).

“There’s certain things they buy from us yearly, whenever we got it” (Shipper/Packer #3).

The steady business of a buyer is meaningful for a grower in particular because it allows them to anticipate orders and plan for growth. For the most part growers and suppliers felt they could count on Walsma Lyons and Sysco for steady business. Although some like Grower #7 commented that orders were small, they were consistent.

The reliability exhibited by Walsma Lyons does not extend across the fresh produce industry and sets them apart from other buyers. Shipper/Packer #1 explained that most buyers don’t stay with his business for a whole season because “they need somebody next year if you can’t supply them.” Quality can vary so much that buyers manage risk by shifting their purchases from grower to grower, buying from one in the Midwest and then another in California, for example. In this sense Walsma Lyons’ commitment to Michigan growers can be seen as somewhat risky if there is a quality problem with their growers. However, if quality problems occur Walsma Lyons has the flexibility to move on to other growers in Michigan, or in other regions, to meet Sysco’s needs.

While steady business from Sysco is important to growers and suppliers, steady supply from growers is also important to Sysco. This can be a challenge when working with some small growers who cannot reliably meet Sysco's needs:

"It's gotta be consistent. And I can't have it today and not have it tomorrow or the next day. We understand that there are some gaps that could work into the growing season but most certainly we want (products) that are pretty consistent throughout the season. We just don't want a grower to come in and say *here's my crop* and have (product) for a couple days and not be able to supply our customers. Because customers demand product, you know. They want supply" (Denis Jennisch, Sysco).

In foodservice in particular, Sysco's customers rely on the stability of a grower's supply and product to shape their menus. Jennisch explained: "If they have it on their menu, they expect that we're gonna have this supply for them, especially in the local side of it. Most certainly they don't want to not have (grower's) (product) available to them and have it on their menu." Sysco's concern for their customers' needs has priority over buying from a grower with unsteady supply.

Pat Lyons echoed Jennisch's comments that smaller growers provide more limited supply: "On the supply line it's better to work with a bigger grower than a smaller one," he said. "Smaller ones seem to have gaps...but your bigger growers seem to be able to space their growing and harvest pretty steady." In addition to gaps in supply, there could be gaps in quality. For smaller growers this can be a problem, Lyons said: "Because what they're going to do is they're going to harvest their product. Some stuff is going to be large, small, medium. And then it all has to be graded out, you know. So we have to have a consistent supply line from our point to their point." These are reasons why Walsma Lyons and Sysco use shipper/packers and broker/sales agents because they can more reliably supply a buyer by working with many growers.

Unreliable Orders. While growers overall said that business with Walsma Lyons was

stable, in some instances orders are not consistent or predictable, causing some consternation with growers. Several growers said that Walsma Lyons placed orders that were too last minute to fill within the time they were needed. This may be due to orders that come in to Sysco late, which are pushed down the supply chain to the grower.

Growers need both predictable orders and sufficient time to prepare for an order, as not all growers have a supply on hand that they can draw from to fill an order. Grower #5 said sometimes orders come in a few hours before they're needed from Walsma Lyons. "I just wish they were more consistent when they ordered their stuff," he said. Grower #2 had experienced a similar situation where orders occasionally came in and were needed several hours later: "Well, you can't pack 30 boxes...that's not enough time to go out there and cut it all, pack it in them boxes, you know, mark it, and then haul it" (Grower #2). Grower #3 also said that occasionally they did not have enough time to fill an order: "We have to prepare for, you know, be set up that we're going to get an order. We haven't reached that steady pace yet."

Growers also said they needed more steady or predictable business from Walsma Lyons to be able to anticipate their needs. For example:

"I guess the biggest thing is I can't establish a pattern with them. It's so up and down, up and down...I can't get a handle on it. You know, one day it's 200 boxes of (product), then the next time it's *none*... You just don't know what they need. There's no pattern there" (Grower #5).

"There was a big push, big push, and then no order. Now it's either, we put it in, they say they're going to take it. But there's nothing solid or concrete. So we're a little nervous about if we grow too much the price is going to go down" (Grower #3).

"It was *very* sporadic and low volume for (product)...I had no clue." (Grower #14).

The lack of stability in orders has caused some growers to wonder when orders are coming, which makes planning difficult. In one case Grower #14 did not have the product on hand when a truck arrived to pick up an order and had to turn the truck away. The grower laments that he

“lost a sale that day.” Reliable ordering would prevent that from happening. It would also help growers to make harvesting decisions and decisions about sales for other customers.

In summary, most growers and suppliers commented on the stability and reliability of sales from Walsma Lyons and Sysco as a strength that made for a more solid relationship with these companies, but there were problems with some growers. In some cases orders come in too soon relative to when they’re needed, which can cause growers some stress over filling them. Unpredictable ordering may make growers wonder if there will be a sale that day or not. Better communication and a schedule for orders could help to create a more stable business relationship in these cases.

B. Personal Trust

Most research participants commented that relationships are critical in the fresh produce industry. Personal trust is a critical part of making relationships successful, and it is achieved through honesty. The perishable nature of fresh produce requires growers to frequently encounter problems with product quality. Growers express trust for people who have proven they can take care of their product’s quality, and distrust for those who cannot. One grower put it this way: “In the produce business I’ve found that if you weren’t in the produce business you’d probably be in jail. There’s a lot of unsavory personalities in there” (Grower #3). Another grower agreed: “You don’t have to go too far to find a crook in this business. So when you get a good customer you hang on tight” (Grower #6).

Growers, shipper/packers and others frequently discussed how they had been taken advantage of and the importance of finding buyers they can trust. One grower described how they see patterns of people who try to cheat them:

“There’s some people out there that they’re gonna reject your product no matter what, and just because they don’t want to pay the price for it. Well, I know we agreed on \$5,

but I'm only going to pay you \$3 because this stuff isn't really very good. Well, that's just fine. He's just trying to put more money in *his* pocket. And you can quickly decide for which people do that, which don't" (Grower #15).

This point was echoed by a shipper/packer:

"So once you've had that guy screw ya for three or four times you say, hell with ya, I ain't sending ya any more stuff. You know, so you go on to somebody else. There's always a certain amount of them type of guys. And maybe they don't do it every time. Maybe they do it 1 in 10 loads. Well, 1 in 10 loads if you're selling them a trailer load of stuff, and the price goes from \$12,000 down to \$2,000...He's not doing too bad" (Shipper/Packer #1).

