



**ALL TOGETHER NOW** Produce Power Session participants, from left: Brian Huh, Dole Fresh Vegetables; *PG* Contributing Editor Jennifer Straley; Mike Orf, Hy-Vee; David Krause, Wonderful Citrus; Jeff Fairfield, New Seasons Market; Jim Grabowski, Well-Pict Berries; Teri Miller, Delhaize America; Glenn Daniels, Earthbound Farm; Josh Padilla, Alpha 1 Marketing; *PG* Chief Content Editor Meg Major, Mimmo Franzone, Longo's; and Craig Ignatz, recently retired from Giant Eagle

# Produce Power Session

An executive roundtable shared key challenges and predicted future growth in the category.

By Jennifer Straley

**W**hat was the single biggest headline relating to fresh produce sales in the past 12 months? Which are the hottest-selling categories? What are the most significant challenges facing the industry?

Produce industry executives from across North America explored these and other topics at *PG*'s Produce Power Session. Held in Atlanta on Oct. 23, just prior to the Produce Marketing Association (PMA) Fresh Summit, the event — moderated by *PG* Chief Content Editor Meg Major — featured six retail panelists and four supplier sponsors.

Discussion of headline news elicited a virtually unanimous response from the retailers and suppliers in attendance. "California's weather — that's the big news, and not only for this year, but for what could happen next," said Glenn Daniels, VP, customer development, East at San Juan Bautista, Calif.-based Earthbound Farm, a division of The WhiteWave Foods Co.

"We're seeing a lot of changes with weather and how it affects supply," agreed Jeff Fairfield, director of produce, New Seasons Market. The Portland, Ore.-based chain of 18 privately owned grocery stores is in a growth phase, with plans to open one to two stores in each of its three

markets — Portland, Puget Sound and the San Francisco Bay Area — each year.

When the weather affects supply, the challenge then becomes gaining the customer's understanding. Shoppers have come to expect many items in fresh produce year-round. They want it today, and they want it to be locally grown, without necessarily grasping the complex nature of the fresh produce supply chain.

Meanwhile, demand for fresh produce continues to soar as health-conscious consumers seek a bounty of fresh produce, from ingredients for juicing to healthy fats in the form of avocados and coconuts, to value-added convenience items, noted Craig Ignatz, the now-retired VP of produce and floral merchandising for the Pittsburgh-based Giant Eagle chain of nearly 400 stores.

"We can't supply stores with what they need geographically with local produce," said Ignatz, noting that weather and related sporadic supply challenges are a familiar headache for produce trading partners.

While Brian Huh, VP of category development and customer strategy at Monterey, Calif.-based Dole Fresh Vegetables, conceded that the weather's potential to thwart a consistent supply of fresh fruits and vegetables presents challenges, he didn't consider



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— Mimmo Franzone,  
Longo's

it a deal breaker for consumers. “Instead of buying peaches, maybe they're buying nectarines, but they're not leaving produce,” posited Huh. “The customer has fundamentally shifted to buying more produce.”

### **Trends and Super Sellers**

Longo Brothers Fruit Markets, which recently opened its 29<sup>th</sup> Toronto-area store, is posting double-digit growth in produce, according to

Director of Produce and Floral Mimmo Franzone.

Among the chain's top sellers, Franzone points to packaged salads, grapes and avocados. "The packaged salad category continues to grow — all SKUs. It's such a strong



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Dole Fresh Vegetables**

category for us,” he said.

On the supplier side, Dole couldn't agree more. “Chopped kits have changed the game for us, and I think that will continue,” Huh said.

“The grape category, led by proprietary varieties, is showing double-digit growth,” observed Franzone. Retail panelists concurred that sales in the grape category have taken off in recent years.

Products such as Cotton Candy, Witch Fingers and Gum Drops, from Shafter, Calif.-based Grapery; Sweet Celebrations; and Hobgoblin Grapes, a fall-themed branding campaign of Pretty Lady Grapes by J.P. Dulcich & Sons, in McFarland, Calif., illustrate the branding genius of the table grape industry.

