



PRESEASON REPORT 2004: Targeting Retail Markets

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The important role that fruits and vegetables play in supermarkets cannot be understated. A 1998 study by the Food Marketing Institute found that the produce department was the most profitable area of a supermarket, accounting for 10.89 percent of sales¹. The produce department was also the highest impulse-purchasing area of the supermarket. Half of all produce purchasing decisions were not made until the consumer was in the department, according to the report. Additionally, high-quality produce was cited as the top reason consumers choose a primary grocery store.

There is a voluminous need for local vegetables in Montana grocery stores. The most recent USDA Census of Agriculture counted 125 vegetable farms in Montana in 1997, and the state accounted for less than one-tenth of a percent of the total nationwide vegetable sales. That year, there were 73 Montana vegetable farms with sales of \$10,000 or more, harvesting 689 acres for sale, averaging 9.4 acres per farm². Common Ground Farm, large for Montana standards, has the potential to supply only a tiny sliver of the demand for local produce.

When targeting retail outlets, growers must be aware that the needs of some markets exceed a farm's production capability while others are smaller than it can afford to serve. In 2003, the 50 pounds of red bell peppers that Common Ground produced in an average week was a small fraction of the 50 pounds per day sold at Missoula's Good Food Store, but the season's mini Roma tomatoes arrived exactly as the Good Food Store needed them. In smaller markets, such as Grizzly Grocery, a farm can expect to improve the delivery efficiency by setting minimum orders, thus eliminating the disparity between high delivery costs and low sales volume. Focusing on retail outlets that fit production capabilities will help to define a target market.

A farm will be better prepared knowing the demands of the market it serves. To understand the needs of local retailers, Common Ground Farm invited its existing contacts in retail outlets to formally vocalize their opinions about local agriculture. Five of these retailers jumped at the chance to express themselves, and their viewpoints were both insightful and explicit. The diverse group of marketers represented organic and conventional food outlets, full-service chains, and price conscious grocery stores. The responses that they shared were invaluable.

¹ 1998 Food Marketing Institute. *Supermarket Business: Produce Operations Review*

² 1999 USDA, National Agriculture Statistics Service. The 2002 Census of Agriculture report is scheduled for release June 3, 2004.

On his album, *There Goes Rhymin' Simon*, Paul Simon said, "You got to learn how to fall before you learn to fly." In the same light, a farm needs to be well prepared before its growing season, and there are three objectives to bear in mind. First of all, Common Ground Farm needs to make customer service a strong point. Second, the farm needs to give its retail customers exactly what they want, which is an indication of what end consumers want. Third, the farm needs to meet and surpass the consumers' expectations.

Customer Service:

From a retailer's standpoint, it is not easy to differentiate one farm's vegetables from another's, but the difference in customer service is easily noticeable. A Brussel's sprout is a Brussel's sprout, no matter where it sprouted from, and since the profit margin of vegetables is so small there can be little variation in the selling price. Thus, neither the product itself nor the price is often the deciding factor when retailers seek out local suppliers. In contrast, it is very easy for a retailer to distinguish a farm that has committed itself to customer service.

Christina Remien agreed. She is the owner of Organic Earthly Delights, a delivery service of organic produce. In her viewpoint, "Customer service is the most important thing. If you look at all of the successful businesses they will have one thing in common: good customer service." Remien pointed out an instance where she was dissatisfied with one of her vegetable suppliers. She said, "they treated me like I was insignificant and they didn't have time for me," so she no longer associated with the supplier. On the other hand, she complimented the service she received from Common Ground, and said, "I will always support your farm."

Produce managers consider the liaison between retailers and growers to be mutually beneficial. The Good Food Store boasts a "Buy Fresh, Buy Local" sticker in its front window. Manager Paul Rosen explained that customers at the Good Food Store take pride in their locality, and they prefer to purchase local products. When dealing with local growers, Rosen has a few expectations. He said, "I expect to be able to put the vegetables directly in a cooler or on the shelf without any other handling." He said, "I like to see people show up with an invoice that is filled out, with products weighed, and I like for them to help get it in the door." He called customer service "a situation where you'll help us and we'll help you."

Although the Good Food Store is very supportive of local farms, Rosen expressed several concerns about dealing with local growers. He said, "As a rule, we like to see predictability." He said that the packaging needed to be consistent and appropriate for its contents. Rosen mentioned two examples. First, one supplier delivered 20 heads of lettuce in a hot, black plastic bag. On another occasion, a grower delivered 60 pounds of cucumbers crammed into one box. He also said that local growers should deliver what is asked for and refrain from

delivering things that are not asked for.

Retailers expect good customer service from local suppliers and poor customer service from the large, more distant suppliers. Heidie Bailey, manager of Kutter's IGA in Stevensville, compared her expectations about locally grown produce versus that of her main suppliers in Spokane, Washington. She said, "I can get pretty much anything from three wholesalers. Charlie's is the biggest, but I choose Spokane Produce more often because the price and products are better. And since they are smaller, they value their customers more." She then said, "I expect local products to be at least as good, and the service should be better."

