

[statesman.com](https://www.statesman.com)

Coronavirus kicks local food delivery companies into overdrive

13–16 minutes



Farmhouse Delivery founder Stephanie Scherzer knew something was happening one Friday night two weeks ago when her buyers told her that they were seeing a sudden spike in orders.

The grocery delivery industry was changing, maybe forever.

The Austin district had suddenly closed schools, and people swamped grocery stores, clearing the shelves of canned goods, pasta, rice, meat and frozen pizzas.

“We were gaining 100 customers an hour,” Scherzer said. “It was nuts. We had a week’s supply of bins, but nothing that could have handled this kind of growth.”

The company has been around since 2009, and although it served customers in Austin, Houston and Dallas, food delivery was still considered a niche business.

Online grocery sales doubled nationally from 2016 to 2018, but as of last year, only a quarter of U.S. consumers had even tried those services, [according to consulting group Bain & Co.](#)

[Farmhouse Delivery](#) had grown over the past decade, [acquiring Greenling, another food delivery service, in 2016](#), but it was still a niche platform, specializing in the kinds of products you might find at a farmers market or farm stand. Even without a delivery fee, those products cost a premium, and, for the past few years, Scherzer has been trying every marketing tool possible to gain a steadier customer base, including adding meal kits and prepared foods.

Two weeks ago, her servers went down under the sudden demand. Preordered food for the following week was selling out faster than buyers could track. Customers placed orders that topped \$1,500.

“I’ve been trying to do this for how many years and couldn’t get people’s attention,” she said, “and now it’s off the wall.”

Scherzer had metrics for how long it took to pack each box, but those orders were much smaller before the coronavirus-fueled spike. “Now, it’s taking us three times as long to pack the boxes,” she said.

Customers wanted to buy fresh meat, eggs, dairy, produce and flour, and they were buying up everything she had.

By the end of the first week, Scherzer said she knew she had to call it:

Cut off new accounts for now, and pull out of Houston and Dallas until it could stabilize.

Farmhouse had to pivot and pivot fast. The online store featured 700 products, and Scherzer cut it down to 250. She eliminated the prepared meals. She moved her wholesale employees over to retail — orders from restaurants completely dropped off — and reorganized the entire warehouse to make it easier to put together retail orders.

Her friend Amy March, owner of the Steeping Room, had to lay off her team of six employees, so Scherzer hired all of them. She retrained her entire staff of about 100 on new hand-washing and safety protocols. No one outside the team would be allowed in the building. They put in 60-hour weeks trying to get caught up.

“My team was scared,” she said. “They have empty fridges and didn’t have the time to go shop and get what they need.”

Once she was able to hire a night crew, she could start making deliveries again to Houston, where she built up a following after Hurricane Harvey. Scherzer said she will open online orders for new customers in Austin as the company is able to expand the capacity to fulfill and deliver those orders.

Scherzer said she hopes to eventually add Dallas back into the mix, but, for now, she’s trying to work through the waiting lists in Austin and Houston, while bracing for any shift in the supply chain.

Farmers have more options than ever about where to sell their produce, Scherzer said, so they are having to decide how to best distribute the supply. Three weeks ago, shoppers ordered 500 dozen eggs in a week; that number has tripled.

“There’s only so many chickens laying so many eggs,” she said.

Scherzer hates the idea of turning away customers, but she also can't believe what has transpired with American shoppers in such a short time. "I'm thinking, 'What is the difference here?'" she said. "People all of the sudden care about the supply chain."

Pivoting overnight

That same night that Scherzer's servers first went down, [Farm to Table](#) owner John Lash got a call from his son, Sam, the company's operations manager.

"He said, 'You should be aware. The (expletive) has hit the fan,'" said Lash, who founded the wholesale produce delivery company in 2008. "We need to switch to home delivery. We've never done home delivery."

They changed their business model overnight, taking customer orders via email. It was a clunky solution, but it worked so well that they, too, had to cut off orders after the first week.

