



# SETTING THE PACE & WINNING THE RACE

Wholesale and retail markets carry on

BY AMY SAWELSON LANDES

An article on the *Slate.com* website a few years ago asked, “If we didn’t have California, what would we eat?”

The answer: American diets would be grain-based and expensive. In the 1860s, California’s leading commercial crops were wheat and corn. With the expanding rail system of the 1880s, farmers could invest in more perishable crops such as tree fruit and vegetables.

This led to produce shipments throughout the West Coast and into the rest of the United States, even all the way to the East Coast. The 1980s saw growers build cooling sheds in their fields, enabling them to extend shelf life and ship all over the world, reducing the urgency for buyers to purchase every day.

Blessed by variations of perfect climate and rich soil along its 840 miles between Mexico and Oregon, as well as multiple ports dotting its coast for international commerce, California continues to be the epicenter of the U.S. produce industry. No other state, or combination of states, can match the Golden State’s variety and output.



## SETTING THE PACE & WINNING THE RACE

### DISTRIBUTION

Both Southern and Northern California have vibrant produce markets, serving as portals for the many commodities and specialty items that wind up in supermarkets, large and small, and dining facilities, from school cafeterias to upscale restaurants.

Both are served by wholesale terminals in their respective areas: San Francisco has two major wholesale markets, the San Francisco Wholesale Produce Market, located near Bayview-Hunter's Point, and the Golden Gate Produce Terminal in South San Francisco, near the San Francisco International Airport.

Down south, the Los Angeles Wholesale Produce Market is adjacent to the old terminal market, southeast of downtown Los Angeles (L.A.). Because all three markets are on the trendsetting West Coast and less than a day's drive from the state's rich growing regions, they continue to be centers of adventurous culinary pursuits.

### SAN FRANCISCO TIMES TWO

The San Francisco Produce Market (SF Market) was established in 1963 to consolidate the merchants operating in and around the Embarcadero. The 23-acre campus is home to 28 independent businesses and is the only nonprofit produce market of its scale in the entire

United States, according to general manager Michael Janis, who is unabashed in his praise for the market.

"We provide the best operating environment to serve our merchants," he declares. "Our ground lease from the city runs until 2073, so the businesses

*"What happens in L.A. impacts every facet of our industry."*

don't have to worry that the land will be repurposed for residential or tech. In 2015, we expanded the market with a new 85,000-square-foot warehouse and distribution space, which also happened to be the first Gold LEED (Leadership in Energy and Environmental Design) building of its kind in the Bay area."

Current initiatives include better food recovery, which Janis says is taken seriously as a core program at the market. A few years ago, the market added a full-time associate to coordinate with merchants and ensure more product is salvaged and sent to people rather than compost.

"Over 2.6 million pounds of food

were recovered in the first three years of the program, and we're on track to recover another 1 million pounds in 2020," Janis says. "We have direct community partners to help merchants disperse surplus produce, while freeing up warehouse space and reducing waste management costs. It makes economic sense all around."

Janis concedes the market's multi-tenant cooperative may not be for everyone. "Some businesses would rather run their own warehouse. We canvass the merchants all the time and offer workshops and consultants on topics like food safety."

One of the original tenants at the SF Market is Washington Vegetable Company. President Jack Pizza sees the symbiotic relationship among the merchants as an advantage to being on the market.

"We're competitors, but we work together," Pizza notes. "That customers can see and feel the produce is a plus." One drawback, he notes, is the age of the building, "but there's a plan to update. Overall, the market functions well."

### THE L.A. WHOLESALER SCENE

Opened in 1986, just a chain-link fence away from the historic L.A. Terminal Market (now known as the 7th Street Market), the Los Angeles Wholesale Produce Market (LAWPM) is the second-largest produce market in the United States, as well as the second-largest that is privately owned.

The 30-acre market, which features 500,000 square feet of warehouse space, is owned and operated by 25 vertically integrated companies. The property management company that oversees the LAWPM points out that the merchants are substantial enough to extend credit to their customers.

The rapidly gentrifying neighborhood surrounding the LAWPM sparks periodic rumors that eventually the hub for produce distribution will move outside central Los Angeles. So far, however, the businesses are determined to operate at the epicenter of the produce trade, with its close access to growers and transportation.

