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**Lisa Lieberman.**

## ■ SUNSWEET

# Partnership may expand fresh venture

The deal with Delicious Foods could allow the marketer to sell citrus and melons.

By Lisa Lieberman  
Staff Writer

PLEASANTON, Calif. — After a successful, though limited, first year of marketing fresh produce, dried fruit marketer Sunsweet has obtained financial backing to possibly expand into an array of fresh commodity groups, which may include vegetables.

A partnership with Delicious Foods LLC, Montclair, N.J., signed in June, will enable the marketing of fresh commodities bearing the Sunsweet brand.

In addition to marketing grapes and tree fruit under the Sunsweet label — a program currently in place —

Sunsweet eventually could branch into commodities such as citrus, tomatoes and melons, as well as other produce items, said Mike Pereira, senior vice president of sales and marketing for Sunsweet.

Last year, Kings Canyon Corrin LLC, Reedley, Calif., partnered with Sunsweet to supply 500,000 boxes of tree fruit and grapes, the bulk of it tree fruit, Pereira said.

"We were pleased with the results last year and the potential that we see," said Steve Kenfield, president of Kings Canyon Corrin.

Kenfield said it was likely that Kings Canyon Corrin would expand its relationship with Sunsweet this year.

Kings Canyon Corrin will continue to supply Sunsweet with grapes and stone fruit, although all of the fruit will be handled through Delicious Foods, Pereira said.

"Ultimately, what we want to accomplish is a broad-based branded fresh fruit and vegetable company that focuses on trying to deliver outstanding eating quality to consumers," Pereira said. "There is widespread consumer recognition of the Sunsweet brand being a healthy product and of good quality. We saw that there would be opportunities to extend the brand from (dried) to fresh produce."

Sunsweet's decision to explore the fresh produce market further comes on the heels of an internal reorgani-

zation at the company.

Sunsweet originally was a partner in Sun Diamond Growers, a company formed by the Sunsweet, Sun-Maid, Valley Fig and Diamond Walnut cooperatives.

When Diamond Walnut opted to leave the organization in January 1999, Sun-Maid and Sunsweet dissolved Sun Diamond Growers and formed a new company, Sun Growers, which handled sales and logistics for both cooperatives.

At that time, Sunsweet also formed its own sales force devoted to selling Sunsweet products but still used Sun Growers for supplemental services.

As of Aug. 1, Sunsweet took the next step in gaining further autonomy and will do its own invoicing and customer service instead of doing it jointly with Sun-Maid, said Howard Nager, Sunsweet's vice president of North American marketing. Valley Fig is aligned with Sun-Maid.

While retailers shouldn't notice any difference in service, the move toward greater autonomy should give Sunsweet more freedom in branching out and expanding into new commodities, Nager said.

The advantage of marketing a number of fruits and vegetables under the umbrella of one label is that it gives consumers a strong sense of confidence in the quality, consistency and safety of the product, Nager said.

Under the agreement, Delicious Foods will have the right to expand the Sunsweet label to other produce items, he said.

Within the next three to four years, Doug Brent, president of Delicious Foods, said he could easily see the alliance with Sunsweet becoming a billion-dollar business.

The first step in building the business will be to find "anchor tenants" in each of the commodity groups Delicious Foods is looking to expand into, Brent said.

He said Delicious Foods will supply capital to the partnership with Sunsweet while Sunsweet will concentrate on building the sales and marketing distribution company.

In addition to an expanded commodity base, Brent said it's possible Delicious Foods also would offer buyers other value-added services, which could include tree-ripened product, direct sales to consumers and one-stop shopping for foodservice buyers.





## GRADING

# Effort seeks stricter definition of 'ripe'

So far there have been standards for defects on fruit, size and maturity. But some shippers ask: "Where's the taste?"

U.S. Mature and California Well Mature are the two official designated standards for maturity. There are also "tree-ripe" stickers, which many shippers have begun putting on their boxes of fruit.

Under state guidelines, shippers who meet the California Well Mature guidelines are allowed to put tree-ripe on their boxes regardless of whether the fruit is ripe, said Rick Schellenberg, owner of Schellenberg Farms, Reedley, Calif.

"The terminology has become so bastardized that there's no meaning attached to it," Schellenberg said.

Some shippers say the tree-ripe sticker is put on everything from "fruit that is rock hard to fruit that is so soft you can put a finger through it." In short, the "tree-ripe" sticker tells the buyer nothing about the maturity or taste of the fruit, Schellenberg said.

Schellenberg is one of several growers in favor of creating a new, elevated standard of maturity above the existing California Well Mature standard, which would have to meet certain taste-based standards set by the

Department of Agriculture.

An array of technology can measure fruit maturity, sugar levels and ripeness noninvasively, Schellenberg said.

The question is: Do shippers want a new standard for ripeness? Proponents of the new standard say more differentiation is necessary because it helps buyers understand what they're buying.

"Different cars appeal to different people. Chevies appeal pricewise to a certain group whereas Mercedeses and Cadillacs appeal pricewise and feature-wise to another group of buyers. Fruit, (just like ) cars, needs to be labeled for what it is," Schellenberg said.

