

Wholesaler-Distributor Super Session

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Business Opportunities With Independent Supermarkets in Today's Grocery Industry

Presented by:

Tom Zaucha
President and CEO
National Grocers Association



The Impact of the Financial Crisis – Opening Doors for Wholesalers

Presented by:

Jim Prevor
President & Editor-In-Chief
Produce Business



The 2009 Timothy White Award for Editorial Courage and Integrity



James Prevor
Founder/Editor in Chief, *Produce Business* magazine
CEO, Phoenix Media Network

Jim Prevor is widely recognized as a leader in assessing the state of the perishable food industries and analyzing the prospects for the retail and foodservice segments in which perishable foods are bought and sold. His comments and insights on a broad range of subjects, including food safety, genetically modified organisms, irradiation, consumer dynamics, the state of food prices, sustainability and the competitive dynamics in the food retailing industry, have been seen and heard on CNN, the Fox Business Channel, the BBC, NPR, many network affiliates and over 100 newspapers, magazines and associated websites, including The Washington Post, The New York Times, USA Today, The Times of London, The Chicago Tribune and The Los Angeles Times.



Fresh Produce and the Wholesale Sector 2009:
A Moment in Time

United Fresh Produce Association
Las Vegas, NV
April 21-24, 2009

A Moment in Produce Marketing

- Supply Chain Obligations:
 - Traceability, Food Safety, Sustainability
- Local vs. Organic
- Chains and Wholesale Markets
- The Challenge for Wholesalers
- A Timely Opportunity

- Presented by Jim Prevor
- United Fresh 2009
- Wholesaler-Distributor Super Session
- April 23, 2009

BEGINNINGS

Wallabout Market in Brooklyn



BEGINNINGS

Washington Street Market in Manhattan



BEGINNINGS

Hunts Point Market



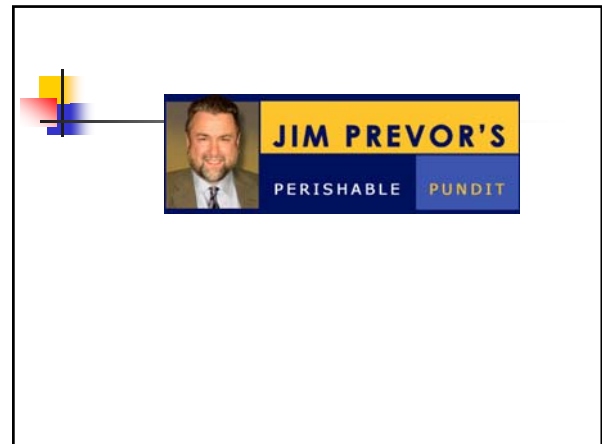
BEGINNINGS

...AND MORE

- Exporters
- Importers
- Supermarkets
- Convenience Stores
- Mail order
- Restaurants
- Farms



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MARKETING • MERCHANDISING • MANAGEMENT • PROCUREMENT



How We Got Here

- The Interstate Highway System
- Growth of Large Chain Retail
 - End of Rail
 - End of Auctions
- Development of Diversified Wholesalers
 - Full Line of Products
 - Diversified Customer Base
 - Diversified Functions

Lots of Negatives

- Foodservice
- Switch to Canned, Frozen, Homegrown
- Tougher Financial Environment

Supply Chain Obligations

- Single Biggest Challenge for the Wholesale Sector in the Long Term
 - Food Safety
 - Traceability
 - Sustainability

Food Safety

- Problem Will Get Worse
 - PFGE 1993
 - Food Security 2001
 - PulseNet
 - Food Safety Outbreaks from Local to National



Food Safety & Wholesalers

- Unvetted Shippers
 - Retailers Traditionally Buy What They Need
 - Wholesalers Help Producers Sell
- Unsecured Facilities
- Unaudited Sanitation
 - 7th Street Market
 - All Markets



Traceability

- Attempt to Reduce Impact
 - Bruce Peterson
- Produce Traceability Initiative
 - Case Level
 - Long Term – Some Move Faster
- Will Wholesalers Keep up?



