

# QuickStart Guide to Shipping

—Mike Badger

Shipping perishable food products is an emerging market for pastured poultry farms. Although a few farms have been shipping products for several years, the consumer demand and acceptance is steadily increasing, especially in the turmoil of the worldwide COVID 19 outbreak that's associated with a novel strain of the corona virus.

I believe there will be a new normal in pastured poultry distribution in the wake of the COVID 19 outbreak in that the demand for shipped poultry products and eggs will be significantly higher than it was in December 2019. Even though some customers will fall back into familiar routines of “just-in-time” buying at the grocery store or farmers market for their meals, the convenience and reliability of getting perishable product direct to the door will appeal to many, especially those who want to ensure they have a stocked freezer that can accommodate a couple weeks without regular grocery trips.

The 2020 Professional Pastured Poultry Conference in Jacksonville featured a breakout on shipping perishable product, and Paul Greive, Pasturebird, outlined a basic approach in the marketing essentials course on Sunday. The discussion went deeper during the main conference, and several actionable items and insights were talked about. I'll summarize those key points.

There was a consensus among the existing shippers that shipping is not a silver bullet, meaning it's not going to be the answer to all your sales, marketing, and distribution problems.

The theme that tied the discussion together, was, how do you start shipping?

You'll have many variables to contend with when you ship perishable product, and figuring out those variables can be a significant burden on resources. Taking a measured approach at the start can help you figure out those variables and give you insights

about what is required to safely and efficiently deliver product to your customers.

Daniel Salatin, Polyface, succinctly summarized the “how to get started” theme with these three steps: establish a shipping rep, create a defined bundle/offering, and offer a limited amount. So, I'll work from that context.

## Step 1: Establish a Connection with a Rep

You'll want to create an account with UPS, FedEx, or another third-party aggregator, such as Periship. Periship is the platform that Grazecart integrates with, and they aggregate smaller farms into one large account to negotiate better rates with FedEx.

If you work with FedEx or UPS directly, don't underestimate the relationship with the people who have power over your pricing. Paul Greive says, “It makes a big difference to have them out to the farm to get them excited. They are real people who have a lot of pricing power. Send them home with some product and get them excited. See what they can do for you.”

Speaking of sales representatives from the carriers, Brooks Hitzfield, Grazecart, adds, “A lot of the UPS and FedEx sales representatives' commissions comes from your growth, not just from your volume. So if you are able to help them buy into what you're doing and show them trends for the growth that you've been seeing, that may help them be more willing to work with you.”

Nicole Cruz, Circle C Farms, recommended Shipstation as a shipping platform that includes some default shipping discounts. Shipstation also integrates common carriers with most major ecommerce platforms, such as Shopify, WooCommerce, Amazon, and eBay.

## Step 2: Create a Specific & Set Product Offering

If you're new to shipping, don't make your entire product offering available. Create a limited number of offerings or a bundle.

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James Maiocco, Barn2Door, outlined a manageable approach to shipping that he sees many farmers use. "Many start with a specific size bundle where the package is predefined. Before you go into custom designed packages, you can test and see if your customers are willing to sign up for that. It's really approachable for families." The idea being that with a predefined package, you can begin to make recommendations to your customers about what package they should get based on how much meat they eat in a week. This model lends itself well to a subscription service.

### Step 3: Offer a Limited Amount

If Paul was designing a shipping test for a farm, here's his approach. Notice the inherent marketing built in.

Start with 25 total packages of Farmer Jerica's special package (he was addressing a question from Jerica Cadman) that are perfect for your customer, and it's only going to be shipped one time. It's \$150 each and available in a one or two-day shipping zone with FedEx. "When it's sold it out, it's sold out."

As the farmer for this test, "you get to pick the product that goes in. It's not going to scale and may not be as cost effective as other farms. This is a way to start that doesn't hang you out to dry for forever, maybe move some product, and allows you to dip your toe in the water. If you like it, do it again."

This starting approach also has a dry-ice benefit. Namely, that you can ship these bundles without it. The frozen gel packs would work well and be more cost effective than dry ice as this scale.

### Summary

I encourage you to discuss your shipping experiences and shipping questions in the new Pastured Poultry forum on Groups.io (a member benefit). For additional answers to questions about how to ship and how to price, see the article "Answers to Common Shipping Questions."

## Answers to Common Shipping Questions

—Mike Badger

These questions and answers are pulled from the shipping discussion at the Professional Pastured Poultry Conference in 2020. Efforts are made to properly attribute the source of the information.

### How do you price for shipping?

Paul Greive has two pricing models based on which one of his businesses are shipping product. Primal Pastures, which is the retail business, use a tiered approach based on order value. Paturebird has a wholesale focus and offers free shipping on orders over \$100. There are no available packages under \$100.

