

# Tips for Selling to: Institutional Markets

NCAT Marketing Tip Sheet Series

Institutional markets are entities such as cafeterias in state and local government buildings, schools, universities, prisons, hospitals, or similar organizations. These institutions are becoming more interested in buying local food, which provides a new marketing opportunity for a medium to large-scale farm.

## Advantages

★ key point

- You can sell large volumes of many products.
- There are many possible sales outlets, such as business cafeterias, schools, hospitals, prisons, day-care centers, senior centers, community colleges, and universities.

## Considerations

- While you can sell a larger quantity, expect a lower price.
- ★ Requires good communication between buyer and seller.
- Some institutions expect a more processed product.
- Liability insurance is required.
- Institutions usually pay within 30 days.
- The health department requires that vehicles delivering produce to institutions must remain at a certain temperature.

## Key Questions to Ask Yourself

- Do I have liability insurance and a Good Agricultural Practices (GAPS) plan?  
Do these buyers require either of these items?
- How do these buyers want produce packed and delivered?
- What quantities do they need and how often?
- Do they need produce that has been pre-cut or lightly processed for easy use?
- What's the best way to communicate with these buyers about my product availability — fax, email, text message, phone?
- Is there a competitive bidding process for schools and other public institutions?  
What do I need to do to be considered?

*For this market you can expect:*

- Larger volumes of product
- Lower prices per unit

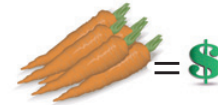


Photo: Rex Dufour, NCAT.



# Tips for Selling to Institutional Markets

★ key point

- Research the institution. Find out who makes buying decisions.
- ★ Know what the buyer requires from you.
  - Produce quality standards?
  - Type of pack or size of product?
  - Specific delivery times and number of deliveries per week?
  - Liability insurance and for how much?
  - A Good Agricultural Practices (GAPs) plan?
- ★ Maintain consistent volumes and quality.
  - Work with local organizations such as universities, nonprofits, and Food Policy Councils to help reduce barriers for farmers selling to local institutions.
  - Consider developing a Good Agricultural Practices (GAPs)/Food Safety Plan to allow easier access to these markets.
  - Find out if the buyer will purchase imperfect, blemished or small produce for a lower price.

## Resources

- **ATTRA Publications**  
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  - *New Markets for Your Crops*, 2008 (also available in Spanish and as a Spanish-language audio file)
  - *Illustrated Guide to Growing Safe Produce on Your Farm*, 2010 (also available in Spanish)
- *Selling to Institutions* by Bill Wright, University of Wisconsin Cooperative Extension, Emerging Agricultural Markets Team, 2007. A 4-page PDF on how to get started and do well selling to institutions. [www.uwex.edu/ces/agmarkets/publications/documents/A3811-19.pdf](http://www.uwex.edu/ces/agmarkets/publications/documents/A3811-19.pdf)
- *Farm to Hospital: Supporting Local Agriculture and Improving Health Care*. This 6-page brochure explains farm-to-hospital and why it's important, as well as how hospitals can improve their food, and how growers can approach institutions. [www.foodsecurity.org/uploads/F2H\\_Brochure-Nov08.pdf](http://www.foodsecurity.org/uploads/F2H_Brochure-Nov08.pdf)
- **Farm to College Website Resource List**. Useful for anyone interested in learning more about getting local produce into institutions. The lists are broken down by the intended audience such as farmers, food professionals, student organizers, etc. <http://farmtocollege.org/resources>
- *Community Food Security Liability & Food Safety* (in English and Spanish). This short brochure summarizes some of the issues regarding food safety when selling to institutional markets. It gives the reader information on what to expect for insurance requirements and how to better protect your farm. [www.foodsecurity.org/insurance.htm](http://www.foodsecurity.org/insurance.htm)

The development of this material was supported through USDA/NIFA/OASDFR  
[www.outreach.usda.gov/oasdrf](http://www.outreach.usda.gov/oasdrf)



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By Marisa Alcorta, Rex Dufour and Tammy Hinman

Production: Karen Van Epen

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IP 427, Slot 425, Version 122612

# Tips for Selling to: Aggregators/Grower Marketing Coops

Aggregators are agricultural businesses or cooperatives of growers that consolidate and distribute agricultural products. They typically support regional growers of diverse sizes and experience, and sell products to local or regional markets. The consolidation of multiple farms' products can help supply fresh product for distributors and other wholesale customers and is not limited by grower size.