Bailey elaborated, "My concern with Charlie's Produce is that they are too big to be concerned over a little mixup, and too far away to fix it." She explained that her in-state vegetable suppliers were more willing to offer assistance, and better capable of helping since they were closer. Proximity is a distinct advantage that Montana farms have over out-of-state distributors. Although Montana growers find it difficult to compete with the price, variety, and availability offered by major distributors, local farms excel in matters of customer service.

What Do Retailers Want:

Vegetable growers need to be aware of the trends in vegetable consumption, because wholesalers need to know what retailers want, which is an indication of what consumers want. The USDA Economic Research Service (ERS) is the nation's premier source for this type of information. ERS has spearheaded the study of food, farming, natural resources, and rural America, recording fresh vegetable statistics since 1959. Based on ERS data, the demand for fruits and vegetables is rising, especially fresh, and the need for Montana suppliers has never been greater.

In the U.S., the average individual consumed 222.5 pounds of fresh vegetables in 2002, rising 11 percent since 1992, and up 28 percent from 1982^{3*}. The fresh vegetables most consumed were potatoes (45.0 pounds per capita), lettuce (30.7), melons (27.4), onions (18.7), and tomatoes (18.3). Peppers, carrots, sweet corn, cabbage, and cucumbers rounded out the top ten.

Montana is the nation's 15th largest vegetable producing state, but the demand is far greater than the supply. The 125 Montana vegetable farms yielded only 0.08 percent of U.S. vegetable sales in 1997, when the population of Montana was 0.3 percent of the national total⁴. These numbers indicate the disparity between supply and demand in Montana. The population is 3.75 times greater than the local vegetable supply.

* All U. S. consumption data provided by the following source unless otherwise noted: USDA, Economic Research Service and National Agricultural Statistics Service. November 2003.

4 2002 Fedstats.gov

The geographic area that Common Ground primarily serves includes Missoula County and Lake County in west central Montana, the fastest growing part of the state. The population of these counties is 125,010, a number that grew 25 percent from 1990 to 2002. The largest city in this region is Missoula, population 59,518. Missoula consumers spent \$172.9 million dollars on groceries in 2002. Produce accounted for 9.8 percent of grocery store consumption at \$17 million⁵.

Among Common Ground's survey group, each of the respondents further emphasized the need for local suppliers. Bi-Lo Foods' Elizabeth Tattory, who taste-tests every new shipment of vegetables, said that the taste of local vegetables is incomparable with stored vegetables. Tattory said, "There are definitely advantages when it comes to local produce. It appeals to the customers because it looks better and it tastes better."

Rob Korman, produce manager of Orange Street Food Farm, agreed. He said, "We do our best to buy from local growers because it's fresh." Last season, the Food Farm purchased 4,800 ears of sweet corn in two weeks from Common Ground. Of all the vegetables offered by Common Ground in 2003, sweet corn was the only one that was regularly requested. Korman said that he preferred Common Ground's sweet corn to any other's. There were only a handful of sweet corn growers in Montana, and the acreage devoted to the crop was not nearly sufficient to meet the demand. Locally grown sweet corn is far superior in taste, because the sugar turns to starch in a matter of days. If it wasn't such a difficult crop to grow, it would be the ideal crop for Montana.

In the surveyed group, taste was the most commonly noted attribute that motivated the purchase of local vegetables. "Good taste" was the most important consideration when choosing local vegetables; "freshness," and "good nutrition" were secondary benefits. Paul Rosen, Good Food Store manager, said, "Customers support local suppliers." Rosen asserted, "The selling point that all local products have, whether it's vegetables or Lolo Creek Mustard (a locally produced gourmet product), is quality. Quality, in the case of vegetables, is freshness and good taste."

Based on the survey of local markets and the most recent statistics collected by the USDA Environmental Research Service, the following is a summary of the vegetables that are expected to be most important to Montana farms in the upcoming growing season. The vegetables studied were bell peppers, broccoli, cabbage, carrots, lettuce, melons, onions, potatoes, pumpkins, spinach, sweet corn, and tomatoes. Each of these were named by retailers as items that are highest in demand among end consumers.

Bell Peppers: According to ERS data, the demand for sweet, mild peppers has been rising. In 2002, U.S. bell pepper consumption was the third

⁵ 2002 Agricultural Marketing Service

highest on record at 7.0 pounds per capita⁶. California and Florida provided 78 percent of the domestic crop, while 8 percent was imported, mostly from Mexico. Bell pepper imports jumped 16 percent from 2001 to 2002, reflecting the growth in demand.