Another shipper/packer said that some buyers target growers:

"The problem is you got bad apples with everything. You know, you got some guys that come up from Florida and they get a hold of a grower and they say, we're going to do this for you and do that, and they take the grower for a ride" (Shipper/Packer #3).

The overall impression from these comments is that crooks are common in the produce business and finding a trustworthy buyer is very important to the stability of a business.

Overall, most of the actors interviewed in this study felt that they trusted Sysco and Walsma Lyons and had a good rapport with them. They was described by both growers and suppliers as "honest," "fair," "nice guys," "good buyers," "produce professionals," "responsible business folks," and "good people." One grower had this impression of working with Sysco and Walsma Lyons: "I've liked them right away, and they've been up front and I think fair. So that's why I'm pushing to work with them a little bit, too" (Grower #3). These feelings of personal trust create a sense of goodwill to work with Sysco through issues. For example, Broker/Sales agent #1 said that "With Walsma Lyons I would never tell them to get a federal inspection"³⁷

³⁷ If a seller of a product is not happy with the buyer's assessment of their product's value they can request a USDA inspection of the product. The inspection rates the different levels of quality in a product such as the percentage of bruising, decay, pitting, and scarring. This costs money for a grower. According to one broker/sales agent, this "by the book" approach is how a grower would handle a problem with a product if there wasn't a good relationship with the buyer.

because I trust them.” In turn Pat Lyons and Denis Jennisch described certain growers as “great to work with” and “wonderful people.” These comments from Lyons and Jennisch were actually helpful in this study to determine which growers had a closer relationship with Sysco. Growers that were not described personally generally had an arms-length relationship with the company.

CHAPTER 6

DISCUSSION OF RESULTS

This chapter discusses how the results from chapters four and five address this study's research questions. The main research question is:

Is there a role for large foodservice distribution companies to play in “scaling up” local food to reach wider markets, and can this be done in a way that shares social and economic benefits with growers and other actors in a local food supply chain?

Two sub-questions probe the main research question in the context of Sysco:

What value chain characteristics are expressed in supply chain relationships when Sysco Grand Rapids “scales up” local food distribution? What challenges do Sysco representatives, growers, and other supply chain actors face when implementing a local food value chain within Sysco's infrastructure?

First presented is a discussion of Sysco's supply chain and the value chain characteristics expressed in supply chain relationships. This is followed by a review of the challenges actors face in implementing a value chain within Sysco's infrastructure. It concludes with observations about the role of large foodservice distribution companies in scaling up local food to reach wider markets.

I. Value Chain Results

A. Supply Chain Discussion

Sysco Grand Rapids is part of a regional food system in Michigan that utilizes a variety of growers and suppliers to supply fresh produce for its Buy Local, Sell Fresh program. The program has experienced rapid growth in the past few years, necessitating the use of an aggregator to help manage supply chain relationships to streamline the program, and to save on costs. While this has created challenges for some growers who now have another layer between them in Sysco (and in some cases a drop in sales), the use of an aggregator has allowed Sysco to reach out to some small and mid-size growers to generate significant sales for their farms. Sysco

has thus provided new market opportunities for a variety of growers through the BLSF program. Suppliers such as food processors are also growing with Sysco as the program expands to include more foodservice-ready products.

Yet Sysco has different types of sales relationships with growers and suppliers that can best be described as uneven. Limitations on Denis Jennisch's time coupled with challenges communicating through intermediaries and a lack of communication with some actors contribute to these uneven relationships, with the result being that some actors are "consistent growers" and others are more like arms-length suppliers. Relationships with Sysco also appear to be correlated to growers' and suppliers' sales. Those with stronger ties experience higher sales or growth and those with weaker ties experience lower or fewer sales. This suggests that the strength of a value chain relationship impacts how social and economic benefits are experienced by supply chain actors.

B. Product Differentiation Discussion

Overall most growers and suppliers do not see an economic benefit from higher premiums associated with product differentiation. Scholars suggest that differentiating products can bring price premiums if customers perceive it as added value. Yet Sysco's pricing is close to the market because customers do not equally value local products and are not willing to pay much more for them. Sysco's actions to label Michigan products have rewarded some growers with price premiums, but these rewards are generally tied to farm size or a specialty product rather than the fact that an item is from Michigan.

Some growers and suppliers do perceive an added benefit from selling locally, whether to Sysco or to other markets, from savings on freight. While there was some skepticism over how much growers truly benefitted, the savings in freight may be more of a benefit than product

differentiation. Other suppliers are not committed to differentiating local products at all because they see little value in marketing locally.

Growers generally lacked control over how their farm name is used in Sysco's marketing, although some growers that were invited to Sysco food shows were at least aware of branding efforts. Growers' control over branding has been cited as a place to gain equity in a buyer-seller relationship, but this did not appear to be in effect in this study. There are some transparency issues at play where growers are unaware that their name is being used, and others are concerned that their farm's reputation could be at stake.

Bloom and Hinrichs (2010) also found that despite having farm-based labels on their products growers were concerned about losing control over them when they went to a distributor. They conclude that "differentiation alone may not ensure a sense of partnership among supply chain participants" (p. 18). This study agrees with their findings. The lack of price premiums and grower brand control did not contribute toward building a partnership across supply chain actors.

C. Fair Pricing Discussion

Sysco's concern about keeping growers in business is reflected in discussions Denis Jennisch has with some of them about their cost structure. While some small and mid-sized farms may have higher costs that Sysco occasionally pays, Sysco tries to help growers become more "competitive" in broader markets by connecting growers with resources. Jennisch expressed concern that Walsma Lyons needed to look after their own fair pricing needs, which reflects Pat Lyons' comment that occasionally profit margins are tight for them as an aggregator. While Sysco stressed cost-based pricing with a fair profit margin built in to growers, Lyons said that pricing was generally negotiated based on supply and demand. However, he did acknowledge that they had to keep growers in business. This tension plays out in different ways

as sometimes Walsma Lyons may experience a tight profit margin and other times they may pass over growers who have slightly higher prices for those with lower prices.

Most growers set prices based on the market, although some were a little higher (which may or may not be honored). In some cases growers' prices were not met when there was a margin too low for Walsma Lyons to profit, suggesting that sometimes a buy and sell mentality is necessary to keep supply chain actors profitable—however, this is at the expense of the grower. Suppliers also sold to Walsma Lyons or Sysco based on market prices. Suppliers may earn higher prices than growers because they have influence on the pricing process.

