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Beyond growing – strategies and technologies that transform products to meet market demand

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Abstract

Despite the challenges that producers face in transforming their crops to finished products that meet market demand, the success stories in New York State illustrate effective marketing strategies to the retail, restaurant and wholesale markets. The Cornell University Strategic Marketing Conference “Beyond Growing – Strategies and Technologies That Transform Products to Meet Market Demand” held in Hyde Park, New York in November, 2006 discussed strategies and technologies for meeting market demand. This review summarises the more pertinent strategies discussed at this conference. Quality is a required strategy with consumers demanding high standards. The definition of quality was extensively discussed at this conference. United States Department of Agriculture standards are widely used, but it was also generally acknowledged that the true definition of quality is what the target customer will want and will accept. High standards are demanded with regard to postharvest handling, product quality and the service that the producer offers to the retailer, wholesaler or restaurant. Good buyer-supplier relationships were defined as critical and need to be nurtured to ensure that products were meeting the consumer’s demands. Good communication helps all in the food chain achieve their goals. The final message of the conference is that reliability, both on the part of the buyer and the produce supplier, secures sales. Failure to deliver an order as requested almost certainly results in a termination of the sales agreement. On the reverse side of the coin, the produce supplier needs a reliable buyer with respect to receiving payment for produce. In this paper, strategies to manage the risk associated with marketing are discussed. In conclusion, agricultural producers in the Northeast of the United States can and are successfully marketing products to meet market demand in the retail, restaurant and wholesale food service sectors.

Keywords: marketing; retail; wholesale; food service; partnership

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Introduction

Agricultural producers in New York State can produce excellent perishable food products but determining how to transform “crops” in the field or pasture to product forms desired by various market channels is often a challenge for many local and regional agricultural producers. Whether producers in New York State want to bypass the middle man and market their own farm products or whether they continue to use wholesalers to market their products, they must have a marketing strategy and a wide range of new business skills to work with the ever demanding customers and consumers.

The Department of Applied Economics and Management at Cornell University, New York and Cornell Cooperative Extension of Dutchess County, New York sponsored the annual Cornell University Strategic Marketing Conference “Beyond Growing – Strategies and Technologies That Transform Products to Meet Market Demand” in November, 2006. The conference was held in the heart of food country, close to the Culinary Institute of America in Hyde Park, New York, and about 50 miles from Manhattan. Attendees listened to both the buyer’s perspective and the farmer’s perspective on meeting market demand for perishable farm products. Buyers from retail, foodservice distribution and restaurant channels shared their insights on buying directly from agricultural producers. Growers discussed their experiences with the market’s demands, including quality standards, packaging, varieties, delivery schedules, and methods of conducting business.

This article reviews the discussions that took place and what we, the authors, considered as practical strategies for adapting perishable farm products to meet market demand.

Lessons in marketing

The conference hosted speakers from retailers, restaurants, wholesalers and producers. Buyers shared their experiences of acquiring fresh produce while producers shared their experiences in achieving successful sales. In addition, Chris Watkins of Cornell University shared information on post-harvest technologies for improving product quality. There were some resonating messages from all the speakers which could be used to help transform products to meet market demand.

Buying local is the trend

The market interest in the “Buy Local” movement has been increasing for some time now. Recently, the market seems to have accelerated [1]. Several factors are thought to account for this.

With fuel prices on the increase and with no apparent decrease in the forecast, local foods are of greater interest as they travel fewer miles from farm to fork, commented Dan Barber (keynote speaker and owner and chef of the New York City’s Blue Hill Restaurant and the Blue Hill at Stonebarn Restaurant at Pocantico Hills, New York). Buyers are finding that locally produced products are becoming more cost competitive compared with some California- or globally-sourced products. We have to qualify this advantage by saying that some economic studies find that total energy consumption, which includes farm production costs, still find energy cost advantages in large growing regions, such as California.

The increase in transportation costs can also be a disadvantage to the local producer. Brian Reeves, a vegetable and berry grower in Baldwinsville, New York, who does his own trucking locally, admitted that transportation is becoming more of an issue for meeting market demand.

Reeves commented “Our business is limited with the distance we can deliver from the farm. We can only make so many stops with one truck due to fuel costs, time on the road, timeliness of delivery and in order to maintain freshness of our product”.

There is also undoubtedly demand from consumers, who want to know specifically where their food is coming from. “The consumer wants to know more about how the food product was raised, rather than just what the product is and they are becoming more “educated” about food and are asking more questions,” commented Dan Barber (keynote speaker and owner and chef at the Blue Hill and the Blue Hill at Stonebarn restaurants). The local market seems to be more available, and certainly more visible, in answering these types of questions, resulting in a greater demand for locally produced items. Dan Barber believes that one of his greatest weaknesses is having to buy good quality products from around the world from producers whom he cannot visit regularly to see their production practices and hear their stories. Buying locally can provide him with this information and the stories which help him sell his food.

