

Vegetable Growers’ “Portfolio” Business Plan for Recapturing Wholesale Buyer Interest

Jack Rabin, Assoc. Dir. – Farm Programs

Phil Neary, Dir. of Operations & Grower Relations, Sunny Valley Int’l, Glassboro, NJ

Rick VanVranken, Atlantic County Agricultural Agent

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What are tangible steps NJ vegetable growers can take for increasing selling in regional wholesale markets?

We outline a “Growers’ Portfolio” business plan, enabling growers to see how focusing their business, with partners, can save their farms, their profits, and their industry. For many growers, there is a feeling of desperation. Changes in selling practices are needed urgently. We outline business plan steps revitalizing opportunities for NJ wholesale vegetable growers. New Jersey’s vegetable industry has fallen behind. Many sales practices do not move product into current produce markets. The core problem is not NJ’s seasonality. It is that vegetable grower industry fragmentation is so great, it blocks our seasonal production from fitting in existing 52-week supply markets. There is little or no organized commitment reporting predicted grower supplies, and growers depend solely on “fill-in spot market” prices in the hopes periodic shortages yield good prices. When markets are seasonally saturated with product, the industry no longer moves NJ produce at any price, let alone a decent return. If the grower industry is not organized for success, no one needs its produce.

When viewed against today’s consolidated wholesale produce buying and 52-week produce supply relationships, New Jersey’s fragmented produce growing is dysfunctional. Much of NJ’s produce growing is no longer viewed as an industry, just hard-working farms who lost access to the largest volume and most valuable sales in the produce distribution.

The “Growers’ Portfolio” is a first step towards a commitment to detailed and up-to-date business practices. Core groups of New Jersey’s most progressive growers must establish “Growers’ Portfolios” that commit product, that commit to current industry business practices, and commit to a concept in which growers do what they do best—grow—and partners with a viable sales entity or entities do what they do best—sell. It is not our intention to document all components needed for revitalizing profits, but to suggest key steps the industry might take to make the New Jersey vegetable industry more interesting to customers and to create interest from professional produce sales companies to become fully engaged in our industry.

1st step - group of farmers creates “Growers’ Portfolio” of sales items.

1. Core group of progressive growers coordinates creation of the portfolio. These growers combined have critical mass of acres, quantity, shipping season length, quality, and other attributes for high-volume items, e.g., bell pepper. They secure commitment for acreage and product shipped from for as many items as possible.
2. Portfolio is interesting to wholesale selling agents who are given exclusive rights to market products with a brand label clearly distinguishing Growers’ Portfolio shipped product from the other production.
3. Growers take leadership in the Grower Portfolio enterprise and a professional shipper sales agent takes leadership for sales. NJ farming support organizations provide support, not leadership.

The Importance of Exclusivity in Growers - Sales Agent Relationships

Besides quality, pricing, and reliability, what do sales agents need in arranging to sell a Growers’ Portfolio? A good sales team will demand an “exclusivity” commitment when representing a Growers’ Portfolio. Exclusivity means the Portfolio Growers’ do not sell the same products or labels to other local companies, undercutting order flow or pricing. Establishing trust–business comfort on both sides–is vital. Exclusivity is valued when marketing agents talk with their customers.

Example of Failed Produce Marketing Experience

Red Tomato of Mass. is a case study in failed produce marketing. Red Tomato began as a grant-funded organization with a business plan becoming the sales agent for a portfolio of twenty-five or so smaller MA growers. They acquired direct store delivery (DSD) grocery chain customer accounts, touting their seasonal, local supplies. Red Tomato advanced from modest sales to hundreds of thousands per year. They leased delivery trucks and lease/purchase cooling capacity. By the third or fourth year, well-established wholesale distributors won these accounts back and Red Tomato quickly went from success to failure. High hopes dashed. Why? Because they did not respect the efficiency, essential role, competitive services, 52-week supply chain service established distributors bring to customers. As a not for profit grant-funded group, they had no business being in the produce business.

We believe, the most sustainable long-term value-added in the produce business is the *value of service*. Red tomato would have been better off forming a Growers’ Portfolio, and seeking an established sales agency. Growers should be partnering their Portfolios, not forming their own sales companies, unless they have the management commitment to run them.

What does the Portfolio look like, and what do growers present to a shipper/sales agent to represent them?