## Advantages

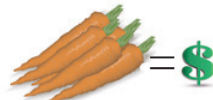
- In contrast with other wholesale markets, you can sell large or small quantities of product through this marketing channel.
- Your products may still retain your farm identity and may be marketed locally or regionally.
- Aggregators will often work with growers to provide on-farm technical support, harvest and pre-production planning to meet market projections.
- Aggregators often serve as the marketer and distributor, which allows the grower to focus more time on farming and may reduce the marketing and distribution costs of the individual grower.
- Aggregators and marketing co-ops can help buy packaging materials, labels and marketing materials through group purchasing, which can reduce the individual grower's materials costs.

## Considerations

- You can sell a larger quantity, but expect a lower price per unit.
- Growers are required to adhere to packing grades and standards.
- Growers may be required to adhere to Good Agricultural Practices and complete a food safety plan.
- If the aggregator is a co-op, growers will likely be required to attend meetings and participate in some capacity.
- There are often annual fees associated with a grower co-op.

**For this market you can expect:**

- Higher volume of product
- Lower prices per unit



*Transferring produce from the cooler for delivery to local schools in Davis, Calif. [www.caff.org](http://www.caff.org)*



# Tips for Selling to Aggregators/Grower Marketing Coops

- Aggregation on a local level is a fairly new concept. Look for grower recruitment meetings, or ask around to find out if one is located near you. ★ key point
- BEFORE you begin production, call the aggregators to find out what products they are looking for.
- ★ If you are starting a cooperative aggregation group, be sure you understand how the legal business structure of a cooperative works. Contact the USDA Rural Business Cooperative Service to help guide you through the process and possibly access federal funding: [www.rurdev.usda.gov/rbs](http://www.rurdev.usda.gov/rbs)

## Key Questions to Ask Yourself

- How will my membership with the aggregator or growers co-op align with my personal and business goals?
- Has this aggregator or co-op been successful or in business for more than a short period of time? Do they have a good reputation?
- If it's a co-op, what kind of time commitment is required?  
Am I willing to work with a group to help market our collective produce?
- ★ Am I prepared to adhere to quality and other standards that are set by the group?

## Resources

- **ATTRA Publications.** Prices vary for individual publications. Many are free. An inexpensive subscription to ATTRA will give you access to all 350+ publications and databases. Phone 800-346-9140. [www.attra.ncat.org](http://www.attra.ncat.org)
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  - Post-Harvest Handling for Fruits and Vegetables* (2000)
  - New Markets for Your Crops* (2008) (English or Spanish)
  - ATTRA website's resources about Cooperative Development:* <https://attra.ncat.org/marketing.html#cooperatives>
- **Collaborative Marketing: A Roadmap and Resource Guide for Farmers** explains how to form a marketing coop, with many case examples of farmer marketing co-ops throughout the Midwest. 2008. King and DiGiacomo. University of Minnesota. [www.extension.umn.edu/distribution/businessmanagement/DF7539.html](http://www.extension.umn.edu/distribution/businessmanagement/DF7539.html)
- **The Packer** is a weekly newspaper covering fruit and vegetable news, produce shipping, distribution, packing, marketing, and trends in fresh produce in North America. [www.thepacker.com](http://www.thepacker.com)
- **Rocky Mountain Farmers Union** provides training and assistance to farmers who want to organize marketing cooperatives in New Mexico, Colorado, and Wyoming. Telephone 303-753-5800. [www.rmfu.org/co-op](http://www.rmfu.org/co-op)
- **Scaling Up: Meeting the Demand For Local Food** compares 11 aggregator models from across the country. To obtain a copy call toll-free 1-877-947-7827 or visit University of Wisconsin extension, [www.learningstore.uwex.edu](http://www.learningstore.uwex.edu)
- **U.S. Agricultural Marketing Service (AMS) Fresh Fruit, Vegetable, Nut, and Specialty Crop Grade Standards** lists the quality standards for fruits, vegetables and nuts sold as commodities. <http://tinyurl.com/ams-grade-standards>
- **USDA Rural Development, Business and Cooperative Programs** offer many publications about cooperatives as well as the bi-monthly *Rural Cooperatives* magazine. [www.rurdev.usda.gov/rbs/pub/NEWPUB.htm](http://www.rurdev.usda.gov/rbs/pub/NEWPUB.htm)
- **Wholesale Success: A Farmers Guide to Selling, Post Harvest Handling, and Packing Produce** is a 255-page manual about the wholesale produce industry, with details on building relationships, food safety, grading standards, filling orders, record keeping, and billing. The manual includes harvesting, cooling, storing, and packing information for 103 different fruits and vegetables. Order online or call 708-763-9920. [www.familyfarmed.org/wholesale-success](http://www.familyfarmed.org/wholesale-success)