⁶ 2003 USDA, ERS

There is a considerable need for bell peppers in western Montana. Last summer, small grocery stores such as Orange Street Food Farm and Bi-Lo Foods sold hundreds of pounds per week, and the Good Food Store sold hundreds of pounds per day. Bell peppers were the most frequently requested crop at Common Ground. At farmer's markets, bells earned more than any other crop, and peppers accounted for 10 percent of all sales to retailers. The farm sold more corn and tomatoes, but in every marketplace (restaurants, grocery stores, roadside stands, farmer's markets) boatloads of bell peppers were sold too. Christina Remien said, "Your peppers were awesome! My customers loved them."

Here in Arlee, Montana, farms can expect to harvest green bell peppers by the second week in July, when the average low temperature is 50 degrees Fahrenheit and the high is 82 (30-year average Missoula temperature). Based on observations from last season, the crop is particularly sensitive to irregular watering, and will develop brown dry spots and irregular shapes if it does not receive proper attention. Peppers are one of the easiest crops to harvest as long as the picking is done correctly.

Broccoli: Montana's need for broccoli appears to be mediocre when compared with other crops, although it is the twelfth leading fresh-market vegetable in terms of per capita consumption. The average American consumes 7.1 pounds of broccoli per year: 5.0 pounds fresh, and 2.1 pounds frozen*. California growers supply 93 percent of domestic broccoli consumption on an average year, which indicates that the market is difficult to penetrate.

An opportunity exists in the frozen market, however. Recent U.S. statistics showed that 94 percent of broccoli was marketed fresh with the remaining 6 percent processed, mainly frozen⁷. Less than 6 percent of the broccoli grown in the U.S. is frozen, yet 30 percent of all broccoli purchased by consumers is frozen. Since fresh broccoli has a brief shelf life, it may be profitable to freeze whatever remains after initial orders have been met.

Even more opportunistic, the average price premiums for organic frozen broccoli are 72 percent higher than conventional frozen broccoli⁸. That means that if retailers sold a two-pound bag of conventional frozen broccoli for \$3.11, the same bag of organic frozen broccoli would sell for \$5.35 on average. Similarly, the average price premiums for organic frozen sweet corn are 26 percent higher, green beans are 76 percent higher, and green peas are 110 percent higher.

7 2001 USDA, ERS

8 Dimitri, Greene. The premiums are reported as the percent higher than prices for the conventional equivalent. Price averages were collected and averaged during a 5-year span, 1991 to 1996.

Cabbage: Demand for cabbage appears to be solid. Fresh-market cabbage consumption has averaged 8.5 pounds per capita steadily throughout the 70s, 80s, and 90s. By ERS estimates, fresh head cabbage accounts for 35 percent of domestic use, while processed coleslaw accounts for 40 to 45 percent, 12 percent is sauerkraut, and 5 to 10 percent is fresh-cut⁹. Fresh cabbage shipments peak in March, spurred by the traditional St. Patrick's Day fare of corned beef and cabbage.

Cabbage production was a moderate success at Common Ground last year, but sales were not impressive. The bulk of Common Ground's cabbage heads were very presentable after peeling a layer or two of loose outer leaves, and customers appeared satisfied with what they received, but cabbage was seldom requested. Paul Rosen said that the demand for local cabbage in the Good Food Store has largely met by other growers, such as Lifeline Farm in Victor, Montana. Bi-Lo Foods, on the other hand, is currently seeking a local cabbage supplier.

Carrots: Carrots are now the sixth most consumed vegetable in the US, excluding melons. Per capita use of fresh carrots averaged 9.5 pounds in 2002, up 14 percent from 1992, and 44 percent from 1982*. Fresh-market and fresh-cut carrots accounted for 76 percent of the U.S. carrot output in 2002.

Common Ground direct seeded carrots on June 10, which is ludicrous except for the fact that they were in prime condition during the late end of the growing season: September through November. Carrots were reasonably easy to harvest, using a shovel, but cleaning and bunching demanded a lot of time. The ERS' Commodity Highlight said, "In the United States, carrot production is highly mechanized. With few exceptions, carrots for both fresh and processing use are machine harvested¹⁰."

Good Food Store manager Paul Rosen said, "People come to buy anything and everything. They need their staples: lettuce, corn, carrots; and they also buy things that they're not necessarily looking for. Nobody comes looking for Brussels Sprout, but if we had it local we would sell all of it. But the staples have to be there no matter what. When you need potatoes, you need potatoes." Clearly there is a need for staple crops above all others.

Lettuce: "The popularity of romaine is soaring," according to an ERS report. Leaf lettuce is also strong, while iceberg has experienced a relative fall, although it still commands the greatest share of U.S. lettuce production (73 percent in 2002). Lettuce is the second most popular fresh vegetable in the United States. The average American consumed 30.7 pounds of fresh lettuce in 2002, second only fresh potatoes*.

9 2002 USDA, ERS

10 2003 USDA, ERS and National Agricultural Statistics Service

There are several successful lettuce growers in western Montana, such as Lifeline Farm and Homestead Organics in Hamilton, yet there is plenty of room for more. Last season at Common Ground there was not a single harvested head of lettuce that was left unsold. Christina Remien is one of the retailers who purchased lettuce from Common Ground. In 2004, she will need at least 100 heads of lettuce every week, and said, "I will definitely buy them locally if they are available." Heidie Bailey and Elizabeth Tattory also expressed a need for locally grown lettuce.