1. Growers develop a product “Portfolio” around key high volume items. The Portfolio is a business.
2. The Portfolio identifies and lists who the Growers are, their reputation in the trade, and joined acreage size. It describes the strengths as a joined grower group and the % of acreage they represent in their shipping area and window for the products offered. The Portfolio identifies the business structure of the joint Growers’ Portfolio. The growers could establish themselves as an LLC, Partnership, or other entity.
3. The Growers’ Portfolio describes the produce items.
 - a. What are the items? Varieties, type descriptions, sizes, and colors are described. The quality grades standards are described. Quality is expected as a given.
 - b. Describe the containers, packaging, and labels, with photograph samples. While central packing makes sense, good packing is more important than central packing. No short cuts can be made in providing PLUs, sorting, weight-fill consumer packs, trace back requirements, etc.). Palletizing, handling, and cold chain are described. A description of the cooling capacity, cold chain maintenance, inventory management, and consolidation are described.
 - c. Describe the joint Growers’ Portfolio harvest calendar including beginning dates, ending dates, and expected weekly volumes at each grade, based on past years’ experiences. This means joined pack volume from all the Portfolio Growers. A statement that regular field reports will clarify expected volumes beginning pre-season and extending regularly through the shipping season. Changes are communicated quickly. Field men/women monitor crops, conditions, etc., providing updates to the marketing company 2-3 weeks or more before harvest to enable advance order and sales planning.
 - d. Promotion and merchandising support offered with products (web, print, advertising, Jersey Fresh, Grower visits to customers, or other methods is described. Once a sales entity is selected detailed promotional activities can be developed.
 - e. How the Growers’ Portfolio maximizes government support from NJAES, NJDA, NJFB, USDA Value-added Grants for business development, logo, crop culture are described
4. The physical facilities are described. Where and what are the offices, communication, and coordination facilities? Where are the facilities that product is packed, consolidated, and shipped from? These consolidation services can be leased or purchased from existing growers physical facilities or other entities in the area. What is the cooling capacity or availability, and how is the cold chain of custody maintained? This information includes square footage, age, and capacity.
5. What are Growers’ promising to deliver in their Portfolio? An example statement like, “We deliver the top Pepper Label, or top Greens Label, or any other top label, from New Jersey.” **The Growers commit to this and do not give their product to other sales entities.** Formal marketing agreements are prepared and signed by the grower entity and the sales entity. The marketing agreement describes how price/quality/volume/time/cold

chain disputes are addressed at all levels of custody (formal agreements are required by the PACA).

6. The Portfolio presentation includes a Quality Assurance commitment and a communication commitment by Portfolio growers to the marketing group. The Portfolio QA statement is backed by Portfolio Growers conducting Third Party Audits for Good Agricultural Practices. This includes worker hygiene, product traceability, IPM monitoring participation, cold chain, etc.
7. The Portfolio describes how support from outside groups is maximized. The support groups provide assistance, identifying potential strategic alliances with 52-week marketing companies, varieties, cultural practices, GAP training, Jersey Fresh marketing support, etc. These include NJDA with Jersey Fresh or institutional arrangements; Farm Bureau; Rutgers Cooperative Research & Extension; Packaging companies; NJAES Food Innovation Center; Input suppliers, etc.

The NJ Growers forming their production and product Growers' Portfolio jointly offer this exclusive produce to marketing companies. NJ Growers' success joining a marketing group depends on what the Portfolio shows a potential marketing business group. The marketing group then presents itself in the trade as selling and shipping for this Portfolio group of growers.

What does the Sales and Marketing Entity do? What are the Growers of the Portfolio looking for? The Shipper/Sales Agent/Marketing Partner:

1. Has a proven track record of sales.
2. Must be in the business year-round.
3. Must be able to provide accountability.
4. Is the organizing group, promoting the Growers' labels and produce.
5. Must make the Growers' Portfolio a high priority of their program—suggesting they sell only product from this group unless the group falls short of the necessary supply. If fill-in produce is purchased for order voids, the sales agent shares margins with the Growers' Portfolio.
6. Has trust and comfort working with the Growers' Portfolio. This is key.
7. Proactively markets products, proactively keeps Growers' Portfolio informed on marketing issues. The sales company communicates multiple times daily and weekly with receivers.
8. May deploy and supervise field men/women out assessing crop condition, crop volume, crop quality, and make expected harvest volume and pack schedules for the sales team, and communicate this to buyers and receivers, or may do this jointly funded in cooperation with the Growers.
9. Might share in the compensation of a “local” manager to be the conduit of communication between growers and the shipper/sales agent partner, or they may hire someone locally to manage the program.

Over time, a strong grower-sales partnership melds into one voice from the shipping point. Growers speak of the sales organization as if it is their own and the sales organization speaks of the growers as if they are their own. The partnership becomes a unified grower-shipper.

Growers' Portfolios are just one among many possible business structure alternatives restoring growers' valued, trusted, profitable place in regional wholesale produce markets. What are other incremental, short-term steps NJ's produce growers can do to improve their sales positions?

1. New Jersey renews its participation in USDA Market News, at the first handler wholesaler FOB prices level.
2. Growers need to do more communication to the "Buy" side of the business. Growers should provide *advance* availability faxes to potential customers, with volume and quality assessments, as well as specific growers or shippers where product can be obtained. The current Jersey Fresh Availability alert sent by Bill Walker of NJDA is sound, but needs to be customized to lead buyers to a wholesaler or growers selling the product.
3. More NJ growers should be undertaking USDA authorized Food Safety Good Ag Practices Audits with the assistance of Rutgers Cooperative Extension and NJDA.