Overall, these results are similar to Bloom and Hinrichs' (2010) study, which concludes that some distributors have arms-length (market) relationships with some growers whereas others are paid fair prices based on costs, especially for specialty items. In one of their case studies, “fairness was...not built into the price of local items, despite (one) distributor's recognition of the need to pay farmers good prices to help them stay in business” (p. 19). Both Sysco and Walsma Lyons recognize that growers need to earn a sustainable living, but the general reliance on market-based pricing to accommodate their customers suggests that this may not always be the fairest approach for all growers when profit margins are tight.

Unless Sysco customers express willingness to pay a price premium for local products pricing will likely continue based on supply and demand. Are economic benefits shared up and down the supply chain in these instances? The fact that growers have little control over setting prices and that Sysco and Walsma Lyons can bypass growers with higher prices if they choose to do so suggest that economic benefits are unevenly shared by growers. It also suggests a lack of equity in the supply chain, where power is concentrated with those who accept or reject pricing—namely Walsma Lyons and Sysco. While Stevenson and Pirog (2008) note that value

chains are often not balanced in terms of power, Sysco could engage in discussions with growers about how best to negotiate pricing when market prices do not match up with fair pricing. Yet while there were notable problems with pricing for some growers selling to Walsma Lyons, most growers and suppliers seemed satisfied with pricing, and many said their costs were met. Perhaps a market-based approach to pricing can work in a value chain as long as businesses are profitable, but if not it is growers who lose out on sales.

D. Partnership Discussion

Sysco has uneven partnerships with actors along the supply chain. Partnerships exist where there is more open communication and actors are able to successfully work through issues with either Walsma Lyons or Sysco. The relationship between Walsma Lyons and Sysco is very close, and both businesses rely on each other for the success of the Buy Local, Sell Fresh program. Sysco's commitment to buying exclusively through Walsma Lyons was a big change for their company, and the decision solidified the partnership.

Both Sysco and Walsma Lyons displayed elements of a partnership with growers through their commitment to certain farms, despite problems with the quality of a product (although as mentioned some growers were passed over when priced higher than others). They are willing to work with these growers to come up with solutions to problems. Several growers were "consistent" growers who had strong partnerships with Sysco, higher sales or the promise of growth in sales, and as a result better communication and stability. This was also true for Sysco's relationships with three suppliers, including two food processors. Those that had a close relationship with Sysco had the promise of growth with the company. These relationships suggest that a large national foodservice distributor like Sysco can form relationships with

growers and suppliers, despite claims by other studies such as Izumi, Wright et al. (2010) that suggest that regional distributors may do this better.

Yet the number of growers and suppliers that were in true partnerships with Sysco was limited. Another set of actors was in closer contact with Walsma Lyons than with Sysco. This group enjoyed a steady commitment from Walsma Lyons to their businesses. But while they seemed mostly satisfied with this arrangement there were instances where growers wanted more information about Sysco's needs to help with marketing or to promote their products directly to Sysco to increase sales.

Still another group of growers had difficulty working with Walsma Lyons and felt they couldn't resolve problems with them or approach Sysco to discuss issues. They experienced challenges with transportation, mistrust over handling, communication, and loyalty to the company. The problems these growers had appear to be correlated with a loss in sales.

Finally, there were also four growers and one supplier who had no knowledge of sales to either company. These actors did not enjoy the benefits of open communication, stability of sales, personal trust, or commitment from Sysco. This indicates broader transparency issues between these actors' and intermediaries that sell on their behalf. Sysco and Walsma Lyons could take steps to reach out to these growers, especially if they are marketing them by name.

In summary, the strength of a value chain partnership is correlated to sales success. Sysco has partnerships with some supply chain actors that are very strong, and others that are weaker or non-existent. The benefits that come with a partnership—including cooperation, transparency, and a commitment from businesses to each other's success—are enjoyed by some actors but not all in the supply chain. The structure of the fresh produce industry makes it difficult for partnerships to be evenly distributed, however. Information sharing is complicated when more

actors become involved between a grower and a buyer. The burden falls on the middleman to share information up and down the supply chain, and this does not always happen. Because information sharing and relationships correlate to greater profitability for a grower, those who control communication avenues have greater power. In this supply chain Walsma Lyons disproportionately holds this power. The challenge remains for Sysco to make connections with core growers and suppliers, especially if they market them by name, to ensure the potential for sharing benefits, and to ward off skepticism that growers with no knowledge of selling to Sysco may be exploited if they're included in Sysco's marketing.

E. Trust Discussion

Inter-organizational trust characterized by consistent, reliable business arrangements was evident for the majority of growers and suppliers that work with Sysco and Walsma Lyons. Many commented that orders were regular and reliable, which created stability across the businesses. A few experienced challenges with reliable ordering—issues that caused some confusion, rushing to fill orders, or missed opportunities. These actors were the same who experienced other issues with communication and a lack of a partnership with Sysco.

In addition to building trust through regular orders, Walsma Lyons and Sysco discussed the importance of having stability with a grower's product supply. Foodservice has demands for steady volume. This makes working with smaller growers in particular unless they aggregate at some point along the supply chain. Walsma Lyons does aggregate from smaller farms for Sysco, but they were not actively seeking out smaller farms.

Personal trust was an unexpected theme across conversations with growers and suppliers, an area that is more associated with benefits of direct marketing. Many had experience with buyers that cheated them or were dishonest. Sysco and Walsma Lyons stood apart as companies

they could personally trust. The open level of communication that some growers experience with these companies helps to build trust, as does their commitment to growers to work through quality problems which are common in fresh produce. In summary, most growers and suppliers who were knowledgeable about selling to Walsma Lyons or Sysco could enjoy trust and stability from forming relationships with these companies.

F. General Conclusions

The results indicate that value chain characteristics are not expressed equally across Sysco's supply chain, which corresponds to an uneven application of economic and social benefits through the BLSF program. Where value chain relationships are the strongest companies enjoy the most success with Sysco. This applies to Walsma Lyons; food processors; new, small growers; and some mid-size growers who openly communicate with Sysco. Other mid-size and large growers and suppliers that have little or no communication with Sysco may still experience the reliability of a partnership with Walsma Lyons, but transparency issues remain. The actors that experience the least amount of benefits are the growers and suppliers who have no communication with or problematic relationships with either Sysco or Walsma Lyons. These actors are not treated as strategic partners.

