

Scaling Up For Regional Markets

Grading Standards and Wholesale Glossary of Terms

Wholesale food markets often use terms and phrases unique to the industry. To understand a market report, communicate with potential buyers, or prepare to participate in this industry, it is helpful to be familiar with the jargon used for everything from food safety to describing grading and packing standards to terms that describe different types of buyers. The following glossary of words and terms should be helpful as a reference if you encounter unfamiliar language while trying to scale up your farm operation.

Grading levels and definitions set by USDA Agricultural Marketing Service (AMS):

Note: The USDA maintains a list of fruits and vegetables and their specific grades at the following site: www.ams.usda.gov/AMSV1.0/freshmarketvegetablestandards.

Grade Marks

For fresh fruits and vegetables and certain other food products, grade marks are descriptive terminology and sequential numbers, such as Extra Fancy, Fancy, No. 1, Combination, No. 2, and No. 3 and commercial grades. The U.S. Standards for Grades for each product (found at the USDA website noted above) will specify the vegetable-specific language for the grade designations. For fresh commodities, the terminology or number grades Extra Fancy, Fancy or No. 1 are the highest quality level, depending on the commodity.

Quality Defined

Includes size, color, shape, texture, cleanliness, freedom from defects, and other more permanent physical properties of a product which can affect its market value. The following terms, when used in connection with “quality,” are interpreted as meaning:

Fine — Better than good. Superior in appearance, color, and other quality factors.

Good — In general, stock that has a high degree of merchantability with a small percentage of defects. This term includes U.S. No. 1 stock, generally 85 percent U.S. No. 1 or better quality on some commodities, such as tomatoes.

Fair — Having a higher percentage of defects than “good.” From a quality standpoint, having roughly 75 percent U.S. No. 1 quality with some leeway in either direction.

Ordinary — Having a heavy percentage of defects as compared to “good.”

Poor — Having a heavy percentage of defects, with a low degree of salability, except to “low priced” trade. More than 50 percent grade defects.

Condition Defined

Includes stage of maturity, decay, freezing injury, shriveling, or any other deterioration that may have occurred or progressed since the product was harvested and that may continue to progress.

The following terms, when used in connection with “condition,” are interpreted as meaning:

Good — Such condition does not justify price reduction because of condition factors.

Fair — Having a slight degree of off-condition factors which may warrant a small price reduction as compared to “good.”

Ordinary — Having a heavier degree of off-condition factors which may warrant a substantial price reduction as compared to “good.” **Poor** — So badly off-condition that it may warrant heavy price reduction.

Holdovers — Merchandise that has been on the terminal market or at shipping point longer than normal but remains near its original condition. Prices are discounted in order to clear supplies because shelf-life is reduced.

The following terms, when used in Market News, Perishable Agricultural Commodities Act (PACA), or Federal-State inspection documents, are interpreted as meaning:

Occasional — 1 to 5%

Few — 6 to 10%

Some — 11 to 25%

Many — 26 to 50%

Mostly — 51 to 90%

Generally — 91 to 100%

The following are definitions of various market pricing terms as they are used in market reports:

Price trend — Indicates comparisons with conditions and prices that prevailed on the previous day, and in certain situations, conditions expected on the day following, or both.

Strong Prices are measurably higher than the previous trading session, and it is the reporter’s opinion that the trend toward higher prices has not yet reached its highest level.

Much higher — Prices are substantially higher than the previous trading day.

Higher — The majority of sales have prices that are measurably higher than the previous trading session.

Slightly higher — A condition in which advances are less definite and less general than when “higher” is used.

Unsettled — Used rarely to indicate a condition of market uncertainty with lack of agreement by the trade as to whether prices tend to be lower or higher. May also represent an attitude pending the development or outcome of extraneous factors that might affect the market.

Steady — Prices are unchanged from the previous trading session.

About steady — Probably the most used term, since a market situation seldom remains exactly the same two or more consecutive days without some change, even if not significant.

Dull — Prices are relatively unchanged from the previous session, trading is inactive, and prices represent few sales.

Slightly lower — A condition in which price declines are less definite and less general than when “lower” is used.