*This tip sheet was developed with assistance from Bob Corshen, Community Alliance with Family Farmers, and Karl Sutton, Mission Mountain Food Enterprise Center.*

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## Produce Brokers

A produce broker is a salesperson who has access to any seller in the food chain, including packing houses, processors, agribusinesses, and mid- to large-scale farms. Typically they work with large-scale farms. A broker will help arrange the logistics of getting your product from your

farm to their buyer, often taking commissions based on a percentage of the sale. Their success depends on their reputation and they spend years building relationships.

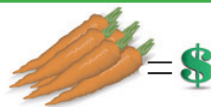
### Advantages

★ key point

- Brokers have relationships with many buyers and can arrange a sale more easily than the farmer can.
- Brokers generally have a better understanding of the market conditions and prices than the farmer does.
- Working with a broker allows you to focus on production, rather than sales.
- Brokers can arrange transportation, either from your farm or from a terminal market.

*For this market you can expect:*

- Higher volume of product
- Lower prices per unit



### Considerations

- Brokers prefer to deal with larger volumes, but it is not a requirement.
- While you can sell a larger quantity, you should expect a lower price per unit.
- Research your broker and their reputation. Farmers can sign an agreement with a broker that clearly delineates lines of fiscal responsibility.
- It is advantageous when working with brokers to have clear and concise agreements regarding volume throughout the season. Written agreements are helpful but not required.
- In order for a broker to sell your product, you will need to properly sort it for high quality, cool it, and store it.

### Key Questions to Ask Yourself

- Do you know others who have had good experiences with this broker?
- Do you have enough volume to still see a profit after paying a commission to a broker and selling at wholesale prices?
- Would you rather entrust someone else to sell your products so that you can focus only on production?



Photo: Rex Dufour, NCAT

# Tips for Selling to Produce Brokers

★ key points

- ★ Check with other growers and get a sense of the broker's or the brokerage company's reputation before you work with them. You want someone with an excellent track record who comes highly recommended. You can check their credibility through their DUNS number ([www.dnb.com](http://www.dnb.com)) or through the Blue Book ([www.producebluebook.com](http://www.producebluebook.com)). There may be a fee for credit-check services.
- ★ Written contracts are preferred, but not standard. However, it's always a good idea to have some type of written agreement with the broker outlining price, volume, time period, and whether the broker is purchasing the product from you or only negotiating a sale. These documents are critical to protecting both parties if anything goes wrong.

## Resources

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- **Food Safety and Liability Insurance for Small-Scale and Limited Resource Farmers** gives a brief overview of food safety and liability insurance. Published by the Community Food Security Coalition. [www.foodsecurity.org/insurance.htm](http://www.foodsecurity.org/insurance.htm)
- **Como Proteger Su Negocio Agrícola y Producir Alimentos Seguros en Su Granja** is a Spanish audio version of the Food Safety and Liability Insurance brochure above. From the Community Food Security Coalition website, you can click on the link to listen to the mp3 version on your computer, or you can request a CD of this recording by contacting: [publications@foodsecurity.org](mailto:publications@foodsecurity.org), or (503) 954-2970. [www.foodsecurity.org/insurance.htm](http://www.foodsecurity.org/insurance.htm)
- **USDA Terminal Market Report** lists current wholesale prices online at <http://tinyurl.com/3znaeuf>
- **Rodale Institute Organic Price Report** can be configured to show organic only or to compare organic and conventional wholesale prices at the current market rates. Prices of fruit, vegetables and grains are listed for six different wholesale terminals across the U.S. [www.rodaleinstitute.org/Organic-Price-Report](http://www.rodaleinstitute.org/Organic-Price-Report)
- **UC Davis Small Farm Program's Wholesale Market Resources** explain wholesale buyers and terminal markets: <http://sfp.ucdavis.edu/pubs/sfnews/Archive/93052.htm> and <http://sfp.ucdavis.edu/pubs/sfnews/archive/92091.htm>