As it stands now, California Well Mature is such a broad classification that some boxes of low-quality fruit and high-quality fruit are all being given the "Chevy" stamp, he said. "If you're going to pack a Chevy, you should call it a Chevy," Schellenberg said.

Although many shippers agree the term "tree-ripe" is overused in the industry, many fear, if there's a new standard, buyers will start asking: "If this is your top box, what were you selling me before this?" said Dean Thonesen, vice president and general manager of Sunwest Fruit Co. Inc., Manteca, Calif.

Some shippers say their individual labels sell themselves and a new grade isn't necessary.

Opponents of the new grade also say if there are three maturity standards instead of the existing two, more fruit will be packed as No. 2s vs. No. 1s because the majority of fruit still will be packed as California Well Mature instead of the new premium grade. "The question becomes: 'how many things do we want to deal with?'" said Steve Strong, plant manager for Venida Packing Co., Exeter, Calif.

When it comes to creating different standards, the argument can be made utility has had its place, especially during years when there's a large amount of cosmetic damage from hailstorms or other weather-related problems.

"During this time, the ability to sell (rather than cull) utility fruit may make the difference between survival and the last straw for some growers," Strong said.

But when it comes to creating a new higher grade for premium fruit, Strong sees the pros and the cons. On one hand, a new higher grade could increase the price for premium fruit, he said, but on the other hand, there's no guarantee that new grade wouldn't also downgrade prices for existing Cali-

fornia Well Mature packs.

Ideally, prices for California Well Mature would remain at least the same while fruit packed in the premium grade would sell for a higher price both at the buyer and the consumer level, Schellenberg said.

"Consumers are hungry for good-tasting fruit. Right now, there's an estimated 30 (percent) to 70 percent of consumers who are dissatisfied with our product because of taste. Based on that, there's a huge margin to expand the market," he said.

Schellenberg said he believes people who buy California Well Mature fruit will continue buying it, but a new higher premium grade of fruit will draw in new consumers who aren't buying fruit because of taste issues, he said.

As more shippers continue planting stone fruit, Schellenberg said it's going to be imperative to create new niche markets for the fruit.

"If we can give the consumer a positive experience with taste and get them to come back, we could get higher f.o.b.s. Right now, the average f.o.b. is \$4-6 per box (during certain times of the year). ... I think we could be getting a lot more for our fruit," he said.

By Lisa Lieberman  
Staff Writer



8/23/99

# Demand fuels import plan

Seven million pounds of New Zealand fruit likely in the off-season.

By Lisa Lieberman  
Staff Writer

To meet growing U.S. consumer demand for avocados, Calavo Growers of California, California's largest avocado shipper, has announced plans to import hass avocados from New Zealand into the United States to bolster supplies during California's off-season.

Calavo likely will import 7 million pounds, or 280,000 25-pound

cartons, of New Zealand avocados this year from Team Avocado Trust, a Tauranga-based cooperative representing 55 percent of New Zealand's avocado growers.

New Zealand avocado imports could reach 20 million pounds within the next five years, said Avi Crane, vice president of Calavo Growers, Santa Ana, Calif.

Calavo, which is in its second year in the New Zealand deal, will be the biggest U.S. importer of New Zealand avocados this year, shipping them nationally, Crane said.

The New Zealand deal comes at a good time this year because California's crop will be less than

last year's 10 million boxes, and the Chilean avocado crop is expected to be down 40 percent to 60 percent, Crane said. Last year's Chile crop totaled 3.8 million cartons.

"The New Zealand crop is going to be very much needed this year. Avocado consumption has gone up strong and healthy, and without the New Zealand fruit, it would be difficult to supply our customers," Crane said.

New Zealand has been exporting avocados to the United States for four years and has the same U.S. marketing window as Chile

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## Avocados

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— from September to the end of December, Crane said.

Normally, New Zealand ships avocados to its neighbor Australia, but this year will ship about 70 percent of its avocado crop to the United States, to meet increasing American demand for avocados, Crane said.

More U.S. households are buying avocados more frequently, said Robert Verloop, vice president of the California Avocado Commission, Santa Ana. In the 1960s, fewer than 20 percent of households bought avocados. That has grown to 42 percent, he said.

However, Joseph Belli, produce buyer for PW Supermarkets Inc., San Jose, Calif., said he hasn't seen any extraordinary demand for avocados or supply gaps in a long time, especially because avocado prices have been so high.

This year has probably been one of the highest-priced years for avocados, Belli said.

Avocados have been selling for \$50 per box for size 48s, Belli said.

"If I buy avocados for \$1 each, I have to sell them for (about) \$1.80,"

he said. "It's hard to say whether more people are eating avocados or if they're increasing in popularity. Because of the prohibitive prices, avocados are not moving like they did a couple of years ago."

The addition of New Zealand avocados could end up decreasing prices, Belli said.

"The way I see it, I would think that by having more available, it would have to bring prices down," he said.

Seven million pounds of avocados from New Zealand shouldn't make a large dent in the market because it only equals one week's shipment from California during peak season from April to June, Crane said.

However, Crane expects consumer demand to increase, which means the need for avocado imports will become more pressing.