In the Primal Pastures model, orders under \$100 incurs a \$15 shipping charge. Orders between \$100 and \$300 incur an additional \$10 shipping charge. Orders over \$300 includes free shipping. To better understand the tiers in his system, you need to know that the base price per pound includes a \$1/lb. cost for shipping.

When evaluating whether shipping pricing is working, Paul recommends looking at the average cost of shipping and then comparing your numbers against that. In practice, this means you'll have some orders that cost more in shipping than you charge. You'll also have orders that cost less to ship than you charged, and sometimes, those gaps can be larger than you'd like to see. Paul recommends you pay attention to the average, which in his case, is \$19 per order for one day shipping. If you know your average and you know what you've charged, you can determine whether you're covering costs.

Nicole Cruz, Circle C Farms, made a point that she doesn't change prices from her retail store to shipping prices. Regardless of how you sell, there are fixed costs associated with getting the product ready for sale (processing, packaging, etc) and each method has overhead costs associated with it.

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Daniel Salatin, Polyface, added onto Nicole's comment. "We did a cost analysis previously and realized the most expensive pound of meat we sold was out of the on-farm store."

Your shipping costs will be determined by your volume and the deal you can negotiate with the carriers, so your shipping costs could be different than other farms you see. Pricing based on what you see other farms doing could get you into a lot of cash flow problems, and you could lose money.

Are you worried about people ordering small amounts?

You can control what people order by configuring packages for shipping and excluding other products. Just because you sell a package of boneless/skinless breasts at market doesn't mean you need to ship one package of breasts. Paul indicated that not many people order small quantities of meat, such as a pound of burger. If they did, his pricing accounts for it.

Daniel responded that he was worried about small a-la-carte offerings when they opened up shipping. However, they're not seeing those small orders. They're tending to see multiple-box shipments of a quarter cow and half a hog. Polyface has only been shipping for less than a year at the time of the conference, but initially, the small a-la-carte orders are not materializing. They do offer a-la-carte options in addition to bundled options.

Nicole shared a different shipping experience around offering free shipping and small orders. Early on, they tried to offer free shipping with no minimum purchase, and they ended up with a lot of small orders for a pound of chicken feet or a pound of liver. Customers took advantage of the offer and chose small amounts that weren't profitable to ship. So free shipping was quickly out.

Dry ice or gel packs?

One of the biggest costs of shipping is the cost of dry ice. Brooks Hitzfield, GrazeCart, said they started out paying \$1.30 / lb. for dry ice. Their cost is currently \$0.30 / lb. because they purchase more volume.

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## Study the Average Order

\$150 order at 10lb

We collect \$10 at checkout

We factor another \$10 at \$1/lb

Shipping Cost = \$19

Shipping Paid = \$20

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Paul Greive shared this example shipping evaluation in the Marketing Essentials class at the conference in Jacksonville.

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When you just start out, gel packs may be a more economical choice to ship one day deliveries. As your shipping volume scales up, dry ice will become a better economical choice.

In the Sunday marketing class, Paul provided a starting guideline for using dry ice. He uses five pounds of dry ice per day in transit. So a two-day shipment uses ten pounds of dry ice.

How much does it cost to ship?

Shipping costs will vary by farm. However, there are a common set of items you will need to price into your costs. Paul shared a sample breakdown of his shipping costs, as shown in the graphic below.

As you can see, only half the cost in his example goes to cover the shipment with FedEx or UPS. The rest of the costs are materials and labor.

How does online sales affect shipping?

If a farm processes under one of the exemptions outlined by PL 90-492, and a customer orders the product online, can it legally be shipped?

Dr. Michael Fisher, retired FSIS, provided the following answer to this question.

“FSIS determine where the sale happens based on where the money changes hands.” If someone from Massachusetts orders something from Pat’s Pastured in Rhode Island and pays for it online, that sale happened in Rhode Island. “FSIS looks at that as local retail sale.” The person in Massachusetts now owns poultry products that are located in Rhode Island.” The person can pay Pat’s Pastured a fee to send it to Rhode Island.

Even though the product will cross state lines, the person who owns the product is in Massachusetts, and that person is causing the product to cross state lines. This would not be considered interstate commerce.

PL 90-492 is the designator for the Poultry Products Inspection Act, which includes several exemptions from inspections. The label requirement is to label the product as exempt PL 90-492, which designates the product is produced under the Poultry Products Inspection Act.

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## Shipping: Sample Economics

Box	\$1.00
Liner	\$4.00
Dry Ice	\$3.00
Labor	\$1.00
Shipping	\$10.00
<b>Total</b>	<b>\$19.00</b>

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