Meanwhile, the old Terminal Market is owned by Atlas Capital Group and



Earl's Organic Produce courtesy of the San Francisco Market.

part of the ROW/DTLA collection of repurposed buildings that now house creative office space and trendy shops. The leases on the produce spaces are month-to-month.

*A view from the inside*

There haven't been dramatic changes at the LAWPM (with the exception of measures to combat the coronavirus), and the merchants seem to like it that way.

Francisco Clouthier, vice president of Maui Fresh International, LLC, an importer and distributor of greenhouse and Hispanic vegetables, observes, "On and off the market, trends are cyclical. Twenty years ago, customers didn't want to come here, but now they're back.

"Those who were buying direct now come to us to consolidate loads. In the late 1990s we did more business with big retailers, but today we're seeing more small- and medium-sized companies—and the smaller companies are becoming medium-sized companies. Two decades ago, we were hearing that people wouldn't walk terminal markets, but traffic increased," Clouthier says.

QSI, LLC receives, consolidates, and distributes fresh produce, and is located adjacent to the market. Paul Vogel, managing member, describes the terminal market this way: "The function of the LAWPM is transforming. The conversion of the industry to a supply-driven B2B contract model has changed the role the market plays in the distribution process.

"These changes have generally been positive for the shipping community," Vogel continues, "but at the same time, they've eliminated much of the day-to-day human collaboration essential for a dynamic market.

"There are incredible opportunities available," he goes on to say. "We live and work in one of the greatest cities of the world with a diverse and highly motivated population. As the gateway from Asia and North and South America, we are a highly competitive market with access to produce and innovative entrepreneurs from all over the globe. What happens in L.A. impacts every facet of our industry."

But, of course, it's not all unicorns and rainbows at the LAWPM. The concentration of homelessness in the area and the city's aging infrastructure,

**Delta Fresh**

**520-281-4444**

**[www.deltafreshproduce.com](http://www.deltafreshproduce.com)**



## SETTING THE PACE & WINNING THE RACE



including roads and internet service, can be chronic headaches. Not to mention the impact of Covid-19, which may stretch on for months.

### FILLING THOSE ORDERS

With proximity to California's growing regions as well as access to imported products from Asia and Latin America, most wholesalers can supply their customers with whatever they request under normal business conditions.

Earl Herrick, founder/owner of San Francisco-based Earl's Organic Produce, explains, "Shortages are generally seasonal. The organic market is not as large as conventional, so severe weather affects the supply more quickly and prices will shoot up.

"Certain tropicals are a little harder to source," he admits. "Organic shoppers may be more traveled, more inquisitive about food. They'll come back from overseas and want a certain mango they don't see here. Organic retailers are exploratory like their customers."

South of the Golden Gate Produce Terminal (GGPT), Pete Carcione, president of Carcione's Fresh Produce Company, Inc., says he can procure almost any item a customer could want, but, yes, sometimes it does take persistence. "We've been trying to get Alphonso mangos from India," he mentions.

"They're delicious and have a very small stone, but they can be a medfly host, so it's challenging to bring them in. Another specialty is a Mediterranean vegetable called *cardoni*, which tastes like an artichoke. Local Italian farmers grow them. We carry it, but it's not always available."

J.C. Cheyne & Company is also one of the 26 family-owned businesses at the 742,000-square-foot facility. The receiver specializes in potatoes and onions, and has been at the GGPT since 1962.

Sales manager Gerardo Ponce says, "Customers are like partners. I know what they need and try to protect them from shorts. We carry five varieties of fingerlings alone including Amarosa, French Banana, Ruby Crescent, Russian Banana, and Mixed Marbles.

"There are times during the year when white potatoes from Washington are difficult to get," Ponce continues. "They are very sensitive to heat and cold. At the end of the season in January, we'll get them from California, but last year California had a lot of rain that made harvest difficult. Our customers trust us to take care of them at a fair price," he adds.

Both Carcione and Ponce believe the best part of doing business at the GGPT, just like San Francisco's other market, is having customers able to touch, smell, and see the produce, and select exactly what they want.