In the 2003 growing season, the local lettuce hit the shelves by the end of June, enduring hail storms and temperatures ranging from below freezing in April to 80 degrees and higher in July. The lettuce carried on through a lack of water and survived the blasting sun. But the lettuce was no match for the deer, stomping and chomping through the lettuce patch. At least a quarter of Common Ground's entire lettuce crop was ruined because of the deer.

Melons: Because of higher unit values, cantaloup is the leading melon in terms of crop value. However, watermelon is the leading U.S. melon crop in terms of planted area, production, and per capita consumption. Per capita consumption of all melons averaged 27.4 pounds in 2002*. The U.S. leads the world in melon imports, finding favor with low-cost producers in Mexico and Central America¹¹. Most melons are consumed fresh, although there are several processed products on the market such as roasted seeds, pickled rind, and watermelon juice.

Cantaloup has been gaining in popularity among U.S. consumers for many years. Between 1992 and 2002, per capita consumption of cantaloup rose 33 percent*. Consumption has risen for a number of reasons, including the adoption of improved varieties and the emergence of year-round demand and availability. Western Montana's need for muskmelons such as cantaloup is largely served by a melon farm near Dixon, Montana, although Common Ground sold a fair share in its trial run last season.

American consumption of watermelons has declined since the 1990s, but the market remains strong at 13.9 pounds per capita. In the 1990s, annual watermelon consumption averaged 14.7 pounds per capita, and ERS explained, "The increase was likely the result of better marketing (e.g. more pre-cut and wrapped product), increased promotion efforts, new smaller varieties better suited to shrinking American household size, and the surging popularity of seedless melons¹²."

Smaller "icebox melons", including seedless types have become very popular since the early 1990s, according to ERS' Commodity Highlight. Common Ground grew red and yellow icebox watermelons last season, selling hundreds of them at \$2 to \$3 apiece, primarily at farm

11 2003 USDA, ERS

12 2003 USDA, ERS

stands and farmers' markets. Bi-Lo Foods couldn't get enough of them. Tattory said that her customers were frantic. She said, "You should definitely grow watermelon again, and I'd like to get a bigger piece of them."

Onions: Fresh onions are one of the most heavily consumed vegetables in the U.S., at 18.7 pounds per capita. Spring onion varieties are characterized by their fragility and brief shelf life, whereas storage varieties tend to be well suited for long-term storage (up to 8 months) and processing. Storage varieties account for three-fourths of the U.S. onion market¹³.

Last year's retail customers requested storage variety onions because they were pleased with the taste and quality of Common Ground's other onion types, namely the mini Purplette. Customers confirmed that the taste of these onions was outstanding. Christina Remien said, "My customers thought your onions were delicious." The Purplettes and bunching onions were popular in retail outlets and even more so in produce stands. The vegetable most often requested by Common Ground customers in the 2003 season was larger bulb-type onions.

Potatoes: By 2003 estimates, potatoes are expected to remain the largest volume vegetable crop produced in the U.S. over the next 10 years. However, lettuce could surpass potatoes in terms of crop value sometime in the next 10 years¹⁴. The ERS' Commodity Highlight reported, "The increasing number of alternatives to potatoes (rice, pasta, and sweet potatoes) and the popularity of reduced-carbohydrate diets may be weighing heavily on fresh potato use." In 2002, consumption of fresh potatoes (45.0 pounds per capita) approached its lowest level since fresh-market data first became available^{1959*}.

Elizabeth Tattory said that potatoes were the most popular vegetable at Bi-Lo Foods. She sampled Common Ground's red-skinned potatoes, Russets, and Yukon Golds. She said she would have liked to buy more potatoes from Common Ground if there were more available, especially the Yukon Golds, but unfortunately the potato crop was ruined due to dry spots. Christina Remien also mentioned that she could have used a lot more local potatoes in her organic vegetable baskets.

Pumpkins: The number of farms producing pumpkins has doubled in the twenty years between 1982 and 2002, and the area harvested has nearly tripled¹⁵. According to ERS, "The popularity of urban pumpkin patches, fall festivals, and ornamental use of pumpkins in homes and businesses have all helped to increase demand over the past two decades." Most

13 2003 USDA, ERS

14 2003 USDA, ERS

15 2001 USDA, ERS

pumpkins purchased in local markets come from farms in the surrounding area.

Although the most popular food use remains the traditional pumpkin pie, other food uses include bread, muffins, pudding, soup, and roasted seeds. Experts predict an increased demand for use in foods such as granola and trail mix. Pie pumpkins earn higher returns per weight, making them a valuable crop to grow alongside jack-o-lanterns.