"We weren't geared up to deal with hundreds of small orders," Lash said. "A box of lettuce goes to one restaurant, but in this environment, it goes to 18 homes."

At the end of last week, Farm to Table debuted an online ordering system catering to buyers who are at home.

Customers are rethinking everything, Lash said, and so are the food companies. Farm to Table, which usually sells produce and meat raised in Texas, is now buying chicken from Arkansas that still meets its product standards but is coming from farther away than usual.

The company has had to tighten the belt, including firing some workers but hiring others, in an attempt to become as efficient as possible. "We've got the food, but we're maxed at capacity to deliver it fast enough," Lash said.

Established food delivery companies weren't the only ones pressure testing new systems in real time.

Chris Carson's local food delivery company, [SnackShare](#), officially opened with 50 farmers and local business partners last November. This month, overnight, his company got a surge of delivery orders from customers wanting to buy fresh and shelf-stable groceries that they couldn't get at Farmhouse or couldn't wait in line for at H-E-B.

"We'd all been paying attention to (the coronavirus threat), but no one could have predicted the strain on the national supply chain," Carson said.

With ample warehouse and cold storage space, SnackShare already was making community-supported agriculture, or CSA, deliveries for Green Gate Farms and New Leaf Agriculture, and both of those farms' CSAs sold out in a matter of days.

Carson has been hustling to sign on new partners and local consumer packaged goods brands, including Siete, and he's added drivers and trucks to help make those deliveries. SnackShare delivers orders, packed into cardboard boxes with reusable gel packs, twice a week on Sundays and Mondays.

"People are very much appreciating the local supply chain," he said.

"CSAs were almost on their way out."

Carson said the instant exposure for his new company has been a silver lining to this chaos, and what really makes it worth it is hearing from customers who appreciate receiving food at home. "Even though it's a no-contact visit, people holler at the door and leave tips out," he said.

"You could feel their gratitude."

Expanding delivery options

Some of the first delivery companies, such as Instacart and Shipt, were at the forefront of this industry, teaming up with retailers that were initially wary about this new segment of the grocery industry.

After a few years, every major retailer, from Walmart to H-E-B, saw enough growth potential that they started building their own curbside and delivery infrastructure. (Target acquired Shipt in 2017, and [H-E-B bought Favor in 2018](#).) [Imperfect Foods](#), a national company that opened its North Austin warehouse in 2018, started with a focus on selling slightly flawed vegetables and fruits but has expanded to everyday groceries. [GoPuff](#) is another delivery company that specializes in convenience foods delivered from a centralized warehouse.

When Amazon bought Whole Foods, many grocery analysts said it was an indication that we'd all be buying more groceries online in the future, but before the coronavirus hit the U.S., [only 6% of Americans were ordering groceries for delivery regularly](#).

That future is now. It's hard to find a food company that isn't trying to figure out how to deliver to customers at home. Some companies handle delivery themselves; others outsource through third-party companies, such as Favor or Postmates; and some do both.

[Mockingbird Farm](#) in Paige and [Flying Pony Farm](#) in Smithville are among the local ranches that deliver to the Austin area. [Tiff's Treats](#), which is looking to hire an additional 100 people locally, is now delivering water and hot meals from partner restaurants, along with their cookies. [Wundernuggets](#) owner Hema Reddy is one of many food small-business owners personally delivering orders to customers in the Austin area.

[Good Apple](#), founded by Zack Timmons when he was a medical student at Dell Medical School, launched last year in partnership with local farms

to deliver boxes of produce to customers in the Austin area. For every box sold, it delivers another box to someone in need.

Co-founder Gabe Breternitz said it has easily had its biggest weeks yet since the grocery buying panic started in Austin, which means that even more boxes will be delivered to families in need in the coming weeks.

Making new connections

As soon as the first wave of COVID-19 diagnoses hit the U.S., shoppers started [downloading delivery apps at a record pace](#), trying to secure a window for delivery or pickup. Many traditional retail outlets are now booking curbside or delivery orders more than a week out, if there are any options available at all.