Also like its sibling market, is the

ongoing struggle over the age of some GGPT buildings, but there have been renovations and upgrades for infrastructure, food safety, and traffic flow, as well as environmental improvements.

### MORE ON ORGANICS

When it comes to organics, Herrick certainly knows a thing or two about this surging category. On the SF Market since 1988, Herrick sources and sells organics to a variety of local retailers from mom-and-pop stores to Raley's, Mollie Stone's, and Whole Foods.

He also considers San Francisco "the home" of the organic produce industry. "We focus domestically and locally," he says. "Berries are our most in-demand category year-round, and along with apples, avocados, and bananas, they're our highest-value commodities."

Herrick believes there are several factors that have led to his company's longevity and success. "We carved out a niche by having quality product and service," he notes. "We provide value—it's not about profit. Profit will come if you take care of your people—growers, employees, customers."

Having true partnerships with growers and being attentive to customers, through knowledgeable staff who stay in touch, is key. For example, if problems arise with harvests or supply, communicating with customers, anticipating their needs, and offering options will save the day. "It's not only good business," Herrick insists, "it's the proper way to be."

Pizza, who sells organic and conventional produce to independent retailers such as Gus's Community Market, Berkeley Bowl, and Woodlands Market, sees the most robust growth with organics, Hispanic vegetables, and greenhouse product. "We have greenhouse growers in Baja who supply us with English cucumbers, tomatoes, and basil at certain times of the year."

As organic prices get closer to conventional produce and big growers enter the business, the cost spreads have narrowed considerably. "There are huge growers—Foxy, Ocean Mist—that now have heavy organic programs," confirms Pizza. "We're starting to see organics coming into the market on consignment



when there's too much supply.

"We're inundated with small-farm organic growers, especially during the summer," he continues. "The local farmers are growing too much product for the back door of distributors and operators."

Fortunately, he adds, "the University of California, Davis has a program to help smaller growers get into wholesalers and distributors, and they're constantly bringing growers and chefs through the market."

## OTHER TRENDS

The expansive culinary scene of both the San Francisco Bay area and Los Angeles continues to evolve. And while it's impossible to know how far reaching the impact of Covid-19 will be, the following trends were observed before the outbreak.

Many California chefs are shifting their menus to be more fruit or vegetable focused, sidelining meat and showcasing vegetables in their stead.

Although by no means vegetarian restaurants, Al's Place in San Francisco features a popular yellow-eye bean stew, while down south in Corona, Farm to Table uses spaghetti squash for a vegan version of spaghetti Bolognese.

Herrick says cubed butternut squash is trending in San Francisco restaurants, yet the stalwarts like bagged lettuce mixes and fresh herbs are still very popular. He says Earl's Organics is considering a new segment—fresh-cut flowers—for the future.

Another top seller is the amazingly in demand avocado. At the retail level, avocados continue to expand their grip on the appetites of consumers.

Vogel enthuses, "We think they represent the largest opportunity, as consumption keeps increasing as well as the diversity of the supply. There are more people looking to sell product into the market, and more buyers buying."

One organic avocado grower in Santa Barbara County says that despite competition from other growing regions, "We're getting good prices."

Clouthier agrees: "Avocados are huge for us and very profitable. Organics are on the upswing. We started an organic division last year and every month we see growth, mostly among chefs, independent retailers, and small purveyors,

though also among large retailers like Whole Foods. Organics are about 5 or 6 percent of our business and growing."

Herrick is on the same page, and says the category continues to expand. Earl's Organics sources from both California and Mexico growers and has its own ripening rooms.

*"It's not only good business, it's the proper way to be."*

"Smart retailers make sure they have product people can use," he explains. "Properly conditioned avocados increase sales." He's also a fan of cross merchandising avocados with other items during promotions for events like Cinco de Mayo and Super Bowl celebrations.

## RETAILERS WEIGH IN

Mustafa Mutlu, owner of Crystal Springs Produce, makes the 14-mile trip


every day to the GGPT to shop for his two stores: the 1,600-square-foot San Mateo store he has operated since the late 1980s, and the 18,000-square-foot store he opened two and a half years ago in Palo Alto.

