

**Increasing the Sustainability, Profitability and Competitiveness of
Fruit and Vegetable Producers in the
Tri-County Agricultural Area TCAA (Flagler, Putnam and St. Johns)**

Overview

The TCAA is comprised of approximately 50 family farming operations with annual revenues in excess of \$500,000.

The primary crops they grow are:

- Table stock potatoes
- Chip potatoes
- Cabbage

For various reasons farmers are finding it increasingly difficult to grow these crops with consistent profitability. The ten year outlook looks negative for all three crops, according to these farmers. **For this group to thrive over the next 10 years, they will have to make significant changes.**

The TCAA has many **strengths**, including:

- Quality farmland
- Knowledgeable family farmers
- Abundance of water
- Access to Railex and the Jacksonville Port
- Ability to grow almost any crop in this area.

The **challenges** these farmers face are significant, including:

- A limited marketing window between central Florida and Georgia production dates
- limited trucking availability
- A scarcity of refrigerated cooling space
- Limited control or “transaction clout” in how their crops are marketed
- Weather events
- A scarcity of farm labor
- General independence of family farm operations

Ongoing **threats** to the sustainability of their family farms include:

- Government regulation
- Growth of competition (both domestic and foreign)
- Invasive species
- Development of land for non-farm uses

Despite these challenges and threats, the TCAA farmers have many opportunities to modify their course to increase their potential for long-term success.

Opportunities for growth include:

- Launching new business models that focus on the local community
- Attracting processors to the area
- Expanding export capabilities
- Partnering on cooler space
- Collaborating with “high clout” produce marketers
- Developing their own produce marketing company

In the simplest of terms, farmers do three things to bring their products to market:

- Grow crops
- Pack and store (cool) crops
- Sell their crops

The TCAA group of farmers are quality growers with limited cooler space and an ineffective sales strategy. **To thrive in the next 10 years, they must craft winning strategies in all three areas.**

Recommendations

Crops

As the market potential for current crops wanes, the TCAA growers should shift their production to crops that have growing demand among east coast retailers, wholesalers and food service operators.

These crops include, but are not limited to:

- Sweet potatoes
- Broccoli
- Cauliflower
- Specialty peppers
- Blueberries
- Peaches
- Watermelons
- Melons

Emphasis should be placed on finding select items that can help differentiate the growers because of the products’ unique attributes. Examples include:

- High-taste variety melons
- Black rind watermelons
- Better tasting blueberries
- New specialty sweet peppers

These items should be branded and supported by a consumer and trade marketing campaign. Examples of successful branded produce items include:

- Hatch Chiles
- Lemon Drop Melons
- Driscoll’s Pick of the Season Berries
- Vidalia Onions

Pricing

Growers should negotiate with seed companies for exclusive varieties where possible. Marketing funds should be built into the FOB pricing to assure consistent marketing. The below **willingness to pay model** should be followed to arrive at a desirable price at which the grower should sell.

Willingness to Pay Model for the TCAA Melon

Market surveys estimate that customers willing to pay \$3.99



Willingness to Pay Example	
Retail Price	\$3.99
Retail Margin	\$1.99
Freight	0.25
FOB Selling Price	\$1.75
Marketing Exp	\$0.25
Net to Grower	\$1.50

FOB Selling Price \$15.75

Blending exclusivity, a great marketing plan and exceptional eating quality will provide an opportunity for the TCAA growers to capture market share and maintain profitable margins by selling at premium to the market. Typically, melons sell for \$10-14 per case.

Several eastern retailers have expressed strong interest in procuring more products from the eastern growing areas that are normally sourced from the west. These include:

- All western vegetables
 - Lettuce
 - Broccoli
 - Green onions
 - Celery
 - Cauliflower
- Melons
- Berries

Branding

Consumers have strong interest in buying locally-grown fruits and vegetables. Buying local is no longer considered a trend but a way of life. A key driver of this trend is the consumer's interest in understanding the values and knowing the identity of the growers. To this end, the TCAA growers should develop a **branding and marketing strategy** to capture the unique selling proposition of these family farms. The campaign should be targeted toward consumers in northeast Florida and retailers statewide. It should be tightly focused with **clear and concise messaging**.

Additionally:

- A name/brand should be developed to clearly identify this group
- Each TCAA grower should adopt this branding and messaging along with their family farm name to strengthen awareness

The primary customer target should be the millennial consumer, a group that should not be ignored. Who are millennials? This is the age group born between 1997 and 1981 who in 2015 are between the ages of 18 and 34. They are non-traditional buyers who skew traditional retail formats.

Millennials:

- Are food curious
- Are interested in fresh, wholesome ingredients/less processed foods
- Buy from non-traditional channels
- Buy with their hearts/looking to support a cause
- Seek produce direct from family farms
- Care about the environment
- Avoid GMO products

Research data shows that by 2018 millennials will have the largest buying power. Growers should adopt a similar set of standards built around the following brand values and attributes:

- Giving back to the community
- Fresh from our family farms
- Highest quality fruits and vegetable
- Food safety programs

Across the country, growers focused on the local market have employed several successful strategies to create profitable sales. These include:

- Opening retail farm stands in high traffic locations
- Operating roadside stands
- Displaying at farmers markets
- Operating U-Pick or Agri-tainment farms
- Offering subscription farming options (community supported agriculture, or CSAs)
- Offering community gardens
- Creating retail/food service HUB models

Some TCAA growers are currently contemplating a HUB model to deliver fresh TCAA produce from farm to restaurant. This model should be expanded to include the following elements.