In some studies, winter squash and gourds are grouped into the same category, classified as pumpkins. Inedible gourds were the single most profitable crop for Common Ground last season, and dried gourds are a value-added compliment to the vegetables sold in the late summer. The ornamental jack-o-lantern remains the most popular use of pumpkins in the U.S., and domestic use for all pumpkins is estimated to be 6 pounds per capita. Bi-Lo Foods asked to be the exclusive retailer of Common Ground pumpkins in 2003. Tattory said, “Your pumpkins went over really well.”

Spinach: Used as both a salad green and plate vegetable, per capita consumption of spinach has quintupled since 1972¹⁶. Per capita use of all spinach, including processed and frozen, totaled 2.35 pounds in 2002, with fresh-market spinach accounting for 1.5 pounds, the highest since the early 1950s. Fresh-market spinach accounted for 91 percent of the farm value for spinach in 2002, a value that has more than doubled over the past decade.

Unlike most commodity vegetables, which are produced in at least 48 states, spinach is grown in only 19 (remaining states produce less than 100 acres). Like other cool-season leafy crops, 97 percent of the fresh spinach consumed in the U.S. is produced domestically¹⁷. Much of the growth over the past decade is attributed to sales of triple-washed cello-packed spinach and baby spinach. Savoy, which means wrinkled, and semi-savoy types are most popular in the fresh market, while smooth-flat types are better suited for processing.

Sweet Corn: Americans have embraced the new sweeter and longer shelf-life varieties of sweet corn. Per capita use of fresh sweet corn increased from 6.9 pounds in 1992 to 8.9 pounds in 2002, a 29 percent increase*. Processed sweet corn has not seen the same success, and today, per capita use of both fresh and frozen sweet corn exceeds canned use. Fresh-market prices are trending higher, selling at \$20.10 per hundredweight during the 2002 season, a 17 percent increase in just five years¹⁸.

16 2004 USDA, ERS

17 2003 USDA, ERS

18 2003 USDA, ERS

Today, most sweet corn varieties fall into one of three genetic types: normal sugary, sugary-enhanced, and supersweet. The supersweets predominate, offering sweeter taste and extended shelf life. Supersweets allow corn to hold optimal quality for at least 10 days. In 2002, canned and frozen corn use totaled 17.2 pounds per capita, with 7.8 pounds canned and 9.2 pounds frozen*.

Sweet corn is a symbol of summer for consumers, and likewise, production is highly seasonal. Corn shipments peak around July 4, and they are also strong around the Memorial Day holiday. The tide of imports flows north with the majority arriving December to April. Mexico provided 92 percent of U.S. imports in 2000, and Canada received 84 percent of U.S. exports¹⁹. The U.S. is the world leader in sweet corn exports.

Sweet corn was the largest volume crop for Common Ground in 2003, and the most popular vegetable among retailers. The farm sold approximately 10,925 pounds of sweet corn at \$0.20 per pound to retailers in 2003, for a total wholesale value of \$2,185. Assuming Common Ground sold the same proportion of corn in its roadside stands and farmer's markets, the total crop value for corn in 2003 was \$12,600. Sweet corn accounted for 25 percent of the entire 2003 farm income.

Tomatoes: Tomatoes are second only to potatoes in both U.S. farm value and vegetable consumption. Between 1982 and 2002, average fresh-market tomato consumption increased 42 percent to 18.3 pounds per person annually. Although the market for fresh tomatoes is only 21 percent of the total per capita use, the farm value of fresh tomatoes (\$1,170.9 million) far exceeds the value of processed tomatoes (\$683.1 million)²⁰.

ERS estimates suggest that the largest processed use of tomatoes is for sauces (35 percent), followed by paste (18 percent), canned whole tomato products (17 percent), and ketchup and juice (each about 15 percent)²¹. According to the same report, the increase in the use of processed tomato products is likely the result of continued expansion in food-service demand (food purchased in restaurants and fast-food establishments), especially Italian and Mexican-style dishes. Also, ketchup is a teenage staple and one-third is consumed with fast foods.

The U.S. consumption of processed vegetables, frozen or canned, was 215.5 pounds per capita in 2002, compared with 222.5 pounds of fresh vegetables. However, the processed market has not experienced the same growth pattern as in the fresh market. In the ten years between

19 2001 USDA, ERS

20 2003 USDA, ERS

21 2000 USDA, ERS

1992 and 2002, the average individual consumption of processed vegetables has slightly declined, down 0.8 percent. Processed tomato consumption has particularly declined in those ten years, down 6 percent*.

Fresh tomatoes were the second largest volume crop for Common Ground in 2003, and the second most popular vegetable among retailers. The farm sold \$1,367 worth of tomatoes to retailers, accounting for 16 percent of retail sales in 2003. Paul Rosen looks forward to next season's cherry tomatoes, especially the mini Romas. He said, "The produce department is impulsive. People look for variety to catch their eye, like mini tomatoes." The Good Food Store ordered 45 pounds of mini Romas toward the end of the harvest season, and refused to pay less than \$2 per pound because the demand for late season local tomatoes was so high.

