



Farm to Hospital—Selling Farm-Raised Meats and Poultry in Maryland

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The Time is Right

Selling locally grown farm meats and poultry to hospitals can be both challenging and rewarding. The hospital food service industry reached \$34 billion in 2010, according to Market Research.com Trends in U.S. Hospital, Nursing Home and Residential Facility Foodservice. Over 350 hospitals throughout the country and 20 hospitals in Maryland have signed the *Healthy Food in Health Care Pledge by Health Care Without Harm*, making a public commitment to purchase more local sustainably produced foods for the patients, staff, visitors, and surrounding community members they

serve. In May 2011, Michigan launched a groundbreaking statewide healthy food initiative which requires hospitals to commit to purchasing at least 20 percent Michigan-grown, produced and processed foods.

The Maryland Hospitals for a Healthy Environment (MD H2E) initiative has been highly successful and a model state program that has brought a range of sustainability efforts to Maryland hospitals. A significant component of this overall effort has been their *Healthy Food in Health Care initiative*, including the *Local Foods to Local Hospitals project*.

The project's early emphasis was on integrating more locally, sustainably grown fruits and vegetables into hospital cafeterias and patient meals. Currently, over one half of the hospitals in Maryland regularly purchase local food from their distributor or direct from a local farmer. These foods have primarily been fruits and vegetables. More recently, this project seeks to increase the hospitals' purchasing of sustainably produced protein foods such as meats and poultry from producers in Maryland and the Mid-Atlantic region.

This expanding opportunity can provide an important and consistent market for producers of not only fruits and vegetables, but also meats and poultry products. It gives producers an opportunity to sell larger volumes of product directly to a hospital or a distributor who provides products to institutions. Volume sales can lower labor, marketing, and distribution costs.

The time is right for farmers to connect to hospitals so they can provide staff and patients with healthy, fresh, and great tasting foods. The focus of this publication is to assist livestock and poultry producers in developing products and marketing tools to increase meat and poultry sales directly to hospitals and extended care facilities or to distributors who handle hospital food purchasing accounts.

Hospital Purchasing Procedures

There are basically two different types of hospital food service. This can also be said of most institutional purchasing dynamics of schools, universities, or prisons. Hospitals that operate their own food services in-house are called "self-operated." Self-operated hospitals typically have food service directors that have independent authority over food purchasing, even though they have established contracts with group purchasing

organizations and who contract with distributors and suppliers for purchasing their meat and poultry products. Hospitals that contract with an outside company to manage their food service are commonly referred to as privately managed food services contractors are often large corporations such as Aramark, Morrison or Sodexo and as a result client hospitals often participate in the multi-year national food buying contracts that have been established at the corporate level of the food service contractor.

It is often easier for farmers to establish a relationship with the self-operated facility. However, more privately managed food service operators are making local food purchases or asking their distributors to at least source locally produced foods. Whether self-managed or privately managed, most food services operators prefer working with a limited number of vendors to save time and reduce administrative costs. They establish "primary vendor" contracts for certain items from a single vendor. These contracts can be for one or more years. However, most contracts allow for limited "off contract" purchases. When approaching a prospective hospital food service manager client, the seller needs to determine that hospital's degree of flexibility for "off contract" purchases.

What Farmers Need to Address Before Approaching Maryland Hospitals About Purchasing Local, Sustainably Raised Meats and Poultry—these standards may be different in different states

◆ Step 1

Production Standards

The Maryland Hospitals for a Healthy Environment (MD H2E) initiative to expand locally, and sustainably raised meat and poultry sales to

hospitals requires producers to adhere to sustainable production practices. These include stipulations such as no hormones implanted or injected into the animals, no added antibiotics in their feeds, non-medicated and arsenic-free feeds for poultry, and the preference for grass-based or free-range farm management systems.

◆ Step 2

Regulations and Food Safety

Hospitals want certifications and regulatory assurance and sufficient liability insurance for food safety and quality. Having meats processed in a USDA processing facility is required for sales of beef, pork, lamb, and bison. These USDA inspected products are allowed to be sold across state lines. Poultry must be processed under a Maryland State certification for on-farm poultry processing and sold within Maryland only or a USDA stamp. Food service managers will expect farmers to have Standard Operating Procedures, HACCP Plans in place where required, and documentation of required licensing and permits. Many hospitals will require that producers hold at least \$1 million of general product liability insurance and possibly as much as \$5 million in coverage.