First, the HUB should be developed with clear and consistent branding focusing on freshness and eating local.

Second, the growers should add a subscription program for consumers. In essence, consumers would sign up for a three, six or 12 month weekly box of produce. The product would be delivered once a week to central locations for pick up in a three-hour window.

Finally, this HUB should be supported with an aggressive marketing campaign directed at retailers and consumers. Branding should be displayed in restaurants that support the HUB. A heavy emphasis should be placed on social marketing and direct-to-consumer messaging. The HUB has the potential to support several growers' products.

Opportunities in Processing

Farmers have expressed interest in growing for processors. Currently, the TCAA does not have any processing plants in the local area. Chip potatoes are shipped hundreds and even thousands of miles away, placing the TCAA growers at a disadvantage. It is recommended that the TCAA growers form **an outreach committee** to pursue processors.

Targets could include:

- Chip companies like Frito Lay and Utz
- Vegetable processors like Del Monte and Seneca Foods

The effort should be supported with a thoughtful strategy that includes:

- Incentives from cities, counties and state
- A plan showing the diversity of growers and their capabilities
- An overall campaign to illustrate the strength of the TCAA area

With population growth in the southeastern United States and particularly Florida, it appears likely that processors would have an interest in this effort. This committee should work closely with state and local agencies to craft a comprehensive strategy to attract processors.

Opportunities to Export

Currently, the TCAA growers export a limited amount of product. Obstacles to grow export revenue include:

- Gaining market access to destination countries
- Complying with in-country standards and processes
- Mitigating risk of potential loss for rejected products or accounts receivables
- Lack of expertise in selling into export markets

The Florida government has funds and the ability to support growers in developing export programs. An export task force should be established to craft an export strategy that includes:

- Growers
- Florida agricultural services
- Brokers who specialize in exporting produce

Export targets could include:

- Europe
- Canada
- Puerto Rico

With further exploration, a list of brokers specializing in exports can be established.

Opportunities to be a Seasonal Shipper of Fruits and Vegetables

There appears to be a significant opportunity to be a seasonal shipper of fruits and vegetables to East Coast and Midwest retailers, wholesalers and food service operators. **To establish this business, the growers will need to develop a program in several key areas.**

First, they should establish a wide array of crops to be sourced from the area. By doing this, the area will become more attractive to both buyers and transportation companies. Some of these products should be unique and branded as such (i.e. high taste melons).

Second, the TCAA growers need to develop a limited number of packing and cooling facilities. In the beginning, this could be just one location with expenses shared among the growers. Buyers will appreciate the ease of dealing with just one pick up point.

Third, the growers should form a separate company to market these fruits and vegetables. To optimize their potential for “transaction clout” they should partner with a well-established marketer/seller of produce. Prospective companies should have deep relationships with buyers, a willingness to work with full transparency and an interest in promoting the brand attributes of the TCAA. The sales company should be owned by both the growers and sales broker. Each participating company should make a minimum of a three-year commitment to building the business.

As an alternative, the growers could hire someone to manage the sales company without the involvement of an established sales broker. This model is less desirable based on the lack of existing buyer relationships and limited expertise in running this type of business.

Additionally:

- The company would operate as a separate entity from packing and growing operations.
- It would initially be funded by equity contributions from the growers and sales broker.
- It is expected that a line of credit would have to be established for working capital and float.
- The company would retain a commission of 8% of all sales and remit the remainder to the grower/packer.
- Growers would be paid on similar terms (approximately 35 days) as those given to customers.

With further interest, a list of potential sales brokers can be developed as well as a budget and overall business plan.

To make this worthwhile, the group of growers would have to **commit a minimum of one million cases in the first year with potential for 3-4 times that as the business thrived.**

Other Possible Solutions

A low-cost and near-term solution would be to connect this group of growers with established sellers. A meeting could be held between interested sellers and these growers with the intent of reaching agreements on terms and products. It is likely the result of this effort would be traditional brokering or contract growing arrangements. It would be beneficial to the TCAA growers if they could approach this in a united front leveraging their collective scale.

With interest, a list of potential sales agents could be identified.

A similar approach could be to focus just on product specific opportunities. Individual meetings could be set between growers and potential sellers based on product type. For example, a meeting could be established between sweet potato growers and the top 2-3 sweet potato sellers. The same could be done for broccoli, peppers, melons, and so on.

Summary

The TCAA farmers could enjoy more significant returns and a higher degree of sustained profitability if they would find ways to work together. Their mid-size farms place them in the unfortunate position of being too big to be considered just a local grower and too small to enjoy economies of scale necessary to compete. Opportunities exist in the areas of creating a strong brand focused toward northeastern Florida consumers and retailers, building a formidable sales company in collaboration with experienced sellers, jointly pursuing processors or the export market.