Other Crops: The retailers who responded to the survey also discussed some additional crops. Herbs were a hot topic, and so were berries. Garlic and basil were the herbs mentioned most often. Paul Rosen said that Lifeline Farm is a superb local source for herbs, and that the Good Food Store would be very responsive to local, organic strawberries, blueberries, and whatever else. Paul Rosen said, "We sell a disgusting amount of berries." Christina Remien said that her customers really enjoyed the raspberries and black currants she received from Common Ground.

Case Study:

A recent study at Cornell University examined the value attributed to fresh-market sweet corn compared to the value of processed corn. Based on a survey of farms in New York, the nation's fourth leading producer of fresh sweet corn, 49 percent of the acreage was harvested for fresh markets, yet 83 percent of the crop value was attributed to fresh-market sales. In NY the canning market is largest in terms of total acreage and production, but the fresh market accounts for two-thirds of total sweet corn crop value.

Supermarkets were the most important marketing channels for New York sweet corn; 64 percent of NY sweet corn grown for fresh-markets was sold through supermarkets. The average price received by New York growers in wholesale markets was \$2.12 per dozen or \$23.32 per hundredweight, while the national average was \$1.97 per dozen or \$21.67 per hundredweight²². According to the New York study, retailers are becoming more interested in fresh corn because of the extended shelf-life of supersweet varieties, and increased consumer interest in seasonal "homegrown" products.

The next most significant market for these growers was selling directly to consumers. This outlet accounted for 21 percent of the sweet

22 Uva

corn grown in New York. The Cornell report indicated that taste was the most important attribute for consumers. The average price received by NY growers when direct marketing to consumers was \$3.14 per dozen or \$34.54 per hundredweight. The value of corn sold directly to consumers was roughly 48 percent higher than the value of corn sold through supermarkets.

Although the New York study does not directly correlate with Montana it is certainly worthy of comparison. First of all, New York state is primarily a Zone 5 climate, the same hardiness zone as western Montana. Corn harvest in either location is highly seasonal, limited to July through October. Second, each part of the country produces sweet corn for three markets: fresh, canning, and freezing; while fresh is the most profitable. And finally, the increasing demand for fresh sweet corn in both New York state and western Montana is due mainly to improved quality, marketability, and the general upward trend in vegetable use.

How Do They Want It:

When asked about their expectations and concerns, the five surveyed participants described what Montana farms can do to better meet the buyer's needs. They mentioned the following issues that have hindered relationships with local growers: unpredictability, overripe products, and lack of advance notice of availability. When the local harvest season arrives, produce managers need to know what to expect. At the same time, vegetable growers need to know what produce managers expect.

Inconsistency is a major concern, shared by all of the retailers surveyed. Lack of predictable presentation and quality creates serious problems. Orange Street Food Farm's Rob Korman said that the Budweiser truck, for example, delivers to the store within a strict time frame, and there was not room for any other delivery service during that time. He said that his suppliers needed to prearrange a time period for delivery and stick to the schedule. At the Good Food Store, Paul Rosen said the same thing. "I need to have predictable, on-time deliveries."

Elizabeth Tattory said, "When I buy local vegetables, I am looking for a specific quality, size, and taste." She said that the outer appearance is the first thing she notices, and the taste is what she remembers. She added, "I recommend misting. Vegetables need to be kept moist to avoid wilting." Tattory also said that packaging was a concern. "Customers normally buy berries a certain way. They like smaller, breathable half-pints. Full pints are too big, plus the berries get crushed." She prefers for suppliers to use a soaker pad inside berry clam.

Another problem expressed by retailers is overripe products. Without removing the field heat that remains in a crop after harvest, fresh fruits and vegetables continue to respire and shelf life is significantly reduced. Paul Rosen said that he expects for the produce to be cool when it arrives in the Good Food Store. Elizabeth Tattory said the same thing about Bi-Lo Foods. Cooling the vegetables after harvest is a necessary step in dealing with grocery stores because it prolongs shelf life.

Along with knowing what to expect, and receiving the product in its optimal state, retailers want to know what is available. Compared to large distribution centers, like Charlie's Produce, Montana farms have the following disadvantages: a short growing season, variable weather, and thus, questionable availability. In contrast, Charlie's Produce collects vegetables from a number of farms in Washington, California, maybe even Mexico, so their availability is practically unchanging. Christina Remien explained, "If I need 100 pounds of local carrots, but only 70 pounds are available, I need to know ahead of time so I can find the rest somewhere else." Paul Rosen related with the need for clarity about what products are available, at what quantities, at what price.

The bulk of vegetables reaching the shelves in Montana supermarkets have traveled hundreds of miles and aged proportionately. Two of the Missoula's preferred suppliers are Spokane Produce and Charlie's Produce, wholesale food distributors in Washington. The nearest distribution outlet of each supplier is in Spokane, Washington (nearly 200 miles from Missoula), and some of the produce sold by these suppliers travels all the way from Florida (more than 2,000 miles away).