Calavo will begin importing New Zealand avocados this September under the Calavo label in 25-pound domestic cartons with sizes peaking on 48s and 40s, Crane said.

This year marks the first full year of avocado production in Mexico since Calavo completed its packing and storage facility in Uruapan, Mexico.

Last year, Calavo shipped 860,000 boxes from Mexico.



# Passion for farming runs in family

The four Parnagian brothers share a company and an appreciation for the legacy left by their father.

**F**RESNO, Calif. — Anyone who has ever grown up in a farm family knows that the desire to farm — an endeavor that always requires more than the typical 8-to-5 work schedule — is a passion that stems from the heart.

Randy Parnagian, co-owner of Fowler Packing Co. Inc., learned this passion at an early age when he began his career in the produce industry at age five collecting Coca-Cola bottles and picking up nails and other debris from the floor of his father's packinghouse.

"Sometimes during the (height) of the season, I'd work until midnight. ... I always looked forward to it. I couldn't wait for the season to begin," Parnagian, 46, said.

This year, Parnagian and his three brothers, Dennis, 53; Ken, 51; and Phillip, 43, are celebrating the 50th anniversary of their company, which was started by their father Sam Parnagian. The brothers are co-owners.

What started as a 3-acre plot of land in 1950 with a 2,000-square-foot cold storage facility is one of the largest stone fruit and grape shipping companies in California's central valley.

The company, which produces 4.5 million boxes of stone fruit and grapes annually, is adding a 130,000-square-foot packing and cold storage facility, bringing its operation to 350,000 square feet.

While many family-owned farm companies started out small, what makes Fowler Packing unique is the young age of the four Parnagian brothers when they took over the business in 1980 when their father died.

Between 1967 and 1969, the elder Parnagian had a series of heart attacks. In 1970, when he was offered the chance to sell his farm, he went to his four sons and asked them what they



Lisa Lieberman/The Packer

**HAPPY ANNIVERSARY:** The Parnagian brothers, Randy (from left), Ken, Phillip and Dennis are celebrating the 50th anniversary of Fowler Packing Co. Inc., Fresno, Calif.

The company is adding 130,000 square feet to its packing, precooling and cold storage facilities to accommodate increased volume.

wanted to do.

Even though the four sons were still relatively young — the oldest 23 and the youngest 12 — the four brothers knew what they wanted to do.

"Farming was all we had ever known. Ever since I can remember, I always worked at the plant," Randy Parnagian said.

Between 1970 and 1980, Sam Parnagian worked diligently to build up the company and to teach his sons the tricks of the trade.

"He knew his days were numbered so he pushed hard to get all of us four sons up to speed," Dennis Parnagian

said.

Sam Parnagian, a World War II veteran, had grown up on a farm himself. When he began his own farm, he sold his produce under the SamSons label, which remains the company's label.

"In 1950 two out of his four children had been born. ... We're not sure what he would have done if he had had a daughter, but as providence would have it, he had two more sons, and he was able to keep the label SamSons," said Dennis Parnagian.

Although growing up on the farm was hard work, the four brothers never

regretted their choice to stick with it.

"It was always a whole lot of fun, and it was a very good experience for us," Dennis Parnagian said.

During the summers in high school, when many of their classmates were out at the beach or at parties, the four brothers spent most of their time at the farm.

"But then I was always excited when summer came because all of my buddies from school would come to work there," Randy Parnagian said.

The Sam Parnagian always made it a priority to give the local people jobs, especially the teen-agers from the high school where the four brothers went to school.

"My dad wanted to give the local kids a job where they could walk to work. They worked long hours — six days a week (during the summers), and it kept them out of trouble," Randy Parnagian said.

Aside from being a strong supporter of the local community, Sam Parnagian also was an innovator in the produce industry, Randy Parnagian said.

In 1966, when the term tree-ripe was virtually unheard of, Sam Parnagian was written up in the Fresno Bee for trying to sell tree-ripe fruit back East.

"He always said that he wanted to pick the fruit riper and offer it to people in a riper state," Dennis Parnagian said.

Although Sam Parnagian built a plant and packing line, the plan failed because the infrastructure in the produce industry wasn't able to move fruit fast enough.

"The idea had been great, but the timing was bad. Consumers didn't discriminate and didn't expect a lot back then," Dennis Parnagian said.

Then in 1989, the four Parnagian brothers came back with the idea of tree-ripened fruit and, along with other shippers, have been on the forefront of offering consumers riper pieces of fruit, Dennis Parnagian said.

These days the four brothers continue working together to bring their customers the best possible fruit, with each brother taking an equal but separate role in the company.

Randy heads up the sales department, Dennis is in charge of administration, Ken heads up field operations and Phillip is in charge of the company's cold storage and packing facility.

"The high point of (this business) is knowing that we've been of service to our growers and our customers," Dennis Parnagian said.

"This is honest, good and productive work, and it's been good for ourselves and a lot of other families," he said.

By Lisa Lieberman  
Staff Writer

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# The Ties That Bind:

## Grower-Packer Relationships are Built on Trust

By Lisa Lieberman  
Special Correspondent

No relationship is always easy. Problems crop up and need to be resolved. Truth, honesty, trust and clear communication play important roles in successful relationships while distrust, deceit and constant misgivings are sure-fire recipes for failure.