There is a correlation between a farm's sales to Sysco and the presence of value chain characteristics in growers' relationships with Walsma Lyons and Sysco. A strategic partnership characterized by commitment, open communication, joint problem solving, and trust creates stable business relationships, which correlates with more sales and more opportunities for a business or farm to grow with Sysco. Weak value chain partnerships characterized by lack of information sharing, some mistrust, and less contact with Sysco correlate with lower sales or problematic sales relationships with problems ordering, unstable/unreliable ordering, not enough

time to process orders, or pricing not negotiated well so growers lose sales. Because communication is tied to sales and growers are paid market-based prices, power is concentrated in the supply chain with those who determine pricing and control communication avenues, which suggests broader equity issues in the supply chain.

II. Value Chain Challenges

There are multiple challenges that actors face in implementing a value chain within Sysco's infrastructure. One challenge that Sysco faces is the structure of the fresh produce industry where growers elect brokers or sales agents to make their sales on their behalf. This lengthens the supply chain between Sysco and growers, which limits communication. Mid-size and larger growers are best positioned to meet Sysco's volume needs, but most of these growers use brokers to sell their products. Unless Walsma Lyons or Sysco pursues connections directly with a grower it is uncertain if a grower will be aware of them as buyers, which limits their ability to act as strategic partners and share benefits with them.

For growers that don't use brokers the use of Walsma Lyons as an aggregator creates another layer they must work through to communicate with Sysco. The majority of growers prefer to work directly with a buyer like Sysco because communication is improved. For example, growers can let a buyer know how weather is affecting crops, and can ask Sysco to promote a product that may be in abundance. If there is a problem with working through an aggregator growers need to feel that they can communicate this to Sysco. There are several in this study who are unsure of how to approach Sysco to resolve issues. Also, some growers wanted to know how to better work with Sysco such as by helping with promotions of local food or to engage in pre-season planning to understand their needs. If Sysco starts relationships with growers and then hands them off to an aggregator it can affect communication with that grower.

These communication issues are reflected by Day-Farnsworth et al. (2009), Ennis (2006), and Cantrell (2010), who indicate that growers need steady communication with a buyer like Sysco. The challenge for Sysco is to create a forum to communicate with growers beyond initial farm visits and an annual food show.

Another challenge is forming and maintaining relationships with a large number of growers and suppliers. Sysco Grand Rapids' produce department is staffed by three people, and Denis Jennisch already finds it challenging to visit farms to maintain Sysco's relationships with "consistent growers." As a result some growers' relationships are only with Walsma Lyons, and others fall by the wayside (i.e. growers who sell to suppliers and brokers). As the BLSF program grows and Walsma Lyons finds more Michigan growers and suppliers, consistent communication across the supply chain will need to take place.

Another challenge is that Sysco's broad customer base does not equally find extra value in local food. This affects customers' willingness to pay more for local products. Sysco says it can charge "a little bit more" for local products, but prices generally reflect market values. Until Sysco customers are willing to pay more for local products growers likely will not see any extra value in selling their product to Sysco for local distribution. The challenge Sysco faces is to pay growers a fair price while leaving room for Walsma Lyons and themselves to profit and setting prices that Sysco customers are willing to pay. This may happen through more targeted marketing of customers who find local food to be associated with extra value, or customer education to show that Sysco is committed to and has authentic relationships with growers and suppliers in the supply chain. This information may drive customer demand.

Finally, although lack of volume is cited by Stevenson and Pirog (2008) as a potential problem in value chains, this was not the case among growers and suppliers. Sysco is buying

from more small growers who are seeing their businesses expand; any volume demands are met through multiple growers if needed. But larger growers are frustrated that sales are small when they have plenty of volume available. Some growers fill orders that are so small that they lose money in shipping it to Sysco. Sysco is seen as a large buyer that can move a lot of product, and growers and suppliers want to work with Sysco to determine how to increase sales volume. In order to do this Sysco and Walsma Lyons will need to connect with these larger growers and suppliers more regularly to address ways to scale up their purchases.

III. Corporate Co-optation of Value Chains

Is Kirwan's (2004) claim that "once an alternative food system becomes economically significant it is at risk for being incorporated into the structure of the conventional food system and losing its benefits" a legitimate concern for this case study? Sysco's fresh produce supply chain was never an alternative food system. Rather, it is a conventional food distribution system transitioning to incorporate value chain elements. There wasn't an original set of benefits that actors shared in a "local" food system in this instance that could be weakened by working through Sysco. Growers and suppliers sell to Sysco much as they would any other large retailer or wholesaler. The difference now is that some actors benefit from the commitment from Sysco and some are enjoying growth with the company. But Sysco still benefits from marketing the Buy Local, Sell Fresh program, even though some growers and suppliers are unaware of being a part of it.

Still, it is noteworthy that all growers and suppliers—and even Walsma Lyons—were unaware that they were part of a value chain model with Sysco. Sysco's "value-chain partnership charter" (in Appendix F) lays out Sysco's commitment to the tenets of value chains, but this was seemingly not shared or discussed with supply chain actors. (All were asked and denied

knowledge of a value chain, and were unaware that Sysco was structured in this way.) This is significant considering that Sysco Grand Rapids is often upheld as an example of a new approach in business and as a successful value chain (Cantrell April 2010).

While the value chain charter may be a model for Sysco's Buy Local, Sell Fresh program, the lack of communication about it across the supply chain suggests that it is more of a marketing tool to benefit Sysco than growers and suppliers. Consider who has seen the value chain charter. It was made available to Sysco customers at the 2009 Sysco Food Show; and it was featured in a 2009 webinar hosted by the National Good Food Network, which has audiences in the sustainable agri-food community (Jennisch and Watson 2009). The Sustainable Food Lab—which has an audience of large corporations—also mentions the value chain charter (Sustainable Food Lab 2010). Notably it is not growers and suppliers but those in the agri-food industry or agri-food scholars/practitioners who have been informed about the value chain. Ultimately, when implemented unevenly by a large corporation and not communicated to supply chain actors a value chain can be seen as an instrument that advantages the corporation more than others in the supply chain. If a value chain can be considered a type of “alternative food supply chain” the benefits of it are retained more by Sysco than by others in the supply chain, suggesting that Kirwan's claim in this case study is somewhat accurate.