Although there are obvious benefits in purchasing through out-of-state distributors, supermarkets are willing to pay more for local produce. Large distribution centers have three advantages over Montana farms: availability, variety, and price. All of the staple crops are available year-round at Charlie's, and the diverse selection of conventional and organic produce is stunning. Plus, the immensity of these distributors keeps the price very low, even with added delivery costs. "Price" was listed as a concern by two of the surveyed retailer managers. It would be impossible for Montana farms to compete for shelf space if it was not for one serious advantage: freshness.

Along with freshness comes quality in texture and appearance, and most importantly to consumers, taste. These are the distinctive elements that separate farm fresh from warehouse stored produce. Supermarket produce managers in Montana are overjoyed when the local harvest is in-season. Their customers appreciate the fact that fruits and vegetables look, feel, smell, and taste better because they are fresh.

Organic Produce:

Nothing substitutes for the taste of a freshly pulled, organic carrot. The "certified organic" seal is something additional that Common Ground Farm can offer to its customers. It is a value-adding claim, and it is one way for a farm to exceed its customers' expectations. Being a transitional organic farm allowed Common Ground to supply its first and last customer, Organic Earthly Delights, and becoming organic certified enabled the farm to reach the well respected Good Food Store. Also, Hung-Wen Kuo and Russetta Barta, who were the farm's primary attendants at Missoula Farmers' Markets last year, said that they saw a definite increase in sales after they were able to use the USDA Organic labels.

All of the retailers surveyed were adamant about supporting local farms, and each of them expressed added interest in supporting organic farms. Elizabeth Tattory said, “I am trying to make a transition to bring more organic produce to Bi-Lo. I think it’s important that we reserve shelf space for organic food.” Currently, there are plans to allocate a separate space on the shelves at Bi-Lo Foods for organic produce. Tattory said she felt that customers would respond well to an organic section. Bi-Lo Foods was a fine customer for Common Ground last season, making biweekly purchases that averaged \$126.29.

Kutter’s IGA and Orange Street Food Farm each support organic produce. Heidie Bailey said that she desires to have a separate and distinct section for organic produce in Kutter’s IGA. According to her, Kutter’s has no plans to set up an organic section yet, because of a labor strike, but customers have shown great interest. She did say, however, that the store could not afford to pay much more for organic. Rob Korman added, “We buy organic stuff, but it’s not a priority at this time.” His store, the Food Farm, has already seen a fair share of success in organic produce sales.

The Good Food Store and Organic Earthly Delights, operating almost entirely organic, are two of Common Ground’s healthiest retail accounts. Organic Earthly Delights contributed more profit than any of other Common Ground customer besides Bi-Lo Foods, plus there were no delivery costs involved. Christina Remien said, “Growers need to know that consumers need organic. There is such a high demand; it is absolutely a must.” She said that Common Ground Farm was one of the two most important suppliers for Organic Earthly Delights, and that without Common Ground she would not have the local, organic supply of vegetables that sustains her business. She said, “I would be devastated. I would probably cry.”

Growers take pride in finding shelf space at the Good Food Store, because the produce department is considered the best in Mssoula. After receiving organic certification in August, 2003, Common Ground sales averaged \$172.35 to the Good Food Store. Paul Rosen said, “It is very important for fruits and vegetables to be organic in our store.” He said that 95% of the vegetables in the Good Food Store are organic, and the remaining percentage are locally grown, hard to find products. He said, “Real Store in Helena sells only certified organic, but when they run out of something they have to take it off the shelf. I’m not willing to leave something off the shelf when customers come here to find it, but I make every effort to supply organic produce.”

In the U.S., organic food is sold to consumers through three main venues: natural food stores, conventional grocery stores, and direct-to-consumer markets. Natural food stores, such as the Good Food Store, comprise 1 percent of all food retailers in the U.S. and sold 48 percent of all organic food in 2000²³. Conventional retail markets sold

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49 percent of all organic products. Fresh produce remains the top-selling organic category, followed by nondairy beverages, breads and grains, packaged foods, baby food, and dairy products.

Nationwide, the market for certified organic products grew at an average rate of 24 percent per year between 1990 and 1997, and growth is expected to continue at an annual growth rate of about 25 percent²⁴. Organic foods amount to a 1 to 2 percent share of the overall U.S. food and beverage market, and estimates imply that organic products could constitute 5 to 6 percent by 2007 and as much as 18 percent in 2015²⁵. Moreover, the largest segment of the U.S. organic foods market is fresh produce. The U.S. organic fruits and vegetables market was estimated to represent 1.7 percent of total U.S. fresh produce sales in 1997 and 1998.