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IP 436, Slot 437, Version 011013

# Tips for Selling to: Produce Distributors

NCAT Marketing Tip Sheet Series

Produce distributors are businesses that aggregate product and resell it in small or large quantities to their customers. Distributors may be an individual with a van or a company with a fleet of eighteen-wheelers. A distributor's primary relationship is purchasing directly from farmers, although distributors can also buy from brokers or packing houses.

Distributors sell to a range of customers, from individual restaurants to institutions such as hospitals and schools. Since local food has come into higher demand, some distributors have made the effort to focus their business on providing local produce to their customers.

## Advantages

★ key point

- Distributors can handle large volumes of product.
- Distributors can contract for a particular product for the whole season.
- Farm product identity could be retained in this wholesale market if the distributor focuses on local products.

## Considerations

- While you can sell a larger quantity, expect a lower price per unit.
- Distributors typically pay in 30 days. You must determine how that will affect your cash flow.
- Distributors have USDA standard pack and grade requirements that you will need to follow, which include clean, new boxes.
- Selling to distributors requires a well organized invoicing and recordkeeping system.

## Tips

- ★ **Contact the distributor to see what products they are looking for as well as volume, price, pack and grade preferences, delivery or pickup schedule, and liability insurance and GAPs (Good Agricultural Practices) requirements.**
- Ensure quality with proper cooling and post-harvest handling. Ask what requirements your buyer has.
- Consider specialty products that may bring a higher price, such as green garlic, squash blossoms, or pea tendrils that are variations on conventional items.
- When you deliver, always bring two copies of an invoice, one for your customer and one for you. Both should be signed at the time of delivery, providing proof that quality and quantity are accurate.

*For this market you can expect:*

- *Higher volume of product*
- *Lower prices per unit*



Earl's Organic Produce, San Francisco. Photo: Rex Dufour, NCAT.



## Key Questions to Ask Yourself about Selling to Produce Distributors

- How do these buyers want produce packed and delivered?  
What quantities do they want, and how often?
- Do I have liability insurance or a GAPs plan?  
Do these buyers require either of these items, and how much coverage do I need to have?

## Resources

- **ATTRA Publications.** Prices vary for individual publications. Many are free. An inexpensive subscription to ATTRA will give you access to all 350+ publications and databases. Phone 800-346-9140. [www.attra.ncat.org](http://www.attra.ncat.org)
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  - *New Markets for Your Crops* (2008) (English or Spanish)
  - *Scheduling Vegetable Plantings for Continuous Harvest* (2008) (English or Spanish)
  - *Season Extension Techniques for Market Gardeners* (2005) (English or Spanish)
- **The Packer** is a weekly newspaper covering fruit and vegetable news, produce shipping, distribution, packing, marketing, and trends in fresh produce in North America. An annual produce and availability merchandising guide has a list of buyers by commodity and their states and cities. [www.thepacker.com](http://www.thepacker.com)
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# Tips for Selling to: Produce Packing Houses

NCAT Marketing Tip Sheet Series

Produce packing houses are large-scale businesses that buy produce from growers through a contract and then re-sell it on the open market. They sell very large quantities. Packing houses can also own land, renting plots to farmers to grow specifically for them, and sometimes supplying seed, inputs and packaging. They have invested in equipment such as coolers and fumigators, so they have the ability to store large amounts of product.

Packing houses never own the product once they receive it, therefore the price the farmer receives is based on what it sells for at the end of the chain. Some packing houses are cooperatively owned by farmers.

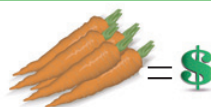
## Advantages

★ key point

- Packing houses can provide land, seed, inputs, labor, and packaging.
- Working with a packing house allows farmers to focus on production rather than sales.
- Farmers don't have to invest in packing and washing equipment or storage facilities, because the packing house will provide those services for a fee.