Value chains set up a standard to which supply chain actors can aspire to reach—they are not easy to achieve, especially given the structure of the fresh produce industry and Sysco's supply chain. While some value chain standards are met, there is still work to be done. Sysco could focus on strengthening its value chain weaknesses rather than growing the program to include more growers and suppliers, for example. Relationship building with growers and suppliers, including open communication about marketing and how farm names are used, is a

first step. Also, Sysco could talk with growers about how to set prices differently to counter a fluctuating market that doesn't necessarily reflect growers' costs and a fair profit margin. Meetings could also identify Sysco's needs, or pre-season planning, so growers and suppliers can better accommodate Sysco and learn ways to increase sales. This was widely requested by growers, who were unsure how take steps to have these discussions with Walsma Lyons or Sysco. Ultimately, the state of the value chain should be monitored in the future to determine if equity is more apparent over time. This is especially important if Jennisch leaves Sysco, as the tenets of a value chain should remain in place despite changes in leadership.

IV. Role of Large Foodservice Distribution Companies in Scaling up Local Food

As a large foodservice distributor Sysco has the ability to sell lots of cases of local food to its customers. Sysco nearly doubled its sales of local food in just three years—the company can clearly influence how much Michigan product is sold to Michigan institutions and restaurants. As a key part of a regional food system Sysco is creating marketing opportunities for small and mid-size growers through its Buy Local, Sell Fresh program. Sysco has developed partnerships with a small base of growers and suppliers who enjoy stability, commitment, and open communication with the company. Some of these actors are seeking to expand their businesses because of the opportunities provided by Sysco. This runs contrary to claims by other studies such as Izumi, Wright et al. (2010) that regional distributors are better at forming relationships with growers and suppliers.

Importantly, though, small growers may have trouble with obtaining the food safety certifications that a large buyer like Sysco requires. There were two small growers in this study that did not have a GAP audit, which affected their future with the company. Sysco is trying to alleviate this situation by attending food safety workshops to provide growers with information

to prepare them for an audit. This active involvement with growers shows that Sysco is interested in working with them, and may encourage some growers to make the investment in an audit. Other large distribution companies operating within a region will need to make similar efforts to bring small growers and suppliers into the fold.

Also, communication with growers and suppliers who provide product for a large foodservice distribution company needs to be consistent and relationships need to be maintained when scaling up local food. This is challenging, as the volume needs of a large company like Sysco suggest that many actors need to be involved to ensure a steady supply. One reason Sysco is successful is because it has streamlined its system through consolidating roles. For instance, they don't need a lot of produce staff because aggregators help to manage relationships in the supply chain. Yet if a large company is to increase local purchasing through a value chain model that emphasizes supply chain partnerships the company must have staff available to communicate with growers and other suppliers. Otherwise these actors are treated as arms-length suppliers, despite differentiating their products as locally grown.

Benefits of scaling up local food can be retained if a company sheds a buy and sell mentality and commits to steady relationships with local or regional growers and suppliers. Sysco plays a larger role in its regional food system now that it has committed to working with a steady group of actors. The dedication Sysco has to its aggregator and to some Michigan growers and suppliers strengthens these relationships, creates stability, and leaves room for innovation. This type of internal infrastructure change suggests that the engagement of a conventional foodservice distributor in local purchasing can transform its operation, a question raised by Bloom and Hinrichs (2010).

Finally, large distribution companies should understand that selling regionally-grown food doesn't necessarily constitute "scaling up." Local and regional purchasing was already in place with Sysco, and many of these supply chain relationships were already established. Scaling up occurred when the company made a commitment to its growers and suppliers, and began to work with new actors to create opportunities for them to reach wider markets. Other companies that take on local purchasing and distribution should understand that differentiating products alone is not enough to make a difference to supply chain actors. Other aspects of a value chain including fair prices, partnerships, open communication and transparency, and organizational and personal trust are needed to ensure benefits are shared across the supply chain.

CHAPTER 7

SUMMARY AND CONCLUSIONS

I. Summary

This study was designed to gather the views of supply chain actors to determine if social and economic benefits associated with local food are preserved when a local food supply chain is ‘scaled up’ through a large foodservice distribution company. Motivation for this study came from concerns among some that corporations appropriate benefits associated with alternative food systems. Yet the views of growers and suppliers who participate in local food systems involving corporations are largely missing from the literature. This qualitative study fills that gap by interviewing 25 supply chain actors including growers and suppliers to Sysco, as well as representatives from Sysco and their aggregator, Walsma and Lyons.

This study first distinguished between local and regional food systems to better describe the food system of which Sysco Grand Rapids is a part. A regional food system provides significant economic and social benefits to a variety of actors, providing a useful model for Sysco’s supply chain. To understand how to assess these benefits there are several frameworks that could be used. Some have studied relationships in the direct marketing of local food (i.e. farmers markets) using a social embeddedness model. This has been applied to indirect marketing of local food (Kennedy 2007; Izumi, Wright et al. 2010). However, Bloom (2009) suggests that a transitioning food supply chain—one in the conventional system taking on alternative or progressive qualities—is better assessed using a value chain model. Different fundamentally from traditional supply chains, the food value chain model was adapted by Stevenson and Pirog (2008) to describe strategic partnerships where supply chain actors differentiate products; commit to fair pricing; engage in partnerships with open communication and joint problem solving; and display inter-organizational trust through stable and reliable

business interactions. These characteristics are translated as social and economic benefits to supply chain actors when a value chain is working well.

A value chain framework is used in this study to assess if social and economic benefits of scaling up local food are shared with growers and suppliers in Sysco's Buy Local, Sell Fresh program. The study found that more social benefits than economic benefits exist, but they are shared unevenly across the supply chain because of uneven relationships between actors. Sysco's broad customer values local food differently, so corresponding market-based prices put a limit on the returns that actors can achieve by differentiating local products. Tight profit margins create a "buy and sell" mentality with some growers, causing them to lose sales. Other growers and suppliers felt that pricing was honored, even slightly higher pricing in some cases. However, growers' lack of control over pricing suggests that power rests more with Sysco and Walsma Lyons.

Sysco and Walsma Lyons exhibited a close partnership with each other, and shared a commitment to Michigan growers and suppliers. Some growers had a strong partnership with high levels of communication, joint problem solving, and trust—they enjoyed strong sales and potential for growth. Others had more moderate partnerships with a commitment from Walsma Lyons and reliable business, but with limited communication with Sysco, and sales that were either stable or low. Still others in the supply chain were treated as arms-length suppliers with no communication with either company. The uneven relationships across the supply chain suggest that those with the closest connections to Sysco enjoyed the most benefits and those with no connection had the least. Yet the structure of Sysco's supply chain as a value chain was unknown to growers, suppliers, and Walsma Lyons. This fact, coupled with uneven benefits spread across supply chain actors, suggests that ultimately the value chain is a marketing tool for Sysco.