Organic farming will not put an expensive financial burden on Common Ground's budget, nor will it negatively impact the farm's existing customers, but compromising the character of the farm will likely be unfavorable. The farm would lose at least two of its retail customers that would likely contribute \$500 per week. Outside of the retail outlets, growing conventional may or may not reduce sales at farmers' markets, but it would surely not increase sales. While consumers have expressed concern over the presence of pesticides in fresh produce, the popularity of organic food consumption has risen sharply. The farm has invested hundreds of hours learning how to make organic farming work, and the knowledge too valuable to dismiss.

What Else Can Be Done To Exceed Expectations:

Another topic that the surveyed group responded to was in-store promotion. Elizabeth Tattory suggested that local farms work with local grocery stores to promote local agriculture. The tactic she recommended was point-of-purchase advertising: informative cards. She said that she would like to use informative cards that included recipes, other use ideas, and nutritional value, as well as a local farm name and logo or the "Buy Fresh, Buy Local" logo. Tattory said she would be willing to display a vinyl sticker for the front store window.

Most stores promote local vegetables in-store by indicating "LOCAL" on their display signs. Orange Street Food Farm parades local sweet corn under the shade of a tarp outside the store on Labor Day weekend. Some grocery stores give local produce a prominent position within the store. Some are willing to use point-of-sale materials obtained from the growers, even if it included a small farm logo. As long as the marketing tactics are increasing customer awareness of local vegetables, retail outlets appear to be very receptive.

Local farms can also cooperate with each other, working together to promote their commodities. The Western Montana Growers

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Cooperative a good example of this. In the case of the dairy industry, competitors have agreed to work together to pool their funds and mutually promote their products. This is where the “Got Milk?” campaign was born. Until the 5 A Day Program, the produce industry had never successfully promoted the whole vegetable and fruit category of commodities with one message. The “Buy Fresh, Buy Local” campaign is doing the same thing for local growers.

Every retailer surveyed said that there is a need for local vegetables. The primary reason they expressed is because their customers like to buy local, and the most important reason customers buy local is because it’s fresh. Because local produce is fresh, it tastes better. Local means good taste; the key to selling local fruits and vegetables is to promote Good Taste.

In summary, the increasing demand for local vegetables is due to the upward trend in vegetable use and the steadfast desire for freshness. Americans consumed 222.5 pounds of fresh vegetables per capita in 2002, rising 11 percent since 1992, and up 28 percent from 1982*. The 59,518 Missoula consumers spent \$17 million dollars on supermarket produce in 2002, 9.8 percent of the total grocery store consumption. While the current population in Montana eclipses the local vegetable supply, the growing demand for local produce in retail outlets is an opportunity to shine bright.

* All U.S. consumption data provided by the following source unless otherwise noted: USDA, Economic Research Service and National Agricultural Statistics Service. November 2003.

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2002 U.S. Per Capita Use and Cost Per Hundredweight

CROP	USE PER CAPITA	JULY cwt	AUG cwt	SEPT cwt	OCT cwt	AVG cwt
Beans, Snap	7.3	52.40	59.90	70.20	49.60	47.40
Fresh	2.1					
Canned	3.5					
Frozen	1.7					
Broccoli	7.1	27.00	29.60	40.60	24.00	32.10
Fresh	5.0					
Frozen	2.1					
Cabbage	9.7					
Fresh	8.4					
Canning (Kraut)	1.3					
Carrots	12.5	20.60	20.10	18.10	17.90	19.00
Fresh	9.5					
Canned	1.2					
Frozen	1.8					
Cauliflower	1.8	27.80	24.00	24.70	22.50	32.80
Fresh	1.5					
Frozen	0.3					
Celery	6.5	10.80	10.90	11.70	9.98	12.90
Corn, Sweet	26.1	27.90	21.80	22.50	25.80	20.10
Fresh	8.9					
Canned	7.8					
Frozen	9.4					
Cucumbers	11.5	23.90	23.00	18.90	13.70	18.80
Fresh	6.7					
Pickled	4.8					
Lettuce	30.7					
Head Lettuce	22.4	11.30	14.60	14.30	13.50	21.50
Romaine & Leaf	8.3					
Melons	27.4					
Cantaloupe	11.3	14.90	16.00	14.80	21.30	17.60
Honeydew	2.2					
Watermelon	13.9					
Onions	19.9	15.10	12.20	10.00	9.61	11.70
Fresh	18.7					
Dehydrated	1.2					

Peppers	12.1					
Bell Peppers	7.0					
Chile Peppers	5.1					
Potatoes	134.9	10.80	7.55	6.14	5.44	6.69
Fresh	45.0	16.70	15.30	10.80	7.99	9.23
Processed	89.9	6.12	4.97	4.88	4.91	5.23
Pumpkins	6.0					
Spinach	2.4					
Fresh	1.4					
Processed	1.0					
Tomatoes	87.3	28.50	25.80	23.70	31.20	31.40
Fresh	18.3					
Canned	69.0					
Vegetables	437.0					
Fresh	170.0					
Processed	119.0					

cwt is cost per hundredweight, in U.S. dollars.