"I work with local growers as well as buying from a number of houses at the GGPT," says Mutlu. "I look for quality and good deals from the suppliers. I won't buy so-so product just because the price is low. If my customers aren't happy, they won't buy."

Mutlu continues, "Labor costs in California have made it tricky when it comes to sourcing certain items. For instance, we carry five types of eggplant, but because growing eggplant is labor intensive, I can't always get them all. There's a big grower of corn I've bought from that started harvesting by machine rather than by hand. The ears would become damaged, so the quality wasn't there, and I stopped buying from them.

"In the San Mateo store, the focus is produce, taking up 55 to 60 percent of the floor space. The Palo Alto store is




# GEMC



PRODUCE • DISTRIBUTORS

We specialize in tomatoes, cucumbers, bell peppers, Italian squash, Roma tomatoes, watermelon, honeydews, cantaloupes, and beans.





**PHONE: 520-761-1987 • FAX: 520-761-4108**  
**WAREHOUSE: 520-761-2169**

**YOUR SALES TEAM:**

Javier Parra, Jr. - javier@gemcoproduce.com  
 Javier Parra, Sr. - eljavi@gemcoproduce.com  
 Marcell Parra - marcell@gemcoproduce.com  
 Cristian Contreras - cristian@gemcoproduce.com

Nogales, AZ

## SETTING THE PACE & WINNING THE RACE

full service, but produce is extremely important. We've experienced 50-percent growth since we opened. Retail here is so competitive; consumers have so many options, you must keep them satisfied. We grow our business one customer at a time."

In the affluent neighborhood of Brentwood in Southern California, Vicente Foods has provided a discerning clientele with premium meats, upscale grocery items, fresh baked goods, and a lavish selection of produce since 1948. The store has approximately 10,000 square feet of selling space.

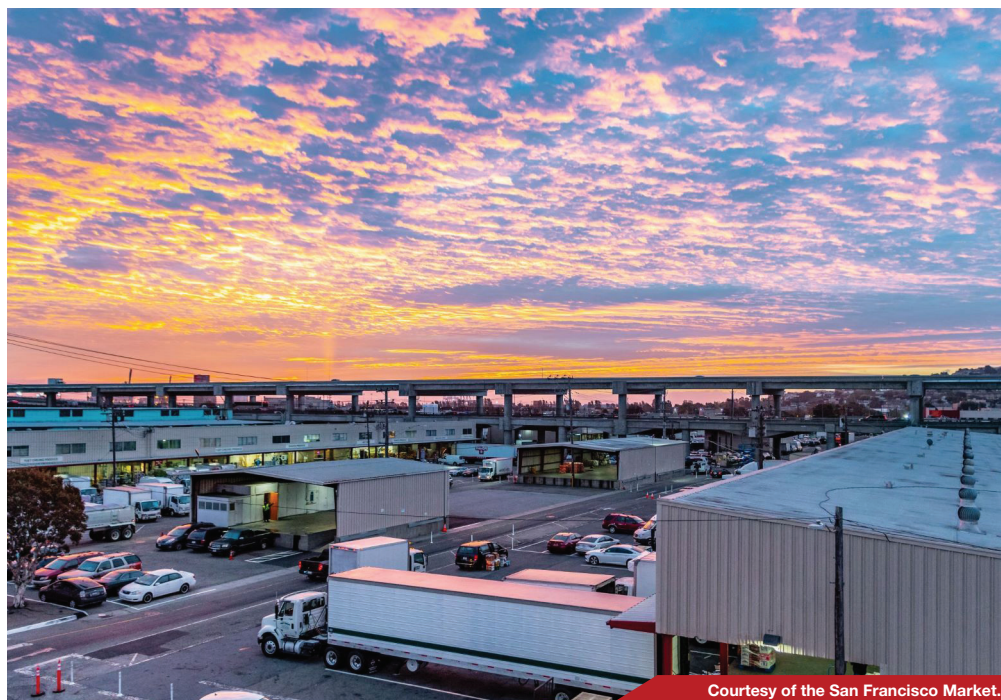
General manager Bob Inadomi comments, "A good produce department draws people into the store. Our buyer walks the LAWPM five days a week. We have a warehouse in downtown L.A., and the companies deliver there. To work with us, the suppliers must have top quality and great service, because that's what we provide our customers. We have staff on the floor all day long to answer questions, not just to stock shelves."