Some of the more recent food safety breaches (particularly the California spinach *E.Coli* incident in summer 2006) has heightened the interest in local product. True or not, consumers believe that a local producer is more visible, more accountable, and more interested in providing safe food products to their own local community.

The message from all three food sector buyers (retail, wholesale, restaurants) at the Strategic Marketing Conference was that there is such a demand for good quality local food that in some cases buyers are struggling to secure enough product for their customers. This is particularly the case in metropolitan and suburban areas where fewer farmers are located and larger direct markets are established. An example of this was in New York City where there is a large network of Green Markets [2] that are competing with retailers for quality local produce. The retailers and restaurants in the suburban areas of New York City subsequently struggle to procure local production.

Quality is a given

The buyers present at the Strategic Marketing Conference stated that there could be no compromise where quality is concerned. All need to have good quality product combined with good quality service. Much of the conference discussion focused on quality aspects both from the perspective of postharvest handling of product and the service that the producer delivered.

Chris Watkins surmised that while quality is an absolute given to meet consumer demand, there is little agreement about what quality is and how it relates to consumer acceptability. Watkins provided practical technologies to achieve different degrees of improved product quality for marketing,

but added that quality is a broad ranging term and can mean many things to different consumers depending on their backgrounds, expectations and requirements. An example he gave was that for years New Zealand were producing what they thought were top quality (no blemishes, excellent flavour, good shelf-life) yellow peaches for the Japanese market. Sales of peaches only really took hold in Japan, however, when New Zealand started to produce the white peach which was considered a delicacy in Japan. Perception of quality can vary with ethnicity, age, region and product type.

Quality standards for retailers tended to be the same or higher than United States Department of Agriculture quality standard benchmarks. Pat Adams of Adams of Fairacre Farms commented on quality of new products that might not have protocol drawn up to define quality. Adams stated "Much of quality is defined by what the customer is asking for. Appearance and taste are key factors. Shrink levels of the product also factor in [to Adams Fairacre Farms' definition of quality]".

From the wholesale perspective Craig Watson (Sysco Corporation) added a similar perspective on product quality "Ask yourself, what does the customer wish to purchase? Understand where your product fits in with your target customer". Watson also discussed the need for the correct packaging in wholesale. Product identification, bar-coding and traceability are all important considerations in the wholesale business and he believes that they will become a requirement for all suppliers. Mark Curran of Black River Produce (a wholesale business in Vermont, USA) echoed Craig Watson's comments on traceability becoming a requirement. The general consensus for food service and the wholesale trade with respect to quality is that people want to know where their food is coming from and they want to know it is nutritious, wholesome and safe.

Larry Eckert (Grower-Shipper, Kinderhook Creek Farm, Stephentown, New York) reviewed some important areas which he felt were critical in selling quality produce to wholesalers and food service. Service was an area that he, like Brian Reeves supplying to the retail industry, considered critical to quality production and marketing. Eckert felt that one of the greatest downfalls producers had in dealing with wholesalers was product packaging. He also added that safety protocol was an important factor in assuring good product quality "the food service customer needs to know that you are doing the best you can in following safety protocols. The paper trail to demonstrate this is important". Cooling fresh produce was a technology that he felt was particularly important in serving quality to his market. Brian Reeves felt the same way about his interpretation of retailer requirements. "Retailers demand product in the right containers, the right sizes and delivered at the time they need it. If they want it delivered fresh daily, you'd better be ready to deliver it fresh daily, else they won't be your customer".

Relationships are everything

One comment that seemed to be on everyone's lips was the value of good buyer-supplier relationships and partnerships. The retailers present at the Cornell University Strategic Marketing Conference said that the produce managers in their stores had to have good relationships with the producers they were buying from in order to ensure they are supplied with product their customers require. Wendy Carter, Locally Grown Coordinator for the supermarket chain, Hannaford, summarised her panel presentation by saying "producers should have conversations in the winter with produce managers to find out what they want and can then grow to meet the customers' needs. Build that relationship now. Relationships need building through conversations. Understand what they need, deliver when they want it, make it easy for the produce manager to do their job".

These comments were echoed by Brian Reeve. "Relationships that producers build don't happen overnight. Producers have to persevere. The producer has to look at where food is being distributed and what fits their business. They need to do their research. Winter time is when I get time to go into stores, watch how people buy food and how they make selections. This is the sort of information that makes conversation interesting when I get talking to produce managers. They need empathy. They need to build partnerships and relationships. We have to be able to help them solve some of their challenges. I think if we do well enough, for long enough, and we are persistent enough, sooner or later we will win business."

Winter time activities were also encouraged by Paul Wigsten, Produce Buyer for the Culinary Institute of America, Hyde Park, New York. Wigsten suggested that the producer should eat at a restaurant before he does business with the chef so that it is clear the relationship is not just one-way. Another winter activity he suggested to producers was that if they want to build on their partnerships with chefs, they should sit down with chefs and go through seed catalogues and grow what chef's want and can use. Very often a product that is a little different catches the chef's eye, which can stimulate their ideas and can result in the producer getting a better price for their product.