Traditionally Strong

- *As is often the case when those in the industry write about the supply chain, the Wholesale Distributor is ignored.*
- *Those of us in the industry whose roots are in Terminal Markets as commission merchants have had the ability to track product well before anyone had ever thought about traceability for food safety reasons. The PACA requires commission merchants to track all sales by lot numbers in order to segregate one grower's product from another's. This insures that each grower receives the correct proceeds from the sales of their product.*
- *The **Produce Pro** software that we use for lot-based sales enables us to track every package in seconds from Supplier to Customer for any lot of product that we have sold since we went on line with our system in the early 1990's.*
- *We have in fact done recalls on product, notifying the customers involved within hours if not minutes of the time we were made aware of the recall. Customers and suppliers of those of us in the industry who still do some commission sales can be confident of our ability to track both where our product comes from and where it goes. We've been doing it for years.*
- — Alan L. Siger
President & CEO
Consumers Produce Co., Inc. of Pittsburgh
Pittsburgh, Pennsylvania



Next Stage a Challenge

- *Putting in a system to trace product gets more difficult the further down we go in the distribution chain. Stand on the floor on a busy Terminal Market and try and imagine where the product goes after it is sold by the Wholesaler. A customer known as "Ken, the guy with Red truck" pays cash for a pallet of tomatoes. He takes the tomatoes to his garage where the boxes sit on the floor next to cleaning supplies, motor oil, and who know what else.*
- *He and his kids (2 of whom just used the toilet without washing their hands) dump the tomatoes on a dirty tarp to sort them for color. The green ones sit in the garage for a few days to color up during which time one or two rodents snack on tomatoes. When they finally ripen, Ken delivers the tomatoes to some of the finest restaurants in town for all of us to enjoy.*
- *Somehow I don't think that Ken or even a legitimate small wholesaler or purveyor is interested in investing in a traceability system. They will have to be dragged kicking and screaming to the table. The problem is that the system is only as good as its weakest link, and unless Ken is a part of the system it doesn't work.*



Sustainability

- Next Big Thing
 - Environmental
 - Social
 - Economic



Impact of the Recession

- Retail Focus on Value
 - The Age of Expediency
 - Open to a Deal



Impact of the Recession

- Shippers Experience Volume Reductions
 - Foodservice
 - Need Outlets



The Organic Bifurcation

- This isn't what we meant. When we said organic, we meant local. We meant healthful. We meant being true to the ecologies of regions. We meant mutually respectful growers and eaters. We meant social justice and equality.
- -- Joan Dye Gussow, Teachers College, Columbia University, and former member of the National Organic Standards Board



The Organic Bifurcation

- You have a choice of getting sad about all that or moving on. We tried hard to build a cooperative community and a local food system, but at the end of the day, it wasn't successful. This is just lunch for most people. Just lunch. We can call it sacred, we can talk about communion, but it's just lunch.
- -- Eugene (Gene B.) Kahn, founder, Cascadian Farm and charter member of the National Organic Standards Board



Local Ascendant but...

- Food Safety
 - Statistical Quirk
- Gas Prices
 - Price Issues
- Authenticity Marketing



Chains

- Expediency Ascendant
- Inventory Cost
- Fewer SKUs/More Micromarketing
- Ordering Later
 - Forward Distribution



The Big Challenge

- The Aligned Supply Chain
 - Food Safety
 - Traceability
 - Sustainability
 - Flavor

The Opportunity

- Expediency
- Local
- Urban
- Rail
- Independent Sector
- Ethnic Sector
- Entrepreneurial Spirit

Old Techniques Are New Again

- Selling Individual Stores
 - Wal-Mart
- Offering Deals to Chains
- Soliciting Consignments/Price After Sale

To Endure and Prevail

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