



# The Vital Link

A peek at wholesalers and terminal markets

BY IRENE LOMBARDO

**I**n the middle of the night when streets are eerily quiet and most folks are tucked in their beds, the stillness explodes around wholesale produce markets across California. Amid a maze of trucks and loading bays are the sounds of forklifts, vendors hawking their wares, and workers shouting, “Watch out, coming through!”

Millions of pounds of fresh fruits and vegetables are being unloaded as discerning buyers negotiate for competitive prices. Their hauls will not only grace grocery store displays, but end up in restaurant kitchens near and far.

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Of course, not all wholesalers are located at terminal markets. The wholesale and distribution industry is fragmented, with many large grocery chains operating their own distribution centers. IBISWorld reports that no distribution company has more than 5 percent of the wholesale market.

Fresh fruit represents 57 percent of wholesale revenue, while whole vegetables contribute 35 percent, and 8 percent comes from prepackaged fresh-cut vegetables, according to a November 2021 report by First Research, Inc.

## Perishables Paradise

Whether located in a produce terminal market or offsite, California's wholesalers enjoy close proximity to the state's agricultural centers, as well as its large, diverse population. The West Coast is also a strategic distribution point for imports and exports by land, sea, and air.

Washington Vegetable Company touts itself as the oldest wholesale produce business in the city and county of San Francisco and is one of the original tenants of the SF Market.

"Primary customers are grocery stores, local chains like Gus's Community Market, and Mollie Stone's," shares Mike Pizza, who handles administration and sales. "We also sell to jobbers who deliver to restaurants."

Washington Vegetable Company sources both locally and internationally and exports to the Pacific Rim and the South Pacific. "Our top sellers include broccoli crowns and bunches as well as a variety of lettuces. Our Mexico specialty department offers avocados and tomatoes," Pizza adds.

For the past eight years, Washington Vegetable's biggest expansion has been in organics.

"Organic is about 30 to 35 percent of our business, and it's growing every year," Pizza says. "We sell to independent grocery stores that solely sell organic, and others that are devoting more space to organics on their shelves."

Carcione's Fresh Produce Company, Inc., located at South San Francisco's Golden Gate Produce Terminal, imports fruits and vegetables year-round in addition to offering locally sourced produce.

"Imports continue to grow," remarks Peter Carcione, president. "We used to rely on Florida for citrus in the winter and would have to wait until spring for asparagus. Now, we get citrus from Australia and asparagus from Peru." The company also imports produce from Mexico, Chile, Ecuador, Guatemala, and Costa Rica.

Its warehouses, ripening rooms, and trucks are ideally situated minutes from the San Francisco International Airport. Among items growing in demand are mangos, as well as ethnic vegetables that reflect the diversity of the population.

Asia continues to be an important market for many California wholesalers. Japan imports one-third of its fresh fruit, with the United States ranked as its second-largest supplier. Opportunities for U.S. fresh fruit exports to Japan are expected to increase due to falling Japanese production, according to the U.S. Department of Agriculture (USDA).

San Francisco-based Celsus Export, LLC, ships fruit from the United States

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over time as a result of the U.S.-Japan Trade Agreement that was signed in 2019 and took effect January 20, 2020. “Tariffs on oranges used to be 32 percent in winter and 16 percent in summer,” Sugiura explains.

The 2022 orange tariff is 15.3 percent from December 1 to March 31; 5.3 percent from April 1 to May 31; and 2.6 percent from June 1 to November 30. It will go to zero in 2025. However, if seasonal volume exceeds an agreed-upon amount, there will be a 20 percent tariff. Currently, there is no tariff on lemons, Sugiura says.

Celsus Export handles very little organic product, but Sugiura says the company packs its produce without chemicals. “Postharvest we don’t use fungicides.”

With respect to market demand, Sugiura notes that “demand for high-quality produce is there, even though the cost for transportation has more than doubled.” Because the margin on some items is so limited, the company is selective, prioritizing higher-value product.

to Japan, by both sea and air. While the company sells directly to retail outlets in Japan, most of its trade is with Japanese importers.

“Our largest item is citrus—oranges, grapefruit, lemons,” notes owner

Nobuyuki Sugiura, who says fruit is sourced from Chile, Peru, Mexico, Australia, South Africa, and Egypt.

Japan places tariffs on agricultural products from the United States, 90 percent of which will be phased out

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## Challenging Times

To be sure, the past few years have brought a slew of unprecedented challenges in addition to the high cost of transportation. Port congestion, labor shortages, and inflation, not to mention the coronavirus, have all taken a toll.

Wholesalers with large foodservice contracts struggled and relied heavily on retail. “Our regular store business was fine,” says Carcione. “What hurt us was our restaurant delivery business.”

Like many others, Carcione was able to keep his staff of 32 on the payroll with the help of the government’s Paycheck

Protection Program. “Our top operating challenge was to get those restaurants back,” he recalls. They did come back, but then many closed again.

Washington Vegetable Company has dodged the bullet when it comes to Covid and labor. The company has little employee turnover, Pizza says. Many of its 18 employees have worked there between 10 and 20 years.

But, he notes, “Predictability of customer needs was harder to forecast because of the restaurant side.” With the exception of mangos, which are not part of the company’s main offering, very little product comes through the ports. Most is trucked in from California, Arizona, and Mexico.

“A lack of truck drivers has affected us to a small degree,” Pizza says. “We’re ordering far enough ahead to make sure we have the things we can get from the farmers and brokers.”