This is especially true in the farmer-packer/shipper relationship, where trust is an integral part of developing a good relationship.

But trust isn't an easy thing to achieve, especially when there are so many intangible factors which come into play between farmers and packer/shippers. So many things can go wrong in between the time a grower drops his fruit off at the packing shed and the time it reaches a buyer's hands.

A nectarine grower, for instance, may have over-watered his trees during his last irrigation, hoping to increase his sizes at the last minute, and the tips of the fruit may split in cold storage. So what appears to be perfectly good fruit at the packing shed ends up getting a bad arrival. A packer may make the mistake of picking a grower's fruit a day early, and even though it meets California maturity requirements, the buyer on the end may not want it because he says it's too green. A shipper may make the mistake of sending a ripe load of peaches to New York instead of to a closer destination like Los Angeles. The fruit may end up spoiling in transit, and the grower may end up with a \$2 or \$3 downward price adjustment.

In the fast-moving business of produce sales, where the product is so perishable and the market so volatile, it's easy to make mistakes, and even easier to point fingers in blame.

Trust is a lot harder to come by. Some growers say they simply can't trust the dealers because they feel too far left out of the business loop when it comes to selling and pricing, and they don't always feel comfortable taking the dealer's word for downward price adjustments.

"It's just so easy for the dealers to cheat the growers," according to Lisle Babcock, president of the California Farmer Advocates. "The dealers generate all the paperwork. So, double invoicing is as easy as the dealer billing a buyer \$10 per box and then turning around and telling the grower it was only sold for \$8 per box."

Babcock says that dealers must provide growers with federal-state inspection reports every time there's going to be a downward price adjustment and that the growers must be notified within 48 hours of these adjustments. These rights, he said, are guaranteed to farmers by the agricultural codes of the CDFA's Market Enforcement Branch.

MEB was originally set up in 1928 and is designed to enforce complex codes governing the business transactions between farmers and dealers. A state audit of the MEB last year, which was partially prompted by CDFA, revealed that MEB was "inconsistently" enforcing these codes. Currently, the MEB awaits possible changes pending legislation in congress.

According to many packer/shippers, MEB codes are outdated and it simply isn't feasible to do inspections every time a buyer rejects a shipment of fruit or if there's a downward price adjustment.

If a shipment has to wait on a loading dock waiting 2-3 days over a weekend holiday to get inspected, the fruit loses value each day it sits, and sometimes it's better to make a move fast rather than to follow all the codes and wait for an inspection, according to shippers.



*Rick Schellenberg of Schellenberg Farms, a grower-packer near Kingsburg, Calif., says the relationship between grower and packer/shipper must be based on trust and communication.*

"Our job is to get the best price for the growers that we can," said one packer/shipper. "Besides, what's the point in getting a \$175 inspection for a \$50 shipment of fruit?"

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## The Ties That Bind

*Continued from Page 3*

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This is where trust comes into play. But sometimes trust can be dangerous for the grower who trusts the dealer too much, as in the case of Jorge Gaxiola in Fresno. Gaxiola had signed a contract with his dealer who promised to sell his plums at market value at freight on board prices.

Although the dealer reassured Gaxiola throughout the season that the plums were selling well, Gaxiola ended up with statements saying that he was paid between 15 cents and 60 cents per box for 2,500 boxes of fruit. He was also charged over \$22,000 in freight that should have been paid by the buyer, according to an MEB report. The MEB revealed that the produce company had sold Gaxiola's plums to its subsidiary company on the East Coast for highly discounted prices.

After a few bad years with the dealer and a contract that tied Gaxiola to him, Gaxiola and his family ended up losing his farm.

Ron Paul and his family, who were prominent tree fruit farmers in Fresno, also ended up losing their land in a deal that went awry with their dealer. Two mistakes that Steve Paul, Ron Paul's son, thinks the family might have made were borrowing money from their dealer in the first place, and then signing all-encompassing waivers.

The Pauls feel that the family was cheated, but Steve Paul, who now does work for a commission merchant, feels he has perspective from the packer/shipper's point of view when it comes to waivers.

"Dealers need flexibility and they deserve that flexibility. This is a fast-moving business, and what it all boils down to is character and trust," Paul said.

But there are many gray areas in the business that ought to be defined, Paul said.

"It may be OK to sign a waiver, as long as you know you're going to at least be put on notice that there's a problem and have a chance to review the files afterwards. It sends a signal to the dealer that you're real cautious about what happens to your fruit. The problem with waivers is that they are too black and white. It could be a good idea to sign partial waivers. A grower may not need to know about every price adjustment for a \$50 load, but he may [want to make arrangements] to be informed beforehand about larger \$3,000 transactions."

The Pauls who are not mostly out of the farming business now, wish they had been more informed along the way about what was happening with their fruit, said Paul.

Although stories like the Gaxiolas' and the Pauls' may serve to haunt growers and there may in fact be a few bad apples in the industry, packer/shippers maintain that they do the best job they can for growers, since the stability of their business relies on satisfied growers who supply them with a steady flow of quality goods.

