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NEW MARKETING DEVELOPMENTS FOR FRUITS & VEGETABLES ADAPTING TO MARKET CHANGES

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It is exciting to have this opportunity to participate in the 1999 USDA Outlook Conference and to share some thoughts about the very competitive fruit and vegetable business. As a third generation grower and shipper of fresh produce in Orange County, California I feel that our urban experience will offer some interesting contrasts and insights to producers in other parts of the country. I am pleased to appear at this conference as both a farmer and marketer, and I make that distinction because of the significant differences and conflicts between the two occupations.

My brother and I run a medium sized produce operation where we grow @300 acres of celery, 500 acres of green snap beans, 75 acres of strawberries and 200 acres of other vegetables from radicchio to zucchini. We lease all of our farm lands, own our shipping and cooling facility, and also handle and market over 600 acres of produce from other growers. We provide short term financing to most of our growers. Our customer base is local, national and international. We have participated in farmers markets and local roadside stands, and have been sending celery to Hong Kong and strawberries to England for over 30 years. Most of our produce is sold directly to major chain stores and shipped directly from our facility to points throughout North America. We have a very small amount of acreage that is certified organic, but the majority of our acreage would be considered sustainable. In short, we are an urban grower-shipper that has been trying to adapt to the challenges of an increasingly competitive fruit and vegetable economy.

In setting the stage for this discussion it makes sense to take a quick look back some 20 to 30 years at the produce industry. It wasn't too long ago that many of us let our production drive our marketing. We grew it and hoped to sell it. The terminal markets were still the hub of the distribution system, food service was still developing and there were many, many chain stores throughout the country. Over production usually found its way to the consumer in the form of blow out prices, as the demand and supply dynamics seemed to respond predictably. There seemed to be a more efficient safety net out there for over production. You could call a buyer and ask him to go on add this very same week because of unexpected blips in production cycles. You knew that every day you would talk to the same person in terminal markets from Boston, Philly, Detroit, Chicago and that the chain store buyers would be friends for a lifetime. These kinds of relationships defined the produce industry for generations. There was a piece of the proverbial pie for everyone...so what happened? Where are we today?

It would be too simple to say that consolidation in the retail and food service industries, global trade and treaties, higher production costs have driven a competitive stake into the heart of the American producer. There are so many different factors in every region and for every commodity grown. Someone's lemons will always be someone else's lemonade. To depend on another's misfortune for profits is a sad commentary about how this industry operates. You have

to wonder about the sanity of a system that celebrates a freeze in one area or an El Nino in another. Of course, the sanity of our global food supply system is not the discussion for today! What *is* clear today and at least for tomorrow is that we are competing with each others as producers not for the chance to feed each other, but for the chance to earn a living and a profit. The risk that growers and marketers take today is enormous in the way of vulnerability to weather, market supply, the whims of the media and the government. Producers can try to be proactive but invariably must respond and adapt to the changing market place after the fact.

As we head into the new millennium we have so many choices for our production and for our products. So many more than we had 30 years ago. Will it be grown organic, conventional, sustainable, certifiable, local, foreign, hydroponic, hot house, green house, shade house; will it be irradiated, fumigated, processed, packaged, bulk, value added, designer, heirloom; how will it be merchandised, slotted, promoted with MPP funding, found on a website? Can we please re-invent celery the way the cocktail, baby carrot has re-ignited the carrot industry? How do we expand shelf space, increase consumer buyer appreciation? How do we put DOMESTIC FOOD SECURITY at the top of the list of priorities that a hungry nation might want to review? (Of course, that's not the discussion for today!)

Today's discussion was to touch on new marketing developments in the fruit and vegetable economy and how to adapt to those market changes. There is little I can say that hasn't already been described in depth in the myriad of agricultural publications and journals that so adequately cover our industry. Every new edition has interviews and introspections on where the industry is and where it's headed. I think most of us depend on these kinds of communications to keep our fingers on the pulse of the industry. Trade shows and conventions enhance our ability to keep abreast of market trends. Sometimes I feel like a dinosaur as I read article after article describing pioneering businesses flourishing in this competitive environment. Evolution is the process of adaptation and today I feel qualified to speak about the survival of the urban farmer and our experience with urbanization and how it impacts positively and negatively on our ability to compete.