At Celsius Export, business has remained about the same since food-service decreases were offset by retail demand. “Lemons along with certain oranges targeted for foodservice were negatively affected by Covid, but product aimed at retailers increased quite a bit,” notes Sugiura.

Port congestion, however, was a headache, causing irregular schedules.

Last January, Sugiura remembers loading product into containers and sending them to Oakland. Then the port stopped accepting reefers, he says, which led to a scramble to find electrical outlets to plug

in the containers to avoid spoilage. “We couldn’t go back or forward.”

The USDA has since partnered with the Port of Oakland to set up a 25-acre ‘pop-up’ site to increase capacity and improve service for shippers of U.S.-grown agricultural commodities.

Labor shortages also affected strawberry supplies last year, according to Sugiura. “From May to December we ship strawberries mostly to confectionery companies—cake makers. Strawberries were the most impacted product as a result of the labor shortage in California. It’s a labor-intensive item because it is hand-picked and fragile.”

## Terminal Market Notes

From large to small, California is home to a handful of terminal markets, each with its own distinctive charms.

### *The Big Kabuna*

Just off I-10 with proximity to sea, air, and rail transport sits the Los Angeles Wholesale Produce Market (LAWPM). A major hub in the Los Angeles food chain, LAWPM is among the largest wholesale produce markets in the country and touts itself as the second-largest privately owned market. The 30-acre facility is owned and operated by 25 companies.

“We have 30 wholesale distributors and another 20 to 30 smaller distributors in a separate area that are basically purveyors,” says Richard Gardner, executive director of LAWPM.



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He notes that while business decreased slightly due to Covid, it has come back from 2021. “Most wholesale distributors are well capitalized and have been around a long time,” he explains.

The greatest benefit to a terminal market, Gardner notes, is that it’s a one-stop shop. “The terminal market has distributors that carry many different products, as opposed to an individual wholesaler that carries some products. You can shop many different brands and products—you don’t have to deal with one source.”

## Heaven on Seven

The LAWPM has been in its current location since it moved in 1986 to expand and upgrade facilities. The original 105-year-old market lives on as the 7th Street Produce Market, comprised of between 87 and 92 small distributors who operate Monday through Saturday, midnight to noon.

Tucked amid trendy restaurants, shops, and creative office space, the five-acre property was purchased in 2014 by Atlas Capital Group, LLC, in partnership with Square Mile Capital Management, LLC, and USAA Real Estate Company, as part of a \$357 million deal for 32 acres in the warehouse district.

Capitalizing on the property’s proximity to the Arts Districts, Atlas Capital has redeveloped the site into a mix of wholesale, retail, and the arts with pop-ups and special events throughout the year to make the market a “destination” for area residents and tourists alike.

During the past year, the 7th Street Market actually added vendors as some of the larger ones downsized in square footage, explains Marline Camarena, property manager. Atlas Capital is intent on keeping the market up and running. “We are in love with the history of the building,” she says.

## SF is a BFF

To the north, the San Francisco Bay Area is home to three wholesale produce markets. Among them is the Oakland Wholesale Produce Market, one of the oldest working fruit and vegetable markets in the country. Located in the historic waterfront’s Jack London District, redevelopment in the last two decades has seen the construction of more than 1,000 housing units in the surrounding area.

Across the bay sits the 25-acre SF Market. Founded in 1963, it provides 485,000 square feet of warehouse and logistics space in San Francisco’s Bayview Hunter’s Point neighborhood. The market became a 501(c)3 in 2013 and enjoys a 60-year ground lease from the city that runs until 2073.

Currently, 26 merchants call the market home. A number of companies specialize in ethnic products, particularly Mexican and Asian. Among the market’s initiatives is its Local Farmer Program, which brings small-scale regional farmers to the SF Market for network-building tours with market wholesalers and distributors.

The SF Market has been in the midst of a \$100 million reinvestment program for the past decade. Construction of a Gold LEED warehouse was completed in 2015. Although Washington Vegetable Company’s Pizza says there haven’t been any significant improvements since then, “there is a longer plan to upgrade the market.”

Indeed, the market’s 2019-22 Strategic Plan calls for the construction of a new building ready for tenant occupancy by the end of this year. It’s unclear whether the market will meet this timeline.

## Golden Opportunities

About eight miles to the south of The SF Market is the Golden Gate Produce Terminal, which this year celebrates 60 years in its current South San Francisco location. The 742,000-square-foot facility includes about 17 produce merchants and employs about 300 people.

Carcione believes having merchants in one location has advantages for buyers. “A good buyer can touch, smell, and taste before buying,” he explains.

The company accepts online and phone orders and has five trucks that deliver mainly to restaurants and small grocery stores. “It was necessary for us to move in that direction,” he says, “because the business has changed.”

In September 2021 the terminal property was listed for sale. But Carcione, who is chairman of the Golden Gate terminal’s board, says shareholders only voted to research a sale. Any deal would require the building of a new, state-of-the-art produce terminal, and the board is looking at possible designs.



“Nothing is imminent,” Carcione says. “It may be five years from now; it may be ten years from now—a lot has to be worked out.”

## It’s About Trust

For sure, California is unique with its ideal location and bounty of fresh produce, enabling wholesalers to offer buyers a panoply of quality fruits and vegetables.

“Buyers have to be able to trust they’ll get the quality they want,” Carcione says. “You fight for the best quality, and you fight for the best price.”

That’s what it’s all about. **BP**

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