But problems may arise when there isn't enough clear communication between growers and packer/shippers, according to Rick Schellenberg, owner and operator of Schellenberg Farms. Schellenberg owns 100 acres of tree fruit and packs another 250 acres.

"When you go to your doctor, you're entrusting your life to him. You don't know if he's the best doctor there is. You don't



# Commission helps retailers beef up the bottom line

With its award-winning category management program, the California Tomato Commission, Fresno, has managed to save retailers \$2.5 million this year.

Last year, along with the Washington Apple Commission, the California Tomato Commission won the Supermarket Business award for best category management program among produce groups. While category management has been widely used for dry and canned goods in supermarkets, it is relatively new to the produce industry because of the complexities involved in analyzing scan data for the weight, measurement and varieties of produce items.

But with new computer software, all of this is changing. Category management for produce is becoming more sophisticated, said Kristine Ballecer, marketing coordinator for the California Tomato Commission.

"We can tell retailers what they should carry at what price point and how many square feet for each variety for every single week of the year," Ballecer said.

The commission reads, records and analyzes scan data for 10 retailers with about 2,700 stores. The retailers include Boston-based Stop & Shop Cos. Inc., Springfield, Mass.-based Big Y Foods Inc. and Old Bridge, N.J.-based Edwards Super Foods. Category management acts as a tool for produce managers who are so busy dealing with thousands of produce items each year that they don't have time to analyze how well all the varieties are doing, Ballecer said.

And when millions of dollars are rung up through the cash register every month, an increase or decrease of a few hundred thousand dollars may easily slip by the produce manager's notice, Ballecer said.

In one store, for instance, the management thought that by not packing plum tomatoes in quarts, the store could save money on labor. But the consumers missed the quarts and the store lost \$200,000 in tomato sales in three months without even realizing it, Ballecer said. In trying to save money, the store lost money.

And sometimes by trying to make extra money, retailers can lose money.

One common idea among retailers is that hothouse tomatoes bring in more money than other tomato varieties.

But the commission's research shows that on a foot-for-foot comparison of shelf space, mature-greens are retailers' biggest moneymakers in tomatoes, said commission president Ed Beckman, who would not provide details on the figures.

In making plans for different stores, it's important for retailers not to generalize but to look at their customers' specific needs on a store-by-store basis, he said.

In a lower socioeconomic area, for instance, consumers may ignore the

be more open to different types or varieties, such as grape tomatoes and vine-ripes, Beckman said.

Through its category management program, the tomato commission also tracks major events in communities, such as the comings and goings of industries.

"If there's a 20 percent or higher un-

employment in an area (due to a major industry shutting down), it may be better to take a step down in price and change the grade (retailers) are buying. ... It may be better to lower the price 10 cents rather than have someone walking out of the store without buying tomatoes," Ballecer said.

The commission's category manage-

ment program also looks at chain stores' distribution practices.

At one chain store, the commission found that vendors were trucking deliveries to the central warehouse on Tuesdays, but that distribution to the chain stores was on Thursdays.

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# Effort to play up varieties' sweetness

Pluots, subacid and white-flesh fruit will receive an extra push with 'Safari.'

Apio Inc. is turning up the volume on its flavor in this year with the creation of its new Flavor Safari label.

Flavor Safari follows on the heels of Guadalupe, Calif.-based Apio's successful Great White program, which has been going on for the past three years.

Instead of just emphasizing white-flesh varieties as does the Great White label, Flavor Safari will encompass specialized fruit varieties, which are high in sugar and more flavorful than most other varieties, said Don Goforth, tree fruit commodity manager at Apio.

These specialized fruits will include pluots, subacid yellow-flesh peaches and nectarines, and white-flesh fruit, he said. To propel this new program forward, Apio has signed on a new grower, David Jackson, who specializes in specialty varieties with high flavor and taste, Goforth said.

"The grower is absolutely targeting flavor. We won't pack a box that doesn't eat well," Goforth said.

Stone fruit varieties grown for Flavor Safari will undergo more intensive, time-consuming growing practices, where they will hang on the trees 10 to 14 days longer than normal in order to get the sweetest fruit, Goforth said.

Apio will pack about 10 percent of its fruit under the Flavor Safari label this year, he said. "We're only packing varieties that we know for sure are going to eat well," Goforth said.



'Most people think of pluots as sour, but the (green) emerald beaut has a lot of characteristics of a pluot and is in the high 20s on brix of sugar.'

Don Goforth  
Apio Inc.

A number of retailers have shown interest so far in the program, including chains in Los Angeles, the San Francisco Bay area and the Northeast, he said.

The Flavor Safari campaign will most likely start off with the flavor rosa pluot in June and tree-ripened dapple dandy pluots, and the emerald beaut, which is a green plum.

"Most people think of pluots as sour, but the (green) emerald beaut has a lot of characteristics of a pluot and is in the high 20s on brix of sugar," Goforth said.

Since the Flavor Safari fruit is going to be more expensive to grow, Apio is working on targeting high-end small retail chain stores willing to pay a premium for better tasting fruit, Goforth said.

