Creating Sustainable Regional Supply Chains: Challenges of the Middle

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Creating Sustainable Regional Supply Chains: Challenges of the Middle

USDA Outlook Forum

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A Picture of Distribution

- Dramatic, steady loss of farms in the middle, with wholesale capacity

- Picture the middle of the distribution system as the BOTTLENECK of an hourglass. Control lies at the bottleneck.
<table>
<thead>
<tr>
<th>The Undignified Deal</th>
<th>The Undignified Result</th>
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</thead>
<tbody>
<tr>
<td>▪ Large distance between grower and consumer</td>
<td>▪ Ignorance - on all sides</td>
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<tr>
<td>▪ No feedback loops</td>
<td>▪ Lower product quality</td>
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<td>▪ Risk is not shared</td>
<td>▪ Real costs not reflected in price</td>
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<td>▪ Remainder pricing</td>
<td>▪ Mistrust</td>
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<td>▪ Externalities are not part of the conversation</td>
<td>▪ Price becomes driver—race to the bottom</td>
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<td>▪ Farmers are not at the table</td>
<td>▪ Farm loss</td>
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<td></td>
<td>▪ Lacking control/influence at the bottleneck</td>
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Red Tomato Basics

- Business fundamentals - right product, right price, on-time, paperwork, insurance, good communication with customer...
- Product differentiation & brand
  - Packaging, Website
- Unique logistics: virtual food hub
  - Transportation: grower, partner, hired, less-than-truckload (LTL)
    - consolidation at grower or retailer facility
- Product cluster design for gaps and longevity
- Risk management
- Feedback loops
Characteristics of the Dignity Deal
Not a formula, rather a process—our way of doing business

- Close the distance between grower and consumer
- Farm identity preserved
- Feedback loops - constant communication, continuous improvement
- Risk sharing - buyer commitment, advance planning
- Dignity pricing - farmers at the table
- Sustainability - “externalities” part of the conversation: Eco/organic, food safety, farm labor

Result: Values ~ Continuous Improvement ~ Flavor
How We *Differentiate* Growers & Products

Brand & Storytelling

- Regionally-grown/Farm ID
- Freshness & flavor
- Ecologically-grown
- Fair trade
How We *Differentiate* Service

- Virtual Food Hub
- Aggregation and consolidation
- Efficiencies in logistics
- Regional supply
The Eco Apple Story

Grown on Northeast family farms, by stewards of land, water and wildlife, using natural methods and minimal spray, closing the distance from farm to table.

Trust the Farmer. Know the Orchard. LOVE the Fruit.
Meet the growers

Northeast family farmers like:

- Brian, Aaron, and Dana Clark
- Clark Brothers Orchard
- Ashfield, MA
- 100 acres diversified apples
- 3rd generation growers

2010 Program:

- 14 Orchards
- 787 acres certified Eco Apple
Ecologically-grown: Advanced IPM
Lyman Orchards
Middlefield, CT

2005 (1st yr) = 18,000 cases, $400,000

2009 (5th yr) = 56,800 cases, $1.4 million
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