

California: Exporting the Freshest Vegetables

By Elizabeth Mello

California—definitely *not* your grandfather's vegetable-marketing state. More than ever before, the focus is on bottom-line efficiencies: adding value and decreasing costs through streamlined distribution and increased responsiveness to customer needs.

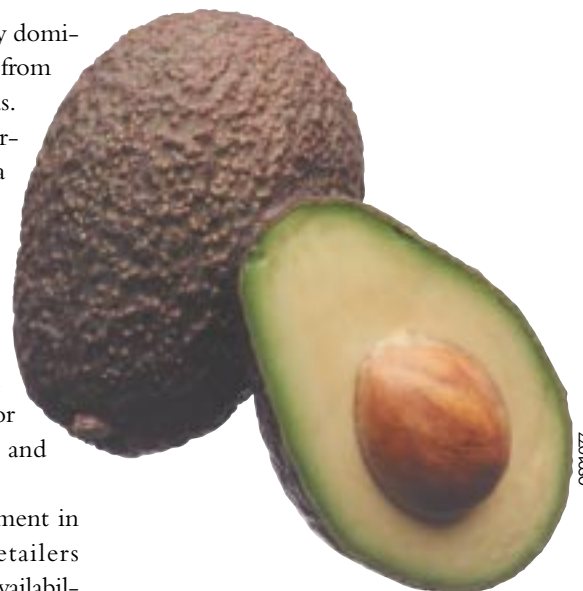
About the only thing in today's market that's a certainty is change. In both food service and retail sectors, California's dy-

namic vegetable market is currently dominated by sales that move directly from shippers to the final buyers overseas.

And watch out for that food service sector—each year, it absorbs a growing share of total volume.

Product form and packaging are evolving as more firms introduce value-added products like fresh-cut produce, designed to respond to the growing demand both domestically and internationally for convenience in food preparation and consumption.

Fresh produce is a critical element in the competitive strategy of retailers throughout the world; year-round availability is now a necessity for both food service and retail buyers.



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The well-known difficulties in supplying seasonal products such as fresh vegetables year-round favors international trade and increased global integration in the fresh vegetable sector.

In an era of consolidation, small growers are opting to sell their product collectively through an all-in-one marketer/broker/shipper/exporter. Such companies



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VEGETABLES ARE HUGE IN CALIFORNIA!

are able to leverage both the conventional and organic produce of many smaller growers into contracts with larger retailers and hypermarkets that desire year-round product.

Through this collective selling arrangement, small growers can do well, even in an environment where large contracts with consolidators prevail. And produce marketing companies such as these also value export market savvy as a necessity, considering the highly competitive domestic market.

The food service sector keeps growing in importance as a market for vegetable grower/shippers.

The PMA food service show, in its sixth year, provides a venue in Monterey, Calif., for vegetable and fruit companies to make key business contacts with the food service industry as companies depend more and

more on this sector for sales.

With regard to new market prospects, the hottest topic on vegetable exporters' lips was China's accession to the WTO and its implications for their industry.



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Crunching Some Mighty Numbers

Vegetables are huge in California! The largest producer of horticultural commodities in the United States, this one state contributed more than 50 percent by volume of the nation's major vegetable production in 1998.

Changes in Industry Structure

The growing global demand for year-round availability of a wide variety of high-quality fresh produce is shaping and changing the vegetable industry. Consolidation of buyers is occurring throughout the global food distribution system, led by northern Europe and the United States. This buyer consolidation has increased demand for consistent volume and quality of produce.

Buyers are developing relationships with suppliers who are equipped to reliably and consistently bring them produce that meets their specifications.

Large-scale suppliers must take risks and incur costs related to producing crops in several climatically different growing regions on a year-round basis.

The Fresh-Cut You-Name-It Situation

Prior to the early to mid-1990s, the vast majority of fresh-cut produce was sold in food service channels. Then, growing consumer demand for healthful and convenient food began to merge with advances in postharvest technology and handling. Result: improved quality, presentation and shelf-life of fresh-cut vegetables at retail.

Packaged salads, broccoli and cauliflower florets, sliced mushrooms, stir-fry vegetable mixes, baby carrots, carrot and celery sticks, pre-cut vegetables with cheese sauces in microwavable trays and vegetable dips are all examples of attempts to add value to produce without losing the fresh, natural image of U.S. produce that has tended to work well overseas.

Better film technology for produce bags and improved store-level temperature management have helped the fresh-cut industry overcome its initial growing pains. It is clear that more and more overseas consumers and food service users are willing to pay for convenience-oriented produce.

Although fresh-cut products for retail are gaining ground, the biggest part of the fresh-cut industry remains to be for food service, estimated at \$8-10 billion.

In response to slower overall growth rates, the fresh-cut vegetable and salad industry has consolidated with many local and regional players that have been acquired by larger firms. Marginal players have been squeezed out of the business entirely. Today, five California-based firms control over 90 percent of total retail packaged salad sales. The total retail salad industry is valued at \$1.2 billion.

In some instances, California growers have developed joint ventures with regional processors to expand distribution of their brands into new geographic markets such as the United Kingdom.



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MORE AND MORE OVERSEAS CONSUMERS AND FOOD SERVICE USERS ARE WILLING TO PAY FOR CONVENIENCE-ORIENTED PRODUCE.

cifics of what they want—size, quality and packaging—or they will look for product elsewhere. ■

The author is a marketing specialist with the Horticultural and Tropical Products Division, FAS, Washington, D.C. Tel.: (202) 720-9903; Fax: (202)690-3346; E-mail: melloe@fas.usda.gov

Food Service Brings in Bucks

From California's fertile Central Valley to the Mexican border, agricultural exporters recognize that quality and service are now a "given." In what is a highly competitive market, these suppliers know they must deliver the exact product specified at the right price, on time. Overseas customers are people to be catered to in the spe-



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