"We've traveled extensively to try to uncover smaller gourmet retailers. We've seen a lot of customers that we've never done business with so far," Goforth said.



Since the marketing program is based on getting consumers to try the product so they'll come back for more, demonstrations will be a critical part of the campaign, Goforth said. The name Flavor Safari evolved out of Apio's desire to "hunt" for the most flavorful fruit, he said.

"We were on a safari looking for flavor," Goforth said.

The Flavor Safari contains seven animals. Fruit will be packed in a high-graphic, single-layer boxes, Goforth said. The seven animals are giraffes, gorillas, rhinos, elephants, cheetahs, zebras and gazelles.

In addition to the pre-print boxes, Apio will also affix Price Look-Up stickers with the seven animals on the individual pieces of fruit. The animals are a way of getting consumers, and especially kids, to stop in the stores and want to try the fruit, Goforth said.

"The animals are part of the 'Oh, wow' factor. We want kids to say to their moms, 'Look mom, that fruit has a giraffe on it. Can I try that?' We have to be as creative as we can be to get people to stop and try new things," he said.

The hope is that novelty of the Flavor Safari will attract consumers to try the fruit for the first time, but that the flavor will bring them back to the stores wanting to buy more, Goforth said.

By Lisa Lieberman  
Staff Writer

# Appeals to women's vanity planned

Never mind all of that health stuff about fruit. What consumers care about, especially women in the California Tree Fruit Agreement's targeted consumer group — women ages 25 to 49 — is beauty.

Women want good hair and good skin, as well as good health, said Marilyn Watkins, director of domestic promotions at the CTFA, Reedley.

Because consumers spend billions of dollars each year on beauty- and health-enhancing products, the possible hook that stone fruit acts as a beauty aid could be just the ticket for selling more fruit, Watkins said.

Although the CTFA has been sponsoring some health-related studies about the anti-aging and health benefits of stone fruit, it may be too preliminary to start spreading the word about how stone fruit can help consumers look healthier and younger, Watkins said.

"What we know is that what you eat is just as important as what you put on your face," she said.

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"It seems that white-flesh fruit has a lot of different phytonutrients from yellow-flesh fruit. The phytonutrients express themselves in a different colors in a wide range of fruits," Watkins said.

By Lisa Lieberman  
Staff Writer

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# Grower-shipper setting sights on 1 million boxes

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Chilean deal starts, when most California shippers have finished picking, he said.

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The proximity of the company's packing and shipping facilities, located within 20 minutes of where fruit is harvested, helps the company pick and pack fruit more efficiently and create a better box of fruit, Witt said. In addition to its domestic market, Scattaglia ships its fruit to South America, Europe, Hong Kong, Singapore and Taiwan.

**By Lisa Lieberman**  
Staff Writer



# THE PACKER

o. 25

For 106 Years, the Business Newspaper of the Produce Industry

\$2

June 21, 1999

## MARKET SCOPE

### HIGHLIGHTS

#### lettuce

ly: Supplies should increase Salinas-Watsonville, Calif., ase from Santa Maria, Calif., eastern Arizona as shippers finish season.

ok: Prices expected lower for June. Carton 24s in \$3.50-4.50, partly because of wide-ranging.

#### watermelons

ly: Heavy volume to continue Florida. Harvest under way in na, California, Texas and ia.

ok: Prices on seedless higher, on other varieties. Shippers t good volume and prices for outh weekend promotions.

Complete coverage, Page B2 ▶

## AT A GLANCE

### P funding to met by 21%

SHINGTON, D.C. — There will be oney this year to promote fresh and vegetables overseas. The Access Program will distribute cent less money for foreign pro- s, reducing the amount for fruits, es and horticultural products to \$32 million. Page A3

## THIS WEEK

### THE NEWS

NEW ZEALAND  
SOUTHERN ROSE

## ■ NASH-DE CAMP CO.

# Foursome inks deal to buy fruit shipper

Expanded acreage and marketing plans to follow spinoff by Nash-Finch.

By Lisa Lieberman  
Staff Writer

VISALIA, Calif. — Under new ownership, grape and tree fruit shipper Nash-De Camp Co. will expand acreage and domestic and international marketing efforts, as well as begin marketing asparagus from Mexico and Peru.

The company likely will continue selling to its former parent, Minneapolis-based retailer Nash-Finch Co., said Darrel Fulmer, executive vice president of Nash-De Camp, which will retain its name and staff.

After nearly six months of court- ing more than 20 possible suitors for its 83-year-old produce subsidiary, Nash-Finch — with the desire to focus on the retail end instead of the supply end of its grocery business — opted June 15 to sell to Agriholding Inc., Monterey, Calif.

Produce industry veteran Robert Igleheart, one of four partners in Agrivision, the parent company of Agriholding, said his company had actively pursued a possible purchase of Nash-De Camp since April and had been looking for a West Coast produce company for the past 2½ years to help round out its strawberry, tomato and asparagus lines.

“We were looking for a year- round company that had certain key items like grapes. We wanted

someone to build on and grow (with). When the opportunity with Nash-De Camp came up, it was a no-brainer. Nash is a good company,” Igleheart said.