Sysco faces several challenges in creating more balanced relationships with supply chain actors. Creating demand among Sysco's customers for local or regional food is one area that could increase the volume of orders and could increase price premiums for growers and suppliers. Targeted marketing and customer education by providing more information about growers and suppliers may help in this effort.

Another challenge is communication across the supply chain where "middlemen" are involved. The structure of the BLSF program necessitates the use of an aggregator to save costs and to keep prices low. An aggregator provides many benefits to Sysco and other actors, but they also create another layer which must be navigated between growers and Sysco. The fresh produce industry's structure wherein some growers elect brokers to represent them also creates gaps in the value chain where information is not always shared. Because these middlemen control information they can affect relationship building and sales, making them a significant center of power in the supply chain. Sysco can attempt to form relationships and communicate openly with growers and suppliers which are marketed in Sysco materials, which could strengthen the value chain, and possibly increase sales for supply chain actors.

Sysco is challenged to foster open communication with growers and suppliers while keeping a close partnership with Walsma Lyons. Sysco may consider using information-sharing technology to help communicate about issues or crop volume. This would give growers an outlet to do some marketing directly to Sysco. Sysco may also consider hiring a go-to person for growers and suppliers to refer to who could oversee information-sharing technology.

As a large company Sysco has a role to play in scaling up regionally-grown food. It has created opportunities for farms of all sizes to participate, widening their markets and providing avenues for growth. The company's commitment to Michigan growers and suppliers and its

change from a buy and sell mentality are key elements to the program's success. While the company has formed partnerships with a small group of "consistent" growers and suppliers there is a place for it to develop relationship building to include growers who are currently arms-length suppliers. Through outreach and communication with these growers Sysco can alleviate potential skepticism that the company is appropriating benefits that could be shared in the supply chain.

Overall, this is a case of a distribution company that is gradually transitioning to include value chain characteristics to build relationships with growers and suppliers. As Stevenson and Pirog (2008) note, this takes time. Sysco's Buy Local, Sell Fresh program in Grand Rapids had its first real season in 2008. As Sysco expands the program it is learning more about what it takes to make it successful and beneficial for all supply chain actors. This study aims to help them in that endeavor by demonstrating that relationships with growers and suppliers are the base of value chain success.

II. Future Research

Researchers interested in value chain relationships may consider examining how transparency and trust be improved in the relationship between growers and their brokers. This can be a contentious relationship when information is withheld for fear that growers will bypass brokers and will go direct. What factors contribute to trust between actors and how can that lead to more transparent relationships? How can information better be shared across the supply chain when growers elect to have others represent them in business relationships?

Value chain researchers may also examine the role of personal trust in a value chain. This was found to be important in this study, as growers and suppliers frequently discussed untrustworthy across in the fresh produce business. Is personal trust equally as important as inter-organizational trust in a fresh produce supply chain? Also, better definitions of fair pricing

need to be established. It is unclear what distributors are supposed to do to enforce fair pricing besides asking growers and others about their cost structures. Does using the market to determine pricing negate that?

Another area of potential interest to local food researchers is how institutions that purchase local and regional food from distributors use information about growers and suppliers in their businesses. What impression do customers have of their distributors' local food programs and how does that affect their perceptions of local food? What would cause an increase in demand for local food from a distributor? Do these institutions have an interest in the relationships between distributors, growers, and other supply chain actors? Would evidence of strong value chain partnerships create demand and a willingness to pay more for local or regional products?

This study touched on food safety on the farm and how it impacts growers and suppliers, but these actors were existing Sysco suppliers who had mostly met food safety certifications. How do growers—especially small growers—respond to food safety requirements by large distributors or retailers and what can these companies do to better help them to complete a successful audit?

Finally, while governance was not formally analyzed in this study, future studies on value chains and corporations should take this into account. Governance is one way to formally analyze equity in relationships with those who hold more power in the supply chain. How equitable are relationships between growers and corporate buyers in a value chain? Are there ways that buyers can share power with other supply chain actors? What is gained when that occurs, and what is compromised?

APPENDICES

APPENDIX A

Grower Interview Guide A

Farm Information

1. Tell me about your farm: Size, years in business, what you grow, acres total and acres in production, hire workers or mostly family, brief history, your role...

Marketing Strategies

1. Where do you sell your products? That is, who are your buyers? Who are your biggest buyers? (*Do you sell to Walsma and Lyons and/or Sysco? Work through a broker?*)
2. Which products has Sysco/WL bought/is buying? Do you grow any crop in particular just for them?
3. What percentage of your farm's sales, as a whole, go to Sysco/WL?
4. Have you noticed any increased demand from WL/Sysco? How much and over what period of time? Have you changed or modified your operations to meet the demand of Sysco/WL? (*i.e. acres, varieties grown*)?

Walsma and Lyons and Sysco Grand Rapids

1. Describe your relationship with WL. When and how did that begin?
2. How does it work? Do they pick up at the farm? How much advance notice do you get?
3. How often are you in touch with Sysco/WL? Do you initiate contact with them or them with you? About what types of issues?
4. Are you involved in any pre-season planning with WL/Sysco?
5. How would you compare your relationship with Sysco/WL with that of with other buyers? (*Is there anything unique or different about that relationship compared to other buyers?*)
6. What are the requirements to sell to Sysco/WL? (*i.e. change in packing? GAP?*)
7. What type of agreement do you have with Sysco/WL? (*Contract? Verbal agreement?*)
8. How do you negotiate a price with Sysco/WL?
9. Has staff from Sysco/WL visited your farm? If so how often and for what reason?
10. Have you had discussions with Sysco/WL about using your farm's brand/identity?
11. Do you know your end buyer after you sell to WL/Sysco? (*Why or why not? Are you interested in knowing?*)
12. What do you think about Sysco using your farm's name to promote local, Michigan products and farms to their Michigan customers?
13. Has Sysco/WL ever talked to you about a value chain partnership?

Benefits and Challenges

1. What do you like best about working with WL/Sysco?
2. Have you ever had any problems working with Sysco/WL? (*quantity, quality, price, other issues?*) If so, how resolved?
3. What, if anything, would you like to see be better or improved in working with WL/Sysco?
4. Is selling locally an important part of your marketing strategy for your farm? Why or why not?