“I think that's the biggest point of differentiation,” said Ignatz, referring to the shift from commodity to creative branding that's driving the grape category.

Brands like Hobgoblin and Cotton Candy are designed to resonate with kids, a highly sought-after demographic in today's produce department.

“Easy-peel mandarins are posting 20 percent year-over-year growth,”

**ANTICIPATING NEEDS**

**Alpha 1 Marketing's Josh Padilla noted that retailers should be ahead of trends.**



said David Krause, president of Los Angeles-based Wonderful Citrus, adding that the marketing budget behind Halos has played a critical role in the success of the kid-friendly fruit.

### Organic Gains

While a number of fresh produce categories are performing exceptionally well for Hy-Vee Inc., Mike Orf, assistant VP produce operations, noted that organic is clearly outpacing conventional produce. The West Des Moines, Iowa-based grocer has more than 230 stores in eight Midwestern states.

Delhaize, the Brussels-based chain of some 1,100 stores in Europe and the United States, has also witnessed a phenomenal surge in organic produce. "In the last two or three years, we've seen double-digit growth in dollars and units in organic salads," said Teri Miller, produce category manager at Salisbury, N.C.-based Delhaize America. "We've even seen 30 percent to 40 percent growth in organic salads in places like South Carolina, where consumers didn't traditionally buy organic."

The demand for organics as a whole is indicative of a major shift in consumer behavior, noted Earthbound's Daniels. A focus on health and food integrity has made organic produce top of mind for more shoppers.

"At the end of the day, branding that communicates to the customer that you are organic is really important," he asserted, while Ignatz agreed, "Organics branding is about building loyalty with consumers."

### Juicing It

As the home juicing trend continues, some supermarkets are both selling the ingredients and offering fresh juices of their own creation.

"Last year, we launched a freshly squeezed juice program, and we've doubled sales this year over last," Franzone noted of an initiative that has rolled out to all Longo's stores.

Supply can also present challenges here. "The juicing trend is moving faster than production," observed Krause, while Franzone admitted, "There's so much demand, it's tough to pull off the gas."

### Big Berries

"Berries continue to be a juggernaut of sales," said Orf. "Raspberries are exploding."

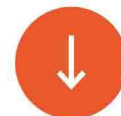
"Berries are all driven by the halo of antioxidants," said Huh. "When consumers learn about the health benefits

of something, whether it's berries or cauliflower, they start finding more uses for it."

According to United Fresh's Q2 2015 "Fresh-Facts on Retail" report, berries are No. 1 in dollar sales within fresh produce. Seventy-four percent of households purchase berries. Both volume and sales are up, with stores reporting \$5,419 in weekly sales, an increase of 3.9 percent from Q2 2014.

"The increase in package-size options is one thing that's driving berry sales," explained Jim Grabowski, director of marketing at Watsonville, Calif.-based Well-Pict Berries. "We've seen an increase in 2-pound strawberry packs, and 12-ounce raspberries have become a standard item — they're not just a club store item." Grabowski added club stores have introduced 18-ounce raspberry packs.

Panelists agreed that larger berries with a



**BRAND AID**  
Craig Ignatz, recently retired from Giant Eagle, says organic branding builds customer loyalty.





**CITRUS SUCCESS**  
Wonderful  
Citrus' David  
Krause points  
out that easy-  
peel mandarins  
are now highly  
popular.

"wow factor" and an increase in supply are further fueling berry sales, but the perishability of berries remains a concern.

"When you consider that the average household spends \$25 to \$30 a week on produce, and \$3 of that budget on berries, throwing out bad berries can equal a 10 percent loss," observed Ignatz, who stressed the importance of product rotation and expanding and contracting berry displays as needed.