The transaction is structured as a sale of all of Nash-De Camp's out- standing stock to Agriholding and is expected to be completed in July. Terms of the sale were not disclosed.

Last year, Nash-De Camp sold 10 million boxes of table grapes and tree fruit and posted sales in excess of \$100 million, less than 1 percent of Nash-Finch's revenues.

With the sale complete, Nash-De Camp will plant 240 acres of tree fruit and will update varieties on an additional 120 acres of tree fruit in California, Igleheart said.

See Nash, Page A2 ▶

## ■ PACK 'EM UP



Lisa Lieberman/The Packer

Jerry DiBuduo, chief executive officer of Ballantine Produce Co. Inc., Sanger, Calif., checks a pack of mayfire nectarines in the packing shed. Ballantine also has a new tree fruit automatic bagging machine, which has increased its bagging capacity.

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# 2 sign on for partner



# Unique look, taste propel saturns

Growers and consumers are warming up to the flat, sweet peaches.

In a world full of peaches, plums and nectarines, shippers are constantly looking for something to differentiate themselves from everyone else. Some shippers say that the saturn — a doughnut-shaped white-flesh peach — might be just the thing.

"Its appearance is very unique, plus it has very high sugar," said John Hein, marketing director for Kingsburg Apples Sales, Kingsburg, Calif.

The saturn has 18-21 brix of sugar and is a flat, symmetrical-shaped piece of fruit, Hein said.

Both domestic and foreign accept-



Lisa Lieberman/The Packer

**TREE TIME:** David Vart of Surabian Packing Co. Inc., Reedley, Calif., checks thinning of the crimson lady, a yellow peach. Surabian Packing also produces saturn peaches and is expanding its deal this season by 10 percent, says company president Dennis Surabian.

ance has been strong because of the fruit's good taste and eye-catching shape, he said.

Kingsburg Apple sells the saturns under the Kingsburg Maiden label, usually in size 16s and 18s, which are packed in single-layer boxes, Hein said.

So far, production of the saturns has been relatively limited, with only 38,000 boxes produced in 1998, the latest figures available according to records from the California Tree Fruit Agreement, Reedley.

This year, Kingsburg Apple will see an increase in its production of the saturns since there are more trees coming into bearing, Hein said.

Surabian Packing Co. Inc., Reedley, is also expanding its saturn deal, said Dennis Surabian, the company's president.

"We're expanding our saturn deal by 100 percent," said Surabian, who expects to have 25,000 boxes this year. Part of the reason why saturns have been big sellers so far, aside from their

sweet taste, is that they have small flat pits and are easy to eat, said Surabian.

"This is something unique and different that we're providing for our customers," Surabian said.

At Ito Packing Co. Inc., Reedley, company president Craig Ito said the company is expanding its saturn volume this year and will be promoting the fruit as "UFOs."

"We're going to be promoting it as UFOs because we're trying to set ourselves apart with more unique promotions and with a high graphics box," he said.

Ito said the saturn is a white-flesh variety that seems to sell particularly well domestically.

"Its unique shape sells it and its flavor gets people coming back for more," he said.

By Lisa Lieberman  
Staff Writer





## CONTRACT PRICING

## Shippers test waters with deals on romas

Although contract pricing in the tomato industry generally is confined to the foodservice and hot-house segments, it seems that more fresh tomato shippers are trying it out this year. Andrews & Williamson Sales Co., San Diego, plans to do contract pricing on its romas out of Baja in July and August, said Mitch Williamson, co-owner of the company.

"Buyers are becoming more sophisticated and are expecting shippers to be on the cutting edge and offer alternatives," Williamson said.

Andrew & Williamson imports vine-ripes and grape tomatoes, but chose to try contract pricing with romas since it will take some pressure off the sales department during peak season, Williamson said.

Giumarra of Carlsbad, Carlsbad, Calif., has been asked by buyers to offer contract pricing. But Joanie Bear, sales associate at Giumarra, said contract pricing is more for larger shippers.

"A lot of people are doing contract pricing, but the only problem is you can lose your shirt if you miss a good market (because of it)," Bear said.

The pros and cons of contract pricing seem obvious: If the contract price is higher than market price, the shipper wins; if it's lower, the shipper loses.

However, contract pricing isn't that straightforward, many shippers say.

Bob Schachtel, sales manager for Expo Fresh LLC, San Diego, has been doing contract pricing for two years.

Although Expo Fresh has done well with the concept, Schachtel said settling on a contract price can be tough because buyers often want a set price 60 days before harvest.

"There's so many things that can enter into it: bad weather, or if you don't have the product, or if the market is \$12 and the contract deal is for \$8," said Schachtel, who said he honors his contracts under all such conditions.

Finding the right people to do contract pricing with is just as important as setting the right price.

"It has to be a two-way street," said Scott Vaughan, sales manager at Live Oak Farms, LeGrand, Calif.

Buyers may be happy to purchase the product as long as the contract price is lower than market value. But as soon as market value drops below contract price, some buyers may be reluctant to continue buying, Schachtel said.

"A customer may use seven loads a week (usually), but if the market has gone lower than the contract price, all of a sudden, the buyer says he can only use three loads," Schachtel said.