Lower — Prices for most sales are measurably lower than the previous trading session.

Much lower — Prices are substantially lower than the previous trading session.

Weak — Indicates a downward trend. Prices are measurably lower than the previous trading session and may be lower the following day.

Demoralized — A condition in which the terminal market or shipping point is oversupplied with perishable commodities that cannot be sold except at extremely low prices.

Wholesale Marketing Glossary of Terms

Brokers, buying at selling point — Buying brokers at shipping points, usually represent a food chain or several independent wholesalers. These brokers do not take ownership or physically handle the product. They may make arrangements for transportation as part of the buying activity.

Broker, selling at shipping point — Selling brokers at shipping points usually represent several growers or the output from a particular packinghouse. They do not take ownership of the product or physically handle the product. They may make arrangements for transportation as part of the selling activity.

Buyer, on the ground — An individual employed by a retail or wholesale organization who is located in the growing region and purchases produce for the organization.

Buyer, retail — An individual employed by a retail-wholesale food company who purchases produce for the organization.

Carlot — One semitrailer load (or its equivalent) of fresh produce.

Chain store — An organization with more than 10 retail stores. In addition to “regional” food chain stores in a major metropolitan area, it is also possible to have stores comprising a “local” food chain.

Delivered sales, shipping point basis — Product is to be delivered by the seller on board the car, truck, or dock (if delivered by boat) to the market where the buyer is located, or at any such other market that is agreed upon, free of any charges for transportation or protective service. The seller assumes all risks of loss or damage in transit not caused by the buyer.

Direct buying — Retail or wholesale organizations that purchase produce directly from a shipper, without the assistance of a broker or commission merchant.

Direct marketing — Growers selling their products to consumers, retailers, or wholesalers without the assistance of middlemen.

Federal-state inspector — Individual trained and authorized to inspect and grade designated produce products. Usually trained by federal employees and works as a state employee. Inspection fees reimburse the state for the inspector's salary and expenses.

Freight on board (FOB) — Cost of product without freight expense added.

F.O.B. (freight on board or free on board) destination — Designates that the seller will pay shipping costs, and remain responsible for the goods until the buyer takes possession.

F.O.B. (freight on board or free on board) shipping point — Indicates that the buyer pays shipping cost, and takes responsibility for the goods when the goods leave the seller's premises.

Food buying club — May be organized as a legal cooperative according to state statutes, but often is organized as an unincorporated association. The club purchases food from wholesalers and distributes it to the members. Size may range from a few families to several hundred.

Food distribution center — An industrial park that is devoted to food-oriented business firms, such as produce, dry groceries, meats, poultry and egg, dairy, seafood, and confectionary.

Grades and standards — Refers to the U.S. Department of Agriculture's specifications regarding the interpretation and application of the U.S. standards for grades of fresh fruits and vegetables.

Grading — Sorting of vegetables and fruits into different grades according to size, shape, color and volume to meet buyer product specifications and to achieve a higher price in market.

Grower-broker — An individual who, in addition to growing fruits and vegetables, is also involved in brokering his crop and perhaps the crops of some neighboring growers as well.

Grower-shipper — A grower with crop volumes large enough to support his own packing facility. Even though the grower owns the packinghouse, he may employ a plant manager and/or selling broker.

Independent food store — A retail food outlet that is part of an organization with 10 or fewer stores. Most independents are affiliated with a wholesaler through a cooperative effort or by a contractual arrangement.

Independent wholesaler — A food handler that is not owned by the retail outlets it supplies. Vertical coordination may be enhanced by contractual agreements.

Jobbers (truckers) — Individual businessmen who purchase products from growers, packers, or wholesalers and resell these products to other wholesalers or to any retail type outlet needing the product. These businessmen take ownership of the product and distributes (handles) the product to other business firms.

Jumble pack — Produce allowed to fall into the containers without concern about a precise arrangement, usually filled by weight and not count.

Middleman — An individual who performs a service of value in the marketing chain.

Mixed load — A semitrailer or railcar that contains more than one commodity.

Packinghouse — A facility where fresh fruits or vegetables are received from the field to be washed, graded, sized, and packed for shipment to wholesale buyers. Coloring (with gas), waxing, and hydrocooling may be part of the packing sequence.