*For this market you can expect:*

- Higher volume of product
- Lower prices per unit



## Considerations

- ★ Packing houses are considered by experts in the industry to be the most risky for farmers for many reasons. One potential problem is that the product goes through many hands, and the price a farmer gets at the end is based on the quality of the product, which may have had time to degrade.
- Some contracts with packing houses can limit participation in other market channels.
- Packing houses will quote you a price when you deliver the product, but it is not guaranteed. The farmer will get paid a percentage of the price the packing house receives for the sale.
- Some packing houses may sell seed, inputs and packaging at a marked-up price to farmers.
- ★ Many farmers in this system are unable to reach a profit, since the costs of growing the product are often more than they receive after the packing house sells it.



Packing bell peppers. [www.ceriverside.ucdavis.edu](http://www.ceriverside.ucdavis.edu)

## Key Questions to Ask Yourself

- Am I comfortable with the risks (explained above) of selling my product to a packing house?
- Have I confirmed that other growers I know are making a profit and have a good relationship with this packing house?
- Am I able to understand the commitments I'm agreeing to, outlined in the contract I will sign? Have I found someone to translate it for me if necessary?
- Do I have a cushion of savings in case the money I owe the packing house is more than I will make from my sales?



# Tips for Selling to Produce Packing Houses

★ key points

- ★ **Ask other farmers about the reputation of the packing house before you work with them.**
- ★ **Packing houses always have a contract. Be sure that you understand it, keep a copy, and have someone translate it for you if necessary.**
  - If there is a concern about product quality, get a third-party quality inspection. For a fee you can have your produce inspected by the Agricultural Marketing Service (AMS) before you deliver it to the packing house. See the Resources section below.
- ★ **Request a written receipt when you drop off your product. Make sure the person who takes your boxes signs the receipt and prints their name legibly. A receipt should include what you sold, the weight or number of boxes, the date it was delivered, and the quality grade. Reconsider doing business with a packing house that will not give you a receipt.**
- Depending on one market can be risky. Consider investigating other market channels. See other Marketing Tip Sheets in this series.

## Resources

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- **AMS Inspection Service** will inspect your produce and certify its grade of quality before you sell it. On their website, click on "Request an Inspection/Contact an Office" on the right column. <http://tinyurl.com/ams-inspection-service>
- **Food Safety and Liability Insurance for Small-Scale and Limited Resource Farmers** gives a brief overview of food safety and liability insurance in English and Spanish. This is also available as a Spanish audio version in mp3 or CD format. Contact [publications@foodsecurity.org](mailto:publications@foodsecurity.org), (503) 954-2970. [www.foodsecurity.org/insurance.htm](http://www.foodsecurity.org/insurance.htm).
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### Tips for Selling to Produce Packing Houses

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By Marisa Alcorta, Rex Dufour and Tammy Hinman

Production: Karen Van Epen

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# Tips for Selling to: Wholesale Buyers at Terminal Markets

NCAT Marketing Tip Sheet Series

Wholesale buyers are typically located in permanent stalls at a terminal market. Terminal markets are central sites, often in a metropolitan area, that serve as an assembly and trading place for agricultural commodities. Wholesale buyers will purchase products from farmers, brokers, or packing houses in large quantities, and resell it

into the open marketplace. Prices of products, cooling considerations, and time of delivery are all negotiated before farmers bring their products to the docks.

## Advantages

★ key point

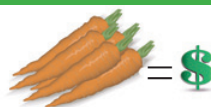
- Buyers can handle large deliveries of produce.
- Generally, pre-negotiated prices are more stable with wholesale buyers, however prices are not guaranteed.

## Considerations

- You can sell a larger quantity, but expect a lower price per unit.
- ★ **Wholesale buyers typically pay within 30 days.**  
**You must determine how this will affect your cash flow.**
- Farmers can set the price, but the buyer must agree to it.  
Farmers must have a good idea of what the going prices are in the wholesale market. See fifth Tip, next page.
- Farmers must meet packing and grading standards.
- ★ **Consider your wholesale buyer's post-harvest requirements and whether product must be delivered in a refrigerated truck.**
- Selling to a wholesale buyer requires a well organized invoicing and recordkeeping system.