◆ Step 3

Product Consistency and Delivery

Spend some time getting to know what's expected from the hospital in terms of quantity and quality of products and desired cuts. Be clear about the products and quantities you estimate you will have available and when. You may need to work with other producers to fill gaps in production times or offer a greater variety of cuts. Hospitals will want product supplies throughout the entire year, but they may be willing to be flexible and work with the

seasonality (seasonal timing) of your production for some products. While they may prefer fresh product, they will most likely also accept it frozen, so consider offering a combination of fresh and frozen to accommodate your production and processing schedules. If volume or quality is going to be different than what was previously agreed upon, let the food service director know as soon as possible.

Few hospitals have the capacity to pick-up products at the farms so work out a delivery schedule in advance. Be sensitive/accommodating (prepared to address) to the food safety perceptions of hospital food service professionals. While it may be legal to—even though certification by Maryland Department of Agriculture allows farmers to deliver product in coolers at proper and regularly documented temperatures, hospitals may not be comfortable or even allow this practice. They may require you to transport and deliver the product in a truck with refrigeration or a freezer. If a hospital is receiving deliveries through a distributor, explore the possibility of working through these channels. If your processor is already making bulk meat and poultry deliveries to restaurants or grocery stores, they may be able to deliver your product to a hospital for you. Good customer service is critical to landing and retaining a hospital food service account.

◆ Step 4

Pricing

Give your customer a price that reflects your cost of production plus your desired profit. Remember that hospitals have a per plate cost target, but may have the flexibility of adjusting their prices to accommodate for the increased price of a sustainably produced protein. Hospital accounts should be considered as direct wholesale outlets, so

it is unrealistic to expect the same per pound price that selling direct to customers at a farmers' market might command. Remember these are volume accounts that save you labor costs and allow for volume sales. Hospitals and other institutions seldom pay for product upon delivery. It may be as long as 30 to 90 days before invoices are paid, so be sure to discuss payment terms up front.

Producers can help hospital Food Service Directors add more sustainable produced meats to their menus offering cuts that support these cost-saving strategies.

Cost-Saving Strategies for Hospitals to Purchase Local Sustainable Meat & Poultry

Culinary Strategies

- Move meat away from the center of the plate.
- Reduce reliance on higher-priced pre-cooked and/or processed meats, such as fajita strips, chicken strips, beef patties, etc.
- Avoid using scarce and expensive small cuts, such as tri-tip steaks, from large animals.
- Develop recipes using economical cuts such as ground beef, sausage, stew meat, and roasts.

Reduction Strategies

- Reduce portion sizes of the meat you serve.
- Reduce overall purchases of meat and protein foods.

Volume Strategies

- Purchase the whole animal and make full use of it, including using bones to make soup stock.

- Collaborate with other nearby institutions on collective purchasing of whole animals or bulk volume.

Marketing Strategies

- Promote featured foods/healthier foods to increase revenue.
- Charge a premium on less healthy foods to incentivize purchase of local sustainable foods.
- Educate customers about the flavor, health, and economic benefits of local sustainable foods.

Making the Connection - The Initial Visit

Connecting with the hospital food service manager requires calling and making an appointment—do not just “drop by.” These are busy people and you want their full attention when meeting with them and trying to connect with them as customers.

Spend some time getting ready for the visit. Really knowing and understanding your product is the first step in determining your marketing strategies. Your ability to describe what products you sell, what they do, and what makes them unique or special will result in greater marketing success.

If you haven't done so already, get your promotional materials in order. Promotional materials come in all shapes and sizes—the designs are endless. However, there are three things to remember:

- Make sure the piece reflects the tastes/style and preferences of your target audience.
- Keep it simple
- The quality of your printed materials reflects directly on the perceived quality of your products.

