

A LOOK AHEAD

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“The Best Way to Succeed in the Future is to INVENT IT!” – David Glass

- Fundamental question: Will your company **REACT** to future events or **PREPARE** for future events?
- #1 concern among 60 companies in recent workshop was *STAYING IN BUSINESS*.
- Recent events in the economy have muted other issues, but they **WILL RESURFACE**.
- It's all about making choices, but not choices between good or bad, but good or **BETTER**.
- No one knows precisely how the produce industry and supply chain will evolve, but there are enough indicators to help us make some pretty good bets.

Here's What I Can Bet On (and start PLANNING FOR !)

- The Government will impose Food Safety/Traceability requirements on the industry.
- Immigration issues will have a profound impact on the produce industry labor force.
- Transportation issues will create new supply chain models.
- Government control of water will significantly impact production.
- Retail and Food Service receivers will polarize and increase account management complexity.
- Consumers will create tremendous pressure in the fresh produce industry by having significant alternatives in products and delivery formats.

Food Safety/ Traceability

- It took peanut butter to get people to quit beating up fresh fruits and vegetables (for now!)
- Fresh produce is NOT SAFE! (but is extremely low in risk)
- Huge pressure on FDA/USDA to impose supply chain requirements.
- Produce Traceability Initiative (PTI) great start.
- Where is YOUR company positioned?

IMMIGRATION

- A huge political “hot potato.”
- Bottom line is that the industry needs a robust workforce to harvest crops.
- My bet is that immigration policy will become **MORE RESTRICTIVE** short term (1-5 years), then ease somewhat.
- All bets are off if we have another national security issue.
- What is **YOUR** company doing to plan for a more restrictive work force?

Transportation

- 90% + of fresh fruits and vegetables are moved by individual tractors/trailers. That looks like a “sacred cow” to me! Ask yourselves these questions:
 1. Is fuel going to get more expensive or less expensive?
 2. Are drivers going to become easier to find or harder to find? (think immigration issues)
 3. Is the D.O.T. going to become more intrusive or less intrusive? (politics aside, get used to the idea of **MORE GOVERNMENT**)
 4. Are there going to be more trucking companies or less trucking companies?
 5. What would truckers rather do..... Haul produce (multiple stops, “lumpers,” pallets, rejections, etc) or walk on broken glass?
- Finally, if the produce industry (or **YOUR COMPANY**) is essentially totally dependant on tractor/trailers for transit, what are you going to do about it? (aside from just pay more!)

Government Control of Water

- Water management and availability should be the #1 concern of the produce industry.
- Over 30% of the world population does not have direct access to potable water.
- “Baby Boomer” migration to California, Florida, Texas, and Arizona put agriculture in competition with development.
- Municipalities are buying water rights from farmers. (San Antonio is best example)
- Not a near term (5- 10 year) issue now, but will become a crisis in agriculture if not managed today.
- This needs to become a “hot issue” for trade associations.
- What is YOUR company doing in government affairs and issues management?

Retail/Food Service Polarization

- Consolidation in both sectors will continue, but this “polarizes” receivers into a few camps: Big/Public – Small/Private.
- Very few suppliers can excel in both channels.
- Choose your channel and specialize.

Big/Public

- This channel will continue to dominate market share. Top 6 retailers are approaching 70% of retail grocery and mass market channel. And they are ALL public companies!
- Dr Sexton was absolutely correct in saying THE key attribute will be to provide products (and services) on a consistent basis.
- This will force more contracts (vertical integration).
- The Perishables Group was absolutely correct in their discussion of Category Development.
- Kerry Tucker highlighted how Positioning and Brand strategies meld in strategic planning. (Wal-Mart changed from a Merchandising Company to a Marketing Company!)
- Private label will proliferate as the “big boys” try to differentiate.
- As Dr. Sexton points out, “... Wal-Mart is the yardstick of competition in markets where they compete..” but keep a close eye on Aldi’s!
- Jim Prevor’s discussion on marketing approaches is critical because this channel expects marketing support. Be thoughtful with analysis.
- These retailers WILL engage in direct imports, but it will be a slow evolution.
- If you want to “play” in this channel, you must be “world class.”

Small/Private

- This segment is where most of the innovation will take place.
- Traditional “Market” opportunities will flourish here.
- “Loyalty” will be rewarded big time!
- Tremendous opportunity to witness changing consumer behavior as this segment must respond quickly, or die.
- Kent Rhodes’ discussion of supplier-customer “E-communication” demonstrates a versatile, collaborative approach for integrated promotions.
- If you want to “play” in this channel, you must be flexible and innovative.
- Bottom line: What channel will you EXCEL in?

The Consumer

- We are, without a doubt, in the “Age of the Consumer”
- The big challenge is that “the consumer” is a very diverse group!
- Billion dollar industries are vanishing as choices are plentiful. (think the music industry)
- Technology improvements in food processing are having a major impact on the fresh side. (think Bird’s Eye “SteamFresh”)
- The Hartman Group presentation on sustainability shows how consumers impact retailers.
- As Mike Rose pointed out, Public and media relations are influencing consumer behavior. Consumers are influenced by “sound bites” and often lack depth of understanding on issues. (but ACT ANYHOW!)
- Jan DeLyser’s remarks on commodity groups providing consumer insights is a key opportunity to understand consumer behavior. But keep in mind that what consumers SAY and what they DO can be radically different. (and change quickly)

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- The real threat to ALL companies is that the challenges we face will **eliminate** marginal players.
- Very few companies can provide excellence in every channel. The “all things to all people” model is **dead already**.
- Significant macro issues face the produce industry and **MUST** be met though real collaboration. As Ronald Reagan said “... it’s amazing what can be accomplished when it doesn’t matter who gets the credit.”
- Again, the fundamental question is this: will you **REACT** to an evolving industry or **PLAN** for an evolving industry.
- The choice is **STILL** yours but not for long!

QUESTIONS/DISCUSSION



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