*For this market you can expect:*

- Higher volume of product
- Lower prices per unit



## Key Questions to Ask Yourself

- How far away is the nearest terminal market?
- Do I want to put the effort into establishing relationships with the buyers?  
Would I rather go through a broker?
- How do the buyers at terminal markets want produce packed and delivered?
- How much volume is needed to supply wholesale buyers?
- ★ **Do my profits cover the cost of production, gasoline and labor?**



Photo: Loading docks at a terminal market, [www.oaklandnorth.net](http://www.oaklandnorth.net)



# Tips for Selling to Wholesale Buyers at Terminal Markets

★ key points

- ★ Visit a terminal market to get an idea of how it works and learn about the competition. To talk to a wholesale buyer and show them your produce, visit after 6 or 7 a.m. To see the market operating at busy times, visit around 3 or 4 a.m.
- Terminal markets are typically open from 11 p.m. to 12 noon. To sell a product, farmers must deliver to the terminal market late at night or very early in the morning. Most deliveries take place between 11 p.m. and 4 a.m. Buyers begin arriving at 5 a.m. to purchase products.
- ★ Identify and contact wholesale buyers before you try to sell to them. Farmers can get higher prices through established relationships, for higher quality products, and for unique or specialty products in high demand.
- If this will be a regular market channel, plan to bring them product on a regular basis. Consistency and quality are keys to success in this market.
- ★ Check the USDA Terminal Market Reports (available online at <http://tinyurl.com/3znaeuf>) for prices on your product before you try to negotiate with a wholesale buyer.
- ★ Ensure high quality by using good pre-cooling and post-harvest practices.
- ★ Don't use this channel if you have less than 50 to 100 boxes of each item. Wholesale buyers only purchase large quantities.

## Resources

- **ATTRA Publications.** Prices vary for individual publications. Many are free. An inexpensive subscription to ATTRA will give you access to all 350+ publications and databases. Phone 800-346-9140. [www.attra.ncat.org](http://www.attra.ncat.org)
  - *Illustrated Guide to Growing Safe Produce on Your Farm: GAPs* (2011) (English & Spanish)
  - *Post-Harvest Handling for Fruits and Vegetables* (2000)
  - *New Markets for Your Crops* (2008) (English & Spanish)
  - ATTRA website's Marketing, Business and Risk Management section: [www.attra.ncat.org/marketing.html](http://www.attra.ncat.org/marketing.html)
- **The Packer** is a weekly newspaper covering fruit and vegetable news, produce shipping, distribution, packing, marketing, and trends in fresh produce in North America. [www.thepacker.com](http://www.thepacker.com)
- **Wholesale Success: A Farmers Guide to Selling, Post Harvest Handling, and Packing Produce** is a 255-page manual for the produce wholesale industry. It covers food safety, post-harvest handling, packing and grading standards, fulfilling orders, record keeping, billing, and building relationships. The manual includes harvesting, cooling, storing, and packing information for 103 different fruits and vegetables. Phone 708-763-9920. [www.familyfarmed.org/wholesale-success](http://www.familyfarmed.org/wholesale-success)
- **AMS Fresh Fruit, Vegetable, Nut, and Specialty Crop Grade Standards** lists the U.S. Agricultural Marketing Service grade (quality) standards for each fruit, vegetable and nut sold as commodities. <http://tinyurl.com/ams-grade-standards>
- **Food Safety and Liability Insurance for Small-Scale and Limited Resource Farmers** gives a brief overview of food safety and liability insurance. (English & Spanish) [www.foodsecurity.org/insurance.htm](http://www.foodsecurity.org/insurance.htm)
- **USDA Terminal Market Report** lists current wholesale prices online at <http://tinyurl.com/3znaeuf>
- **Rodale Institute Organic Price Report** can be configured to show organic only or to compare organic and conventional wholesale prices at the current market rates. Prices of fruit, vegetables and grains are listed for six different wholesale terminals across the U.S. [www.rodaleinstitute.org/Organic-Price-Report](http://www.rodaleinstitute.org/Organic-Price-Report)
- **UC Davis Small Farm Program Wholesale Market Resources** explain wholesale buyers and terminal markets: <http://sfp.ucdavis.edu/pubs/sfnews/Archive/93052.htm> and <http://sfp.ucdavis.edu/pubs/sfnews/archive/92091.htm>

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