WHOLESALE PRODUCE MARKETING

Wholesale produce marketing is a highly competitive business, involving brokers, commission agents, shippers, auctioneers, receivers, mixers, distributors, purveyors and producers. If you sell through a traditional terminal market, you will find that there are many more produce growers than produce buyers, creating a "buyer's market" where the buyers generally set the daily wholesale prices. Whenever the supply of a specific type of produce is higher than projected demand, prices can fall to very low levels, and producers will find it more difficult to make a profit. It is important to find ways to differentiate your products and marketing options and to take advantage of the postharvest tools you have at hand to maximize your profits.

Some of the practices and technologies we have presented in Part I and Part II and Chapter 17 can be utilized directly to assist your wholesale marketing efforts:

- avoid seasonal gluts by producing earlier or later than other growers
- produce cultivars with specialty characteristics (flavor, appearance, storage potential)
- use maturity indices to assure highest quality at harvest
- sort by quality maturity to maximize marketing options
- field pack or ranch pack to minimize mechanical damage and protect quality
- use packaging that will protect produce during handling and extend shelf life
- cool produce properly (avoid delays in cooling, avoid chilling injury, provide the proper RH environment) to extend shelf life
• store produce on the farm to avoid selling during glut supply periods
• process produce to more stable forms to extend shelf life and increase marketing options

One way to increase potential profits is to market directly to local wholesale customers such as food markets (produce departments, independent retailers, supermarkets), industrial food service operators (schools, hospitals, prison cafeterias), restaurants and hotels, or specialty retail food shops (health food stores, gourmet shops) rather than selling produce only through regional terminal markets. Another option is to reduce your total costs by selling to food processors (requiring fewer handling steps) or by joining a cooperative (and share production, handling and marketing costs with others).

"The marketing of fruits in India is the most sorry aspect of the fruit industry. Whereas in countries like Japan, the small growers are assured of an adequate price for their produce through cooperative marketing, the grower in India is at the mercy of the middlemen, who make more profit than the grower."
Source: Singh, 1998

Finding a niche market will greatly increase potential profits. Market niches are unpredictable, but often are related to something new or unusual. Providing safe food (chemical free, organically grown produce) may be a niche market in your community. Doing something better than it is currently done can fill a niche— for example, providing organically grown leafy greens that are free of aphids, a common problem found in the organic produce section of health food stores. Truly unusual products can sell well if you market them to innovative people, such as a chef known for his unique cuisine. Sometimes ethnic cooking using 'new' ingredients or a nutritious vegetable will be highlighted in the media and will suddenly become popular. Be warned that if you identify a new product that sells well at a high profit, new growers will join you during the next season and your prices may have to come down as competitors flood the market. Consider niche markets to be temporary, and always be on the lookout for a new idea.

PART III: SMALL-SCALE MARKETING STRATEGIES
If you process fresh produce to add value, additional markets will be available to you. You'll need to follow standard processing procedures to ensure food safety and may need to provide a safe, cool place for storage of processed products. Quality and the perceived value of processed products will be judged by a wide range of standards related to appearance, flavor, packaging materials, labels and whether you provide a written product guarantee. Rather than processing produce because simply because the method suits the produce and provides a profit, process to meet a need or want of your customers. You may want to provide some samples for taste-testing in order to get a good idea of the potential market before you invest in any produce processing for wholesale or retail sales.

Exporting produce has its own long list of rules and regulations to be followed. Sea-Land Service, Inc. has compiled a list of 40 typical steps that must be carried out by 11 separate parties, including the shipper (you), freight forwarders, inland carriers, commercial banks, terminal operators, ocean carriers, customs inspectors, customs brokers, cargo inspectors, port authorities and insurance surveyors. If you are interested in learning about produce exports, identifying export markets, meeting phyto-sanitary restrictions and food safety requirements visit the California Agricultural Export Program website.

California Department of Food and Agriculture, 1220 N Street, Room 280-A
Sacramento, CA 95814 Phone (916) 6540389 http://www.cdfa.gov/exports

For more information, contact your state Department of Agriculture and refer to USDA Handbook 700 (Welby and McGregor, 1997).
GENERAL DOs AND DON'Ts FOR
WHOLESALE PRODUCE MARKETING

Meet customers to inquire about their produce needs (what they want to purchase, how much and when).

Assess your marketing options to determine which will be profitable (Worksheet 9).

Pack produce in standardized, new containers, by standardized grade (usually by size).

Check products before shipping to ensure they will meet all the buyer's specifications for quality, grade, packaging, volumes or weight.

Diversify your markets and reduce risks by using more than one marketing strategy and selling to more than one buyer.

Provide only high quality products, consistent over the season.

Offer samples of new produce or processed products to prospective buyers.

Ship the amount agreed upon on the date agreed upon. Do NOT miss shipments or make late deliveries.

Provide buyers with information on the proper conditions for wholesale level storage of produce (see Appendix B for specifics):
- Refrigerated and moist for leafy greens.
- Refrigerated and dry for most produce items
- Cool, dry for chilling sensitive commodities
- Cool, dry for onions and garlic--separate from all fruits

Consider attending specialty or professional trade shows to meet potential wholesale buyers.