Food Safety

1. Do you have a GAP certification?
2. **If not**... have any of your buyers asked for a GAP? Which one? Are you interested in having a GAP?
3. **If so**... which certification and for which crops?
4. When did you first become GAP certified?
5. Why did you become GAP certified?
6. Did Sysco and/WL provide any support for GAP?
7. Did your farm use any services provided by Primus labs (i.e. *pre-audit guide*)?
8. Have you or someone from your farm attended a MIFFS or MACMA workshop on GAP/food safety training? Was it beneficial? Why or why not?
9. What are the greatest challenges in meeting a GAP for your farm? (i.e. *financial costs, hired additional help, other changes?*)
10. Any benefits of having a GAP?

APPENDIX B

Grower Interview Guide B

Farm Information

1. Tell me about your farm: Size, years in business, what you grow, acres total and acres in production, hire workers or mostly family, brief history, your role...

Marketing Strategies

1. Do you have a sales agent or a broker doing sales for your farm? Who? Tell me about that relationship. How long, what do they do, why important.
2. Why work through a broker instead of directly with a buyer?
3. Have you had conversations with your broker about where your products are ultimately sold?
4. Where do you sell your products? That is, who are your buyers? Is there a main buyer?
5. What percentage of your farm's sales goes to the main buyers? (WL if known?)
6. Describe your working relationship with your main broker/buyer. When did that begin and how? What are the advantages of working with them?
7. How do you make sales with your brokers/buyers? Involved in any planning? Pick up at farm?
8. How do you contact a broker/buyer? About what types of issues, how often?
9. Do you have a contract with your broker/buyer? Verbal agreement?
10. How do you negotiate price?
11. Have you had discussions with any broker/buyers about using your farm's brand/identity?
12. What do you think about Sysco using your farm's name to promote local, Michigan products and farms to their Michigan customers?
13. Would you want to know how Sysco is using your farm's name or brand? Why or why not?
14. Is selling locally an important part of your farm's marketing strategy? Why or why not?
15. What are the advantages of selling locally for your farm?
16. Have you noticed any increased demand for your products locally, within Michigan? Who demands products? Which products? Is there a percentage increase? Over what period of time?
17. Do you see more opportunities to sell product locally in the future? Why or why not?
18. Do you have a relationship with WL? What do you know about working with them?

Food Safety

1. Do you have a GAP certification?
2. **If not**... have any of your buyers asked for a GAP? Which one? Are you interested in having a GAP? **If so**... which certification and for which crop?
3. When did you first become GAP certified? Why did you become GAP certified?
4. Did any buyer provide any support for GAP?
5. Did your farm use any services provided by Primus labs (i.e. *pre-audit guide*)?
6. Have you or someone from your farm attended a MIFFS or MACMA workshop on GAP/food safety training? Was it beneficial? Why or why not?
7. What are the greatest challenges in meeting a GAP for your farm? (i.e. *financial costs, hired additional help, other changes*?) Any benefits of having a GAP?

APPENDIX C

Supplier Interview Guide Questions

Company Information

1. Tell me about your company: Years in business, where your company fits in the food chain, brief history, your role...
2. What products does your company buy? What do you do with them?
3. Broadly speaking, who are your buyers?

Sysco Grand Rapids

1. Tell me about working with Sysco Grand Rapids (GR). When did your company begin selling to them? How did that begin?
2. Walk me through a typical sale with Sysco GR. How are orders made?
3. How does product get from your company to Sysco GR?
4. How much advance notice do you get from Sysco GR for an order?
5. Which products does Sysco GR buy? Do they specifically ask for MI product?
6. What percentage of your sales, as a whole, goes to Sysco GR?
7. Any special packing requirements for Sysco GR?
8. What types of information do you share between Sysco GR and growers? What are you less likely to share?
9. How often are you in touch with Sysco GR? Do you initiate contact with them or them with you? About what types of issues?
10. Have you noticed any increased demand from Sysco GR for MI product over the past 2 years? Do you see Sysco GR as an opportunity to expand sales of MI product?
11. What type of agreement do you have with Sysco GR? (*Contract? Verbal agreement?*)
12. How do you establish a price with Sysco GR?
13. Has staff from Sysco GR ever visited your company? If so how often and for what reason?
14. Have you had discussions with Sysco GR about using your company's brand/identity? What about that of your growers?
15. How would you compare your relationship with Sysco GR with that of with other buyers? (*Is there anything unique or different about that relationship compared to other buyers?*)
16. Has Sysco GR ever talked to you about a value chain partnership?
17. What benefits has your company had from working with Sysco GR?
18. What challenges remain in working with Sysco GR?
19. What, if anything, would you like to see be better or improved in working with Sysco?
20. What do you think about Sysco's efforts to sell more MI product?
21. Are there any benefits to your company in selling MI product in Michigan?

Grower Relationships

1. How many growers does your company buy from?
2. Where are your growers located? How many in MI?
3. How long has your company bought from Michigan growers?
4. Are you looking to work with more Michigan growers? Why or why not?

5. What type of agreement do you have with growers? Contract? Verbal agreement?
6. Describe your interaction with growers.
7. Walk me through a typical purchase from growers.
8. How does product get from a grower to your facility?
9. How often do you communicate with growers and on what issues? Who initiates communication?
10. Do you (or someone else from your company) visit farms? How often? For what reasons?
11. How do you negotiate payment with growers? Does your company take a certain percentage?
12. How is product price negotiated?
13. Do you tell growers about your buyers? Why or why not?
14. Do you use the names of farms or their brands for marketing?
15. Can you give me an example of an issue you had working with a Michigan farm and how it was resolved? (*quantity, quality, price, other issues?*)
16. Have you noticed increased demand for Michigan product among your buyers?

Food Safety

1. Do you require your growers to have a GAP certification? Why or why not?
2. Do your buyers require your growers to have any kind of food safety certification?
3. Do your buyers require your business to have any kind of food safety certification?
4. **If so...** which certification?
5. When did you first become certified?
6. Why did you become certified?
7. What are the greatest challenges in becoming certified for your company?
8. Any benefits of having being certified?

APPENDIX D

Sysco Interview Guide Questions

Company Information

1. Tell me about yourself: Years in business, where Sysco fits in the food chain, brief history, your role...
2. Describe relationship with WL. When began working with WL? How did that relationship begin? What do they do for Sysco? Why work with them?