Piggyback — Shipment of semitrailers on rail flatcars.

Place pack — Precise arrangement of produce in a particular container, as opposed to jumble pack.

Precooling (hydrocooling) - The stage of the packing process where the field heat is removed, and the product's temperature is lowered to appropriate levels to protect quality and enhance shelf life.

Prices paid to growers — Prices paid to growers by packers or shippers, indicating the unit of sale and point of sale, or basis of delivery most common in the territory. Examples: "Bulk per cwt: U.S. No. 1 at warehouse," "per ton sacked and loaded," or "per package, in field, buyer furnishing packages."

Processor — An organization that buys and/or grows fruits and vegetables, processes these crops by canning or freezing, and sells the products to retailers, wholesalers, and institutions.

Produce Distribution Center — An industrial park that is devoted to business firms handling fruits and vegetables.

Quality — Generally refers to value of produce resulting from appearance and size, expressed in terms of USDA grades.

Receiver — A word often used in the same context as **wholesale handler**. Receivers operate independently or as a member of a group of receivers who comprise a terminal market or receiving market.

Receiving (distribution) market —A location where produce wholesalers, usually in a metropolitan area, receive produce shipments from various production regions. These wholesalers distribute the products to retailers, institutional and food service outlets, and other wholesalers in the larger, geographic region surrounding the market's metropolitan location.

Repacker — A wholesale handler who receives products in large quantities from shipping point markets and repacks the product from bulk containers into retail containers or places the product in storage and sorts through this product on a daily basis to select "ripe" produce for delivery to retail outlets.

Retailer — Any individual, independent or associated with a corporation, who is interested in selling products to the final consumer.

Sales F.O.B. point (or port) of entry - Sales of imported produce on an F.O.B. shipping-point basis, with the shipping point as the crossing point or port of import, with any duties, crossing charges, or import fees paid prior to the reported sale.

Sales F.O.B. shipping point — Product quoted or sold is to be placed free on board the boat, car, truck, or other type of land transportation at shipping point in suitable shipping condition. The buyer assumes all risk of damage and delay in transit not caused by the seller, regardless of how the shipment is billed. The buyer has the right to inspect the goods at the destination before payment is made to determine if the product shipped complies with the terms of the contract or order at time of shipment, subject to provisions covering suitable shipping conditions. The right of inspection does not convey or imply a right for the buyer to reject shipment because of any loss, damage, deterioration, or changes which have occurred in transit.

Shipper — A businessman who is associated with a packinghouse organization or works on an assembly point market for the purpose of selling produce to distant buyers.

Shipping point (assembly) market — May range from one packinghouse in a production region that ships fresh produce into consumption regions to several packing facilities that serve as a central aggregation point for growers to bring produce for packing and shipping.

Special wholesale handler — A wholesale distributor who handles only a few items and as such is considered to be specializing, such as a tomato repacker or a banana jobber.

Terminal market — Similar to **receiving (distribution) market**. Intended to identify markets in major consumption centers and as such, comprise the final wholesale stage of the fruit and vegetable marketing channel. Terminal market activity is based on the USDA AMS Market News Reports.

Tolerance — The maximum total percentage of damage and defects allowable for the commodity to meet U.S. Grade #1 standards.

U.S. Grade #1 — The USDA grade standard used by most wholesale vendors for quality standards for products they purchase.

Wholesale handler — A business firm that receives products in carlot quantities from suppliers and distributes these products in mixed loads or less than carlot quantities to retailers, institutions, and food service outlets. Usually referred to as produce handlers or wholesalers, since most of these operations specialize in fruits and vegetables and perform no processing, other than repacking.

**Terms and definitions in this document were adapted from the following sources:*

USDA AMS. 2012. Fruit and Vegetable Market News Users Guide. USDA AMS Fruit and Vegetable Programs. www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5048679

Brooker, John R. 1985. An Assessment of the Structure of Fruit and Vegetable Marketing in Tennessee. University of Tennessee Agricultural Experiment Station Research Reports. http://trace.tennessee.edu/utk_agresreport/36