PART III: SMALL-SCALE MARKETING STRATEGIES
Mandated Marketing Orders and Commissions
In California, marketing orders and commissions have been set up to aid marketing of specific horticultural commodities and establish standards for grades by size or and maturity. Although affected by marketing orders and commissions, most stone fruits and melons, citrus, pears, dates, kiwifruit and walnuts are exempt from if direct marketed. If you plan to produce and sell large volumes of regulated produce, contact the CDFA Marketing Branch for the manager of the appropriate commission at (916) 445-5141.

<table>
<thead>
<tr>
<th>Marketing Orders in California that may affect direct marketers (as of 1997)</th>
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</thead>
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<tr>
<td>almonds</td>
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TERMINAL PRODUCE MARKETS
When marketing wholesale through US terminal markets, you must package produce in new containers of the type specified for each commodity, sized to meet US or state grades, and meet certain minimum quality standards. Grades are usually referred to as either Extra Fancy, Fancy and Good or U.S. No.1 and U.S. No. 2. Most growers will find they have 30 to 40% "out of grade" due to cosmetic appearance alone (size, shape or maturity), and will need to find alternative outlets for this produce.

Most buyers will require pre-cooled produce, since it will have a much longer shelf life compared to produce that is handled without cooling. If there is any disagreement over grade, the USDA or your state Department of Agriculture can provide inspection services (at a fee) that follow USDA or market order guidelines.

You can gather information in the US on current commodity market prices, average trucking rates between major shipping and destination points, current supply and demand for your products by calling the Federal-State Market News Service at (900) 555 7500. Many states have local information gathered for the use of growers and marketers available.
through their state Department of Agriculture, and in some countries information is provided through governmental marketing boards. If you are on-line you can find links to current market information on the Internet at a variety of websites, including http://postharvest.ucdavis.edu, www.todaymarket.com and www.producenet.com.

If you are looking for wholesale produce buyers in your area or for a broker who deals in produce sales in the nearest regional terminal market, the telephone book is a good source of current information. Local libraries have phone directories for most major cities available for reference use. Other information sources, available to members and subscribers, include the trade directories of the United Fresh Fruit and Vegetable Association (UFFVA) and the Produce Marketing Association (PMA); credit references listed in The Red Book and The Blue Book; U.S. and Canadian terminal markets described in The Green Book and advertisements in the weekly newspaper The Packer.

The Blue Book
Produce Reporter Co.
Wheaton, Illinois 60187

The Red Book
7950 College Blvd.
Overland Park, Kansas 66210-1821

The Packer
P O Box 2939
Shawnee Mission, Kansas 66201

Produce News
2185 Lemoine Ave.
Fort Lee, New Jersey 07024

PART III: SMALL-SCALE MARKETING STRATEGIES
LOCAL RETAIL PRODUCE MARKETS
The produce vendors in the supermarkets, independent grocers and roadside stands in the towns near your farm most likely purchase most of their fresh produce from a traditional terminal market. Produce buyers travel to visit the regional terminal market to select the produce they need, and either transport it to their shops in their own vehicles or have it delivered by the shipper or by independent trucker. The savings in the cost of transportation alone, when produce is sold near where it is grown, makes it possible for you to offer competitive prices when you market directly to these buyers.

Produce buyers from these retail outlets may not have time to go out and look for local produce, but most will be willing to sample your fresh produce and buy if you can provide high quality produce that meets their needs. As with all marketing, it pays to meet potential buyers and discuss their needs and your production possibilities before spending time and money producing crops. And once an agreement is made, it is important to deliver the volumes you have promised on the expected dates. If you have production problems that force you to make changes, buyers can usually make adjustments if you let them know as soon as possible that deliveries must be rescheduled.

Raley's Supermarket offers Nuui-Clean® certified lab tested produce with no detected pesticide residues (tolerance 0.05 ppm). Growers interested in selling to Raley's must agree to work with NutriClean field inspectors and agricultural scientists to produce a product that will pass these very tough food safety standards.

WHOLESALE TO PROCESSORS
While this marketing option is one of the least complicated for growers, the price you will receive for produce sold to processors is usually very low compared to the price for fresh produce sold directly to retailers. There is a tendency for producers to believe they can get rid of sub-standard "out-of-grade" produce by selling it for processing, but this is not likely, unless a predictable volume of produce at the packinghouse is regularly out-of-grade due to extreme ripeness. Certain melons and stone fruits can be processed (frozen or dried) when they are too ripe for successful fresh handling and shipping to wholesale buyers.
If you want to sell to local processors, make sure that the cultivars you produce are the types they require for their products. Generally a legal contract is made between the grower and the processor, and planting is done on a pre-arranged schedule so that a certain amount of produce is supplied over a certain period of time at a specified price. Some processors provide production and harvesting assistance such as seeds, cultivation advice, harvest labor and/or transport to the processing facility.

INDUSTRIAL FOOD SERVICE CUSTOMERS
Produce buyers for these operations often need large quantities of fresh produce, delivered consistently over the season. They will generally not be interested in purchasing specialty, high priced produce.