Dan Barber (New York City Chef) referred to food needing a good story to "cash-flow a meal". He commented that his customer is generally more educated and wants to know how the food is raised. The public is pushing for greater quality information on varieties and animal feeding regimens, and also requires novel food experiences. With good partnerships with his growers, Dan is able to develop good information via stories that supplement his meals. A new meat that he has on his menu is 100% whey-fed Duroc pork. This product, he said, supplied him with an excellent product and a lot to talk about, which made it a high value product for his restaurant. The producer is getting a good price for this product and it boiled down to the relationship that the producer had with

Dan Barber, the chef. The question was raised, could good stories be generated with fresh vegetables and fruit? This was indeed the case. Dan Barber felt that the Northeast United States could produce some of the finest and sweetest root crops in the world due to the timing of the seasons and the freezing of the ground, and he shares this information with his customers.

Paula Schafer, of Cornell Cooperative Extension of Washington and Saratoga Counties, discussed a project she had worked with called Farm to Chef Express [3]. The project involved a group of producers marketing a wide range of farm products to chefs in New York City. Relationships and good communication amongst the members of the group enabled it to successfully meet promised delivery and products to the chefs.

Larry Eckert, owner of Grower-Shipping business, Kinderhook Creek Farm, Stephentown, New York summarised the supplier relationship very succinctly. "They (the customers) won't care about you until you understand their needs". He suggested that they need to find out about the producer, through the producer finding out about them. He suggested producers visit restaurants, attend food shows, introduce themselves to the produce buyer and ask questions about the buyers' wants and needs in the producers product category. Amongst other things, Eckert stated that managing a good paperwork trail to support that relationship should be considered a priority (insurance, purchase order numbers, invoicing paperwork, bar coding [if necessary], and other identifiable wholesale purchasing system numbering) for succeeding in the wholesale industry.

Reliability secures ongoing sales

This paper has documented some of the ways that successful marketing can be achieved with product quality and relationships. The buyers represented at the Strategic Marketing Conference stressed the need for reliability in their produce needs in order to secure the next order. The general consensus was that there can be little compromise with the timeline of fresh produce delivery. If food was ordered, a delivery needed to arrive when it was expected to arrive. Eckert stressed this point by saying "If you say you will be there at 2 pm you need to be there at 1.45 pm. Doing beyond what is expected gets the next order". Wigsten explained the importance of being there with a product delivery when you say you will "When chefs order something, they need it".

The speakers discussed the fact that reliability works both ways. Both buyers and producers discussed the terms of payment for product. In the same way that buyers need reliable producers, producers need reliable buyers. There is no point in selling a product, if the producer doesn't get paid, so securing the payment is also critical in marketing fresh produce. Many horror stories exist in the food industry about producers not receiving payments for products. Producers at the conference suggested using either the Red Book Credit Service [4] or the

Produce Reporter Company [5] (publishers of the Blue Book) to assess the credit worthiness of potential clients.

Conclusion

Despite the challenges that producers face in transforming their crops to products that meet market demand, there are success stories that demonstrate successful marketing strategies that target the retail, restaurant and wholesale markets. Currently, small to mid-sized farmers in the Northeast are enjoying a high demand for "local" food. In fact, the demand is so high in some markets that buyers are struggling to source sufficient "local" product.

The Cornell University Strategic Marketing Conference "Beyond Growing – Strategies and Technologies That Transform Products to Meet Market Demand" held in Hyde Park, New York in November, 2006 discussed strategies and technologies for meeting market demand. This review summarises the more pertinent strategies discussed at this conference.

Quality is a given strategy. Consumers are demanding high quality standards. The definition of quality was extensively discussed at this conference. United States Department of Agriculture standards seemed to be widely used as a minimum, but it was also generally acknowledged that the true definition of quality was what the target customer wanted and would accept. These standards tended to be exceptionally high with regard to postharvest handling, product quality and the service that the producer offered to the retailer, wholesaler or restaurant.

Good buyer-supplier relationships were defined as critical and need to be nurtured to ensure that products were meeting the consumer's demands. These partnerships take time to develop, but are important to ensure that chefs, produce managers and wholesale partners can deliver innovative food products to meet consumer demands. Good communication helps all in the food chain achieve their goals.

The final message of the conference that was discussed in this paper is that reliability both on the part of the buyer and the producer supplier, secures sales. Buyers in the food industry are generally under extreme pressure to deliver to their consumer, so they need a reliable product supply with which to source their food. Failure to deliver to meet this supply almost certainly results in a termination of the sales agreement. On the reverse side of the coin, the produce supplier needs a reliable buyer with respect to receiving payment for product. Strategies in this paper to manage the risk associated with marketing were discussed.

In conclusion, there are agricultural producers in the Northeast of the United States of America that can and are successfully transforming their crops to marketable products to meet market demand in the retail, restaurant and wholesale sectors.

References

Papers of interest have been highlighted as:

*Marginal importance

**Essential reading

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