I farm in Orange County, California. It is one of the few counties in the country named after an agricultural commodity. Unfortunately, Orange County can no longer grow oranges competitively. In fact, last year for the first time lemons were a higher value crop than oranges. (This seemed to fit the bankruptcy the county was going through at the time.) As I mentioned before, all of the ground on which we farm is leased. Most of it used to be orange groves. It is ground that is currently worth from \$200,000 to \$1,000,000 per acre. We pay @ \$1000 to \$1500 per acre/year on a lease that is interruptible, that is, the landowner can ask us to vacate the premises at the completion of any crop. Most leases are on a year to year basis as agriculture tends to be an interim use before development. Southern California is mostly dependent on imported water and we pay @ \$400 per acre/foot. The southern part of our county pays up to \$800 per acre/ft. In addition, California has continually exceeded Federal levels for wages, regulations and other business related policies and taxes. I can say without hesitation that we have in Orange County some of the highest combined costs of production in the nation. That is why oranges, sugar beets, iceberg lettuce, asparagus and countless other products aren't commercially grown here anymore, even though we can produce some of the finest quality products anywhere. There are too many other growing regions that compete geographically and

seasonally with these products. The only way to offset these inherently high costs and competitive barriers is to increase yields and improve marketing...or to move.

Many growers have left Orange County over the years and some have quit. but for those of us who are left, we have all modified our crop selection, changed our cultural practices to increase yields and targeted our markets to maximize our real and perceived advantages. Several area growers have reduced their acreage and concentrated on road side stands and stores, and have pursued Certified Farmers Markets as well. They have carefully targeted their production to fit a customer profile in different parts of the county. Specialty crops, ethnic favorites, heirloom varieties, vine ripe advertising has created a steady and faithful clientele. Organic production, where a long term lease or ownership of the land is possible, has given a few growers yet another marketing niche. All of these producers have aided their own destiny by becoming grower-retailers. It has proven to be one of the only ways to pass some of the higher costs on to the consumer.

Our company has chosen to pursue other strategies as well. We have prided ourselves on our ability to make a same day delivery with our produce. We have the ability to load a wide-body LD-3 airfreight container straight from the field in the morning and make it to LAX by the 10am cut-off for a flight to Chicago so the strawberries will be for sale that night on the market or in the chain store. We regularly deliver our green beans the same day to the local chain distribution centers. We have realized that freshness is our best advantage and that same day delivery is worth a lot to a buyer both in terms of shelf life and customer satisfaction. The choice of specific varieties that meet these customer and buyer expectations is critical. We also concentrate our acreage to meet early and late market windows in order to take advantage of our mild coastal climate. The planting and harvest schedules are carefully planned for continuous supply and presence in the market place. Our most recent effort is to create a 'stand in the store' with one of our upscale local chains. We specifically chose to grow an especially delicious strawberry variety and can deliver it by noon directly into the stores and let them merchandise the 'farm fresh' concept to amazed customers. It is no hype to bite into a vine ripe strawberry or tomato, a fresh cut broccoli or sweet white corn. The taste, nutritional value and partnership with the local agricultural community are all positive values that can be promoted. This is a different kind of value added merchandising.

The challenge for urban producers is to create a customer based preference for local grown crops. That preference will positively influence the retailer to pursue and solicit local producers to work in a partnership instead of the 'replaceable supplier' relationship. Agriculture has to be viewed as an asset to the buyer and a resource to a community, not an over priced nuisance that creates dust, tractor noise and mud on roads. Farm tours, pumpkin patches, educational farms, gleaning projects and community gardens are just a few of the interactive ventures that can help build community respect and understanding. The greatest danger to agriculture today comes from a lack of understanding by the public it feeds. In the urban areas of the country the ignorance of city dwellers and policy makers has accelerated the decline of American agriculture. A well meaning urban politician will look at a successful inner city community garden as a replacement for large scale agriculture. This works fine until that garden project gets hailed on, an early frost or someone forget to turn off a hose. Agriculture is too vital to be broken down into preferred aggregates. The act of growing food and fiber is more than just an economic activity. Somehow we must make the connection between diet, nutrition, health and

agriculture. Domestic food security is at the heart of a new strategy for the domestic fruit and vegetable economy. Learning to compete in the 21st century will take a willingness to look for new partnerships and paradigms. This doesn't mean that we don't need imported fruits and vegetables. This does not mean that big agriculture cannot produce side by side with small community producers. The people that would try to divide up agriculture against itself have other agendas driving them. U.S. Agriculture needs to redefine itself before it is defined and confined by non-agriculturists who don't think about how and where their food is produced and expect that their next meal is, and will always be found at the corner grocery store or fast food chain. The complexity of the global food system is really not so hard to understand. The creation of nutritional abundance in this world is the highest, most achievable goal we can work towards. The challenge is for agriculture to create its own destiny at all levels. But that is not the discussion for today...or is it?