Buy Local, Sell Fresh Program

1. Tell me about the Buy Local Sell Fresh program: How and when did Grand Rapids decided to participate in BLSF? Why important to Sysco?
2. How is the program organized? How does Sysco carry it out?
3. What changes have you made to adapt the program to Grand Rapids/MI?
4. Was W/L involved in creating the BLSF program? If so which aspects?
5. What has changed with Sysco in terms of how business is done with BLSF? What's different?
6. What type of support does BLSF have internally within Sysco GR/headquarters?
7. Is WL/Sysco trying to expand the BLSF program? If yes, what is it doing?
8. Sysco has a value chain partnership document. Tell me about where this came from. Is this used? Discussed with growers? Why or why not?
9. Is the program successful? Why? What do you do to make the program successful?
10. Are individual farmers promoted through the program? If so, how?
11. What does Sysco hope to do in the future with the program?
12. What are some challenges Sysco has faced with the program, and what strategies used to overcome?

Relationship with Growers

1. Does Sysco work directly with any farms for BLSF or go through organizations other than WL?
2. Describe your relationship with growers. How do you work with them?
3. How has Sysco's relationship with growers changed since the BLSF program began?
4. How often do you visit farms and why do you go?
5. What do you look for when determining if you will buy from a grower? What is a deal breaker?
6. How does Sysco/WL get information about a farm for its marketing?
7. Does WL/Sysco provide extra support or help for local growers? Anything that is new or out of the box in terms of doing business? (*i.e. taking seconds, GAP support*)?
8. What efforts has Sysco taken to reach out to smaller growers? Different issues with growers of different sizes? How overcoming?
9. Any farms that WL/Sysco started buying from in the past 2 years that didn't work out? Why?

GAP

1. Does WL/Sysco require a GAP certification from every farm? Or is there some flexibility in working with growers? How do they decide where there is flexibility?
2. What kinds of support does WL/Sysco provide to growers on GAP? Which growers take advantage of it?
3. Do growers communicate with WL/Sysco on challenges of doing a GAP? What do they say?
4. Why did Sysco participate in food safety workshops to growers in 2009 and 2010?

APPENDIX E

Walsma and Lyons Interview Guide Questions

Connections to Farmers/the chain

1. Can you help me understand how WL buys produce from some of the farms?
2. Why are there direct relationships with some farms and indirect relationships with others?
3. Which companies does WL work with to buy local produce from Michigan farms? What is best about working with those companies?
4. What is the function of the different players in the chain and why is it structured that way?

Buy Local, Sell Fresh Program

1. Which farms did Sysco/WL buy from before the BLSF program began? Which are new within the last 2 years?
2. Any farms that WL/Sysco started buying from in the past 2 years that didn't work out? Why?
3. Is WL/Sysco trying to expand the BLSF program? If yes, in what way does it want to expand and what is Sysco or WL doing to expand it?
4. What efforts has WL taken to reach out to smaller growers? Any success finding smaller growers?
5. How does Sysco/WL get information about a farm for its marketing? Does WL collect any of that information?

Grower Relationships

1. Describe what W/L looks for in a grower. What is important to W/L when deciding if will buy from a grower? What is a deal breaker?
2. Where is there flexibility in working with a farmer? Where is there less flexibility?
3. Some farms are listed on the WL website as preferred. What makes a farm preferred?
4. How does W/L find growers?
5. Why work with local growers? What are the benefits to WL?
6. What challenges are there working with local growers?
7. Can you give me an example of a problem WL had working with a farm? (*quantity, quality, price, other issues?*) and how it was resolved?
8. In what ways does WL/Sysco provide extra support or help for local growers? Anything that is new or out of the box in terms of doing business? (*i.e. taking seconds, GAP support*)
9. Re: seconds - Is this common in the industry? Which farmers do they buy from in this way?

GAP

1. Does WL/Sysco REQUIRE a GAP from EVERY farm? Or is there some flexibility? How do they make these decisions?
2. Did WL meet and make new partnerships with any new farmers at the Meet the Buyers event? Which ones are seriously considered?
3. What issues is WL/Sysco aware of that a farmer may have in terms of carrying out a GAP audit?

Appendix F

Guiding Principles: A Value-Chain Partnership Charter

Preamble: These Guiding Principles outline our intended common line of action to provide healthy, produce and other good food from sustainable farms into local and regional foodservice distribution. We will do so in a trust relationship, using sound business practices and open communication to ensure the realization of a fair return for effort and investment to all participants in the value-chain—fieldworkers, farm owners, packinghouse operators, aggregators and shippers, distributors and foodservice operators and consumers they serve. We desire to maximize the use of local, in-season fresh produce in satisfying the market needs and to tell the story of the production of the food to create strong links between consumers and the farmers/stewards of the land that grow the crops. We envision forging strong ties in this value-chain partnership that result in long-term relationships that benefit all participants with health, economic success, and a sense of community. We further envision creating economic and community benefit from season extension whenever possible through the application of new production, storage, handling, package, food safety and distribution technology and practices to meet the appreciation and demand for good food. Furthermore as a broadline food distributor and aggregator we desire to extend these benefits across product categories (preserves, dried food, packaged goods, meat, dairy, etc.) and seek to lead with us and our neighbors to create new value-chain partnerships for these categories across the region.

Principles:

- Values-based food value chains are trust relationships and supply chains that:
 - Are strategic alliances that deal in significant volumes of high-quality, differentiated food products and seek to distribute rewards equitably across the supply chain;
 - Treat farmers as strategic partners, not as interchangeable input suppliers;
 - Recognize that creating maximum value for the product depends on significant interdependence, collaboration, and mutual support among strategic partners.
 - Build value beyond the product to include the story of the people, land, and practices
- Specific agreements between farmers and other value-chain partners ensure:
 - Reasonable calculation of production & transaction costs, with price negotiated on that basis;
 - Fair agreements and for appropriate time frames;

– Opportunity to own and/or control their own brand identity as far up the supply chain as they choose; possibly involving co-branding with other value-chain strategic partners;

–Full participation in the development of mechanisms to resolve conflicts, communicate concerns about performance, or alter directions within the value chain.

For Sysco

For Walsma & Lyons

For Grower

Signature: _____

Signature:_____

Signature:_____

Name:_____

Name:_____

Name:_____

Created for the National Good Food Network by Originz, LLC with input from the Association of Family Farms, & Sysco Foodservice

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