One local delivery app that has seen instant growth is [Vinder](#), which connects producers (farmers, small food-company owners, even individuals who sell food through the cottage law) directly to customers. Customers pay \$1 a delivery, or they can schedule a pickup or drop-off with the vendor.

“We’ve had to find a new channel to get food to consumers,” founder Sam Lillie said. “Farmers markets are taking a hit, and restaurants are shutting down, even though they have product available.

“If you look at it from a bird’s-eye view, you can see what is decentralized. You start to think about who could be a supplier.”

Backyard gardeners, and people baking and cooking cookies, bread, pickles and salsas according to the cottage law can sell directly to their neighbors or anyone in the city. “It’s like shopping from the farmers market from the safety of your home,” he said.

Amy Gallo, market programming manager at the Sustainable Food Center, said many vendors at farmers markets don’t have the resources

to launch their own delivery system, but they can sell for delivery through Vinder.

Unlike SnackShare, which uses warehouse and cold storage facilities, Vinder doesn't store inventory. Goods are taken directly from the vendor to the customer three days a week (Wednesday, Saturday and Sunday, which have generally been farmers market days).

Vinder has signed on to make deliveries for [Brothers Produce](#), one of several local food wholesalers that have pivoted to direct-to-consumer sales. Brothers is selling 20-pound boxes of produce for pickup at a number of Austin school sites and at the East Austin facility. Vinder takes care of the home delivery.

Hardie's, another major local food service provider, doesn't offer home delivery, but it has opened up sales [directly to customers](#) for pickup at its Burnet Road warehouse.

The biggest food warehouses in Central Texas belong to Sysco and US Foods, the largest food supply companies in the country, which usually supply directly to restaurants. Neither company has announced a direct-to-consumer plan, but Sysco CEO Kevin Hourican [announced to shareholders last week](#) that the company would sell products "where there is a shortage and need for goods," including retail stores.

Can the food system keep up?

Supermarket analyst Phil Lempert said the sudden influx of interest in grocery delivery is happening when there's already a labor shortage in the grocery business, from truck drivers retiring to farm laborers facing immigration issues. Instacart alone has said it wants to hire 300,000 employees, while its current workforce [is planning a strike](#) on Monday to seek hazard pay.

“This system is fragile,” Lempert said. “It’s great that we have all these delivery services, but this has proven that we can’t handle the demand.”

Yogesh Sharma of [Lettuce](#) and [Loconomy](#), a local company that sells meal kits and groceries for delivery, is also seeing a strained system.

“It’s like adding an engine to a plane while in midflight,” he said in a newsletter to customers last week. The supply chain for some ingredients is stretched, he said, and it has been hard to get enough of the reusable plastic containers that hold the ingredients in his company’s meal kits.

To help pay for some of these extra costs, including newly hired staff, Sharma said he’d have to cut back on the variety of recipes and temporarily raise prices by 10 percent to help cover increased operational costs.

Johnson’s Backyard Garden’s CSA has a waiting list for the first time since 2008, said farmer Brenton Johnson. Several former employees who lost their jobs in other sectors have come back to work on the farm, which has 20 acres near the airport and 186 acres in Garfield. “We’ve been on a labor crunch on the farm,” Johnson said, “so we’d backed off production because it was just too much to handle. Now we can increase production. We’ve had more supply than demand until two weeks ago.”

Johnson isn’t banking on this demand lasting forever, though: “I think the big thing that is driving this right now is that people have time to cook while we’re at home.”

The American-Statesman is making this coverage available to nonsubscribers at no cost as [a public service during the coronavirus outbreak](#).

Please support local journalism by subscribing to the Statesman at

[statesman.com/subscribe](https://www.statesman.com/subscribe).

Want to stay updated on the latest news about coronavirus in Austin?

Subscribe to our free breaking news emails at [statesman.com/newsletters](https://www.statesman.com/newsletters).

Covering the coronavirus pandemic