Your brochure should tell your “story.” What is your product, how do you produce it, where and why should customers purchase it, all your contact information, including your email address and website URL. The most cost effective size is an 8 ½ x 11 inch sheet that can be folded and mailed in a #10 business size envelope or a trifold brochure. Have your price list printed separately instead of in the brochure since the pricing can often change. Make sure the graphics fit your operation. A picture of endless miles of Montana range with cattle grazing is not a good representation of grass-fed cattle from this region.

Get a good picture of you, your family, and your farming operation taken for use in printed materials and for your web site. Dress in clean work clothes and pay attention to what’s in the background. Try to get pictures taken when the grass is green and growing or when Mother Nature’s in her glory. In addition to your sustainable farming practices, you can further demonstrate your commitment to environmental sustainability by using recycled paper and soy ink when you print and have the printing company include the appropriate recycled symbol in the bottom corner. Customers that purchase grass-fed meats also want to know you’re environmentally sensitive too.

Plan to take two sets of samples along to your visit and leave them there without charge. The best way to sell food products is to allow potential customers to see, feel, and taste your product. In addition to meeting the food service director, it’s ideal to also meet the executive chef, purchasing or production manager, retail manager, and patient services manager (depending on how large the facility and food service department are.) Try to gather some other critical information about each hospital during your visit.

- Is the hospital aware that purchasing more local and sustainably produced foods can benefit the

patients, staff and visitors, support local farmers and the local economy, and reduce the hospital’s environmental footprint?

- Has the hospital already started purchasing local fruits and vegetables?
- Are they aware of the health and environmental benefits of sustainably produced meat and poultry beyond conventionally produced products?
- If you provide them with a list of cost-saving strategies that other hospitals and other types of institutions have successfully implemented in Maryland and around the country, would they be willing to consider making one or more local sustainable meat or poultry products available to those they serve?
- Is the hospital food service self-operated or privately managed by a food service contractor?
- What flexibility does it have to make purchases off contract?
- What types of meats or poultry would they be interested in purchasing and in what quantities?
- What are the requirements for becoming an approved vendor with the hospital or the food service contractor?
- How are orders placed and deliveries scheduled?
- What are the hospital’s invoicing procedures?
- What is the ordering cycle?

Having a better understanding of a hospital’s purchasing dynamics helps the meat or poultry producer provide a better purchasing experience for the hospital.

Summary

The time is right for farmers and hospitals to connect and provide staff and patients with healthy, fresh, and great tasting foods. Meat and poultry

producers can benefit from understanding more about the purchasing dynamics of hospitals before they want to approach and schedule an appointment with the hospital food service director to evaluate the market potential there.

Benefits of Selling to Hospitals and Extended Care Facilities:

- May offer a direct wholesale price
- The opportunity to move a larger volume of product saves labor and marketing costs.
- Hospitals may decide to support other events that support local farms such as hosting a farmers' market or provide space for a CSA pick-up site.
- Provide a year round market and consistent order volumes.

Challenges of Selling to Hospitals and Extended Care Facilities:

- Farm may be required to carry additional liability insurance, certifications, and regulated permits.
- May be hard to make initial contact with the buyer.
- May be required to sell through contract distributors.
- Product specifications may be difficult to meet.
- May have specific delivery and invoicing requirements.

Other Educational Resources

The University of Maryland Extension conducts seminars, workshops, and courses on a wide variety of agricultural topics including animal and crop production, marketing, and business planning. Contact your county agent for a schedule of events

or to be put on a mailing list for newsletters, and event announcements. University of Maryland Extension also publishes fact sheets and bulletins on agricultural topics, most of which can be found on the internet.

The following resources may be helpful:

Internet Sites:

- <http://www.mredc.umd.edu/>
- <http://www.agmarketing.umd.edu/>
- <http://www.marylandagriculture.info/>
- <http://extension.umd.edu/>
- <http://www.noharm.org>
- <http://www.mdh2e.org>

Useful Publications:

- <http://www.agmarketing.umd.edu/Documents/FarmBusinessPlanWorkbook.pdf>
- <http://www.agmarketing.umd.edu/Documents/MDMeatsPoultryDirectory.pdf>
- <http://www.mredc.umd.edu/Documents/ProcessingforProfits/ProcessingForProfitsGuide.pdf>
- <http://www.iatp.org/foodandhealth>

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