Although the size of the produce department at Vicente Foods hasn't changed over the years, Inadomi says in the last three to four years, the proportion of organics has grown to 35 to 40 percent of the department's space. "Sometimes we carry just the organic of certain items, sometimes conventional as well, depending on the time of year and what's available," he explains.

### ADVENTURES IN ECOMMERCE

A 2018 Nielsen Report stated, "Ecommerce within grocery continues to mature, with online food and beverage sales accounting for 13 percent of the overall volume online." This particular trend seems to be climbing among nearly all levels of retailing—and definitely did so during the coronavirus pandemic, though shoppers were still coming into stores as well.

Instacart offers groceries, meat, and produce from dozens of neighborhood stores all over the United States. Inadomi of Vicente Foods explains, "For the the last couple of years, we've offered online shopping with Instacart. We tried Google Express first, but they didn't handle perishables. Instacart has



### THEMED THINKING: INSPIRED BY FRUITS & VEGETABLES

From field to fork and everywhere in between, fresh fruits and vegetables have stirred the minds of great thinkers, leaders, and others the world over. Here's a sampling...

"Erudition can produce foliage without bearing fruit."

- Georg C. Lichtenberg, German physicist

"The roots of education are bitter, but the fruit is sweet."

- Aristotle, Greek philosopher

"Without courage, wisdom bears no fruit."

- Baltasar Gracian, Spanish philosopher

"Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the corn field."

- Dwight D. Eisenhower, U.S. president and army general

"If life gives you limes, make margaritas."

- Jimmy Buffett, American musician and businessman

"Love is a fruit in season at all times, and within reach of every hand."

- Mother Teresa, Catholic nun and missionary

"A table, a chair, a bowl of fruit, and a violin; what else does a man need to be happy?"

- Albert Einstein, German physicist

"You've got to go out on a limb sometimes because that's where the fruit is."

- Will Rogers, American humorist

"Knowledge is knowing that a tomato is a fruit. Wisdom is knowing not to put it in a fruit salad."

- Brian O'Driscoll, Irish rugby player





professionals who shop our store, then deliver to the customers.

“We rely on having top-notch produce, so it’s foolproof for the shoppers. We’re seeing increased volume with Instacart because of our reliably high quality. Southern California consumers are so lucky to have access to so many great options,” he sums up.

Mammoth online retailer Amazon’s cashierless stores were also gaining converts. Amazon Go has no cashiers or checkout lines; instead customers download the app, then shop and pay as they go. Early iterations averaged from 1,400 to 1,800 square feet and are sprinkled across the country, but a new full-sized store opened in Seattle in February. Some predict this is the future of retail.

There may soon be Amazon Go stores with varied formats to compete with grocers and big box stores such as Walmart and Target. One was planned for Naperville, IL, near Chicago. Interestingly, Target has been rolling out smaller footprint stores in urban areas, according to a Central California distributor that services major retailers including Kroger, Costco, and Safeway. The sales manager reports that Target’s small concept has improved over a few years ago.

While smaller stores and frictionless shopping may be the words *du jour*, Herrick believes brick-and-mortar stores are here to stay. “Anytime anything new comes along, people still like the grocery experience.” Shoppers want to see their neighbors and support local businesses, he says, but he does have a few caveats.

Both growers and retailers need to do their part: growers need to educate shoppers about varieties, like the difference between California and New Zealand

blueberries, for example, and retailers need to “stay on the ball and rearrange produce departments” to keep customers coming back.

## CONCLUDING THOUGHTS

California’s dual strengths of a robust agricultural industry and as an incubator for technology infuses the produce industry at every level—from

farms to wholesalers to grocery stores to many types of dining establishments.

More than any other state or region, California marries its bounty with technology, propelling healthful eating and culinary creativity in the marketplace. **BP**

Amy Sawelson Landes spent many years in advertising and marketing for the food industry; she now writes and blogs about produce.