### Value-added Fresh Produce

"It's just an incredible time in produce because there's never been a period of such innovation throughout the supply chain," asserted Orf. "Customers are driving the value-added equation. They want products that are closer to the consumption stage."

At New Seasons, Fairfield has seen not only an increase in demand for value-added, but for more chef-prepared and restaurant-style produce. The grocer is launching what Fairfield described as a "quick bites" concept, which will include fresh-cut pineapple with lime zest and chiles. "We're looking at how best to get those convenience dollars," he said.

With an estimated \$200 billion in annual buying power, Millennials are driving much of the innovation in value-added produce. More adventurous eaters and experimental in cooking,

this generation represents tremendous opportunity for the entire industry.

"Everything is worth trying in produce right now," said Miller. "Not everything will work, but there are home runs out there." Both Han-

naford and Food Lion stores have had success with putting items like green beans and peppers in handled grab-and-go bags. "It's more appealing and seems fresher to the consumer," she added.

The popularity of value-added produce is changing the look and feel of the department. Josh Padilla, who leads produce marketing, merchandising and operations for West Harrison, N.Y.-based Alpha 1 Marketing banner stores, including C-Town, Bravo and Aim Supermarkets, noted his stores are using fewer 8-foot wet decks, and more salad kits and value-added offerings.

### Multicultural Ingredients

Multicultural consumer spending in the United States has reached \$3.4 trillion, according to a Nielsen report, "The Multicultural Edge: Rising Super Consumers." These shoppers are having a tremendous impact on the U.S. mainstream in many categories within the store.

For example, Nielsen found that Hispanic shoppers, who represent \$1.5 trillion in buying power, spend \$175 more on fresh food per year at traditional grocery than the national average.

"We need to be ahead of the trends, not reacting to them," advised Padilla, who observes New York metro area ethnic markets. "Look at Hass avocados. They used to be consumed largely by the Hispanic population, but now they are mainstream."

Padilla predicted other fruits and vegetables traditionally eaten by consumers of Caribbean descent will become increasingly important to fresh produce in the coming years.



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Hy-Vee Inc.

## Up and Coming

*Progressive Grocer* asked the Produce Power Session panelists to share their thoughts about the produce department of the future. Will supply chain management and the battle against shrink change the design of the produce department?

"I think store design is the most interesting consideration," said Craig Ignatz, recently retired VP of produce and floral merchandising for Pittsburgh-based Giant Eagle, which has started putting its cut fruit and bagged salads behind

closed refrigerated doors in some stores. "Salads and berries are our No. 1 customer complaints," he noted.

Jeff Fairfield, director of produce at Portland, Ore.-based New Seasons Market, put forward the idea that the industry may be moving toward the customization of refrigerated cases to meet the atmospheric requirements of different produce items.

Undoubtedly, the produce department will continue to evolve based on the need to offer consumers the highest-quality fresh fruits and vegetables possible.



**WHAT'S NEW**

**Craig Ignatz talks produce trends with (from left) Jennifer Strailey and Meg Major.**

**Produce Partnerships**

The growth in fresh produce, while exciting, has also spelled increased competition in every facet of the industry. How can suppliers stand out as desirable partners for grocers?

Across the board, retail panelists expressed their preference for suppliers that take the time to visit their stores, meet with produce managers, and gain an understanding of their businesses and customers.

"I think the people who are best positioned to help us are the ones who come into our stores and work with us, versus the ones who say, 'I've got five loads of X to sell you,'" said Ignatz, adding that Giant Eagle also expects vendors to provide shrink analysis for every store.

"We want to work with suppliers who help build the brands they supply," agreed Orf. "It's working hand in hand with our people — not just meeting



with our buyers, but also our marketing people to help sell the product all the way through."

At Longo's, Franzone is interested in collaborative relationships as well. "It's about being true partners in innovation," he said. "We would invite suppliers to involve us in the early stages of planning if they are looking to introduce something new in our stores." **PG**