If you become a supplier for a local school, hospital, camp, nursing home or prison you will need to plan production to extend the season to maximize sales. With a combination of multiple planting dates, multiple cultivars, production practices to assist early and/or later harvests, and storage methods you can supply fresh produce over a long period.

Produce can usually be delivered in large sized packages. If you make arrangements for the return of empty crates, you can reuse the same containers after cleaning them or changing the liners.

SPECIALTY FOOD SHOPS
Your highest quality, creatively packaged produce can be marketed in specialty food shops. These shops sell the most expensive and exclusive products to customers who want the best. For specialty shops, health food stores and gourmet food stores, brand name produce and processed products are often preferred by produce buyers and their customers. Designing a simple label with your farm's name or logo is a useful way to distinguish your products from those of your competitors. For example, for specialty shops you can use a small sticker on individual fruits, larger labels on bottled products or consumer packs of produce, or have cartons designed and printed to establish and identify your brand. It goes without saying that once you have established
a brand name the produce given that label must be of the highest quality. One bad experience will not only lose you that customer, but possibly many others, since they will be sure to tell others of the problem with your brand.

RESTAURANTS AND HOTELS
Since restaurants and hotels have to plan menus well ahead of the produce season, they need a consistent supply at a stable price. Most buyers for these operations want produce fresh, clean and on time. Chefs and sous-chefs can give you direct feedback on flavor, varieties, size, packaging and the other characteristics of the produce you offer for sale. Find out what they want, and make plans with them to provide it over the next season. Consider working with your neighboring growers to increase the variety and volume of the produce you can supply.

Some chefs are willing to try exotic produce or processed products that they can use in their restaurants. Often they are willing to pay more for produce that has been washed, trimmed or fresh-cut. If the cold storage facilities at the restaurant or hotel are small, you may need to make frequent deliveries. Avoid rush times (meal preparation and serving times) when making deliveries and place produce in the cooler yourself to ensure it is stored properly.

Offer triple washed mixed salad greens for 25% more per lb.
COSTS AND BENEFITS
OF DIRECT WHOLESALE MARKETING OPTIONS

Costs:
Preparation for market
Special packaging requirements
Transport (vehicles, fuel or shipping fees)
Promotion
Labor (delivery, customer service)
Insurance

Benefits:
No broker fees
Higher market prices
Potential for matching market requirements (lower losses)

WORKSHEET 9: WHOLESALE MARKETING OPTIONS

Make copies of this blank worksheet and use one for each commodity you are marketing. If you do not know the actual market prices of the produce you will be marketing, work backwards to calculate your costs, then determine the minimum market price you need to make the profit you desire.

Commodity (varieties)

1. Do some market research.
What types of wholesale markets are available to you?

- Terminal markets
- Local produce retailers
- Processors
- Food service
- Specialty shops
- Restaurants/Hotels
- Other
Gather information on potential local wholesale buyers.

Buyers
(names, addresses, What do they want to buy? How much? When? Price? telephone, FAX, e-mail) (commodity, varieties)

Estimate the volume of produce or processed product you expect to have to sell this season (Refer to Worksheets 1 and 2 and/or Worksheets 5 and 6).

<table>
<thead>
<tr>
<th>Commodity (variety) or Product</th>
<th>Volume (lbs or units)</th>
<th>Market window (when)</th>
</tr>
</thead>
</table>

Find out what your competitors are charging local buyers for their similar produce or processed product.

<table>
<thead>
<tr>
<th>Competition: Commodity (variety) or Product</th>
<th>Market window</th>
<th>Selling prices</th>
</tr>
</thead>
</table>

2. Compare the Costs associated with Marketing Options

What are the specific handling and marketing costs for each type of wholesale marketing you will use? (For the first topics on the list, complete Worksheets 2 and/or 5 for specific commodities and calculate the subtotals under each topic heading). Major differences will come from the distance to various markets, specific market requirements for quality/grade, whether you must provide transportation, and which postharvest steps you are willing to undertake. Make all comparisons on a per lb or per unit basis (divide the costs by the amount you have to sell).
Fill in the types of markets you want to investigate on the top row, then enter the associated costs:

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<thead>
<tr>
<th>Market Type:</th>
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<td>Harvest</td>
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<td>Packinghouse</td>
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<td>Transportation</td>
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<td>Destination handling</td>
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<td>Processing</td>
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<td>Food safety</td>
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<td>Marketing fees</td>
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<td>Commissions</td>
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<td>Sales labor</td>
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<td>Recordkeeping</td>
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<td>Overhead</td>
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<td>Other</td>
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<tr>
<td>Total cost/lb or cost/unit</td>
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3. Profitability

Compare the costs/lb or /unit to the expected market prices to determine which marketing strategies have the potential to provide the most profits. Avoid any markets or buyers that will not provide a good return on investment.

<table>
<thead>
<tr>
<th>Market Type</th>
<th>Cost/lb or /unit</th>
<th>Buyer</th>
<th>Expected price</th>
<th>Price-Total Cost</th>
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