Legally, the customer is likely to be obligated to continue buying, but shippers hesitate to press the issue with buyers for fear of alienating them.

Most contract pricing works to the advantage of the buyer, said Pete Sheffield, sales manager for Pacific Tomato Growers/Triple E Produce Corp., which is based in Palmetto, Fla., but has operations in California.

Contract prices generally are only \$2 over the floor price, Sheffield said.

"There's more advantage for (the

buyer) than for you (the shipper). The floor price being what it is, the \$2 advantage doesn't stay very long because after you get to the floor price, after a week, the market climbs back up," Sheffield said.

In order to make contract pricing viable, it has to be a win-win proposition

for both parties, he said.

And like any type of contract, contract pricing can be structured in a variety of ways, said Sheffield, who has researched sliding contracts. Instead of having a fixed price, with a sliding contract, the price would fall within a range of minimum and maximum

prices.

"So the farmer wouldn't be getting killed if the market was \$18 a box because at least he'd be getting (for example) \$14 or \$15 a box," Sheffield said.

Buyers and shippers could establish

See **Contracts**, Page 8

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## SCATTAGLIA FARMS

# Grower-shipper setting sights on 1 million boxes

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**By Lisa Lieberman**  
Staff Writer



# Effort to play up varieties' sweetness

Pluots, subacid and white-flesh fruit will receive an extra push with 'Safari.'

Apio Inc. is turning up the volume on its flavor in this year with the creation of its new Flavor Safari label.

Flavor Safari follows on the heels of Guadalupe, Calif.-based Apio's successful Great White program, which has been going on for the past three years.

Instead of just emphasizing white-flesh varieties as does the Great White label, Flavor Safari will encompass specialized fruit varieties, which are high in sugar and more flavorful than most other varieties, said Don Goforth, tree fruit commodity manager at Apio.

These specialized fruits will include pluots, subacid yellow-flesh peaches and nectarines, and white-flesh fruit, he said. To propel this new program forward, Apio has signed on a new grower. David Jackson, who specializes in specialty varieties with high flavor and taste, Goforth said.

"The grower is absolutely targeting flavor. We won't pack a box that doesn't eat well," Goforth said.

Stone fruit varieties grown for Flavor Safari will undergo more intensive, time-consuming growing practices, where they will hang on the trees 10 to 14 days longer than normal in order to get the sweetest fruit, Goforth said.

Apio will pack about 10 percent of its fruit under the Flavor Safari label this year, he said. "We're only packing varieties that we know for sure are going to eat well," Goforth said.



**'Most people think of pluots as sour, but the (green) emerald beaut has a lot of characteristics of a pluot and is in the high 20s on brix of sugar.'**

Don Goforth  
Apio Inc.

A number of retailers have shown interest so far in the program, including chains in Los Angeles, the San Francisco Bay area and the Northeast, he said.

The Flavor Safari campaign will most likely start off with the flavor rosa pluot in June and tree-ripened dapple dandy pluots, and the emerald beaut, which is a green plum.

"Most people think of pluots as sour, but the (green) emerald beaut has a lot of characteristics of a pluot and is in the high 20s on brix of sugar," Goforth said.

Since the Flavor Safari fruit is going to be more expensive to grow, Apio is working on targeting high-end small retail chain stores willing to pay a premium for better tasting fruit, Goforth said.

"We've traveled extensively to try to uncover smaller gourmet retailers. We've seen a lot of customers that we've never done business with so far," Goforth said.



Since the marketing program is based on getting consumers to try the product so they'll come back for more, demonstrations will be a critical part of the campaign, Goforth said. The name Flavor Safari evolved out of Apio's desire to "hunt" for the most flavorful fruit, he said.

"We were on a safari looking for flavor," Goforth said.

The Flavor Safari contains seven animals. Fruit will be packed in a high-graphic, single-layer boxes, Goforth said. The seven animals are giraffes, gorillas, rhinos, elephants, cheetahs, zebras and gazelles.

In addition to the pre-print boxes, Apio will also affix Price Look-Up stickers with the seven animals on the individual pieces of fruit. The animals are a way of getting consumers, and especially kids, to stop in the stores and want to try the fruit, Goforth said.

"The animals are part of the 'Oh, wow' factor. We want kids to say to their moms, 'Look mom, that fruit has a giraffe on it. Can I try that?' We have to be as creative as we can be to get people to stop and try new things," he said.

The hope is that novelty of the Flavor Safari will attract consumers to try the fruit for the first time, but that the flavor will bring them back to the stores wanting to buy more, Goforth said.

By Lisa Lieberman  
Staff Writer

# Appeals to women's vanity planned

Never mind all of that health stuff about fruit. What consumers care about, especially women in the California Tree Fruit Agreement's targeted consumer group — women ages 25 to 49 — is beauty.

Women want good hair and good skin, as well as good health, said Marilyn Watkins, director of domestic promotions at the CTFA, Reedley.

Because consumers spend billions of dollars each year on beauty- and health-enhancing products, the possible hook that stone fruit acts as a beauty aid could be just the ticket for selling more fruit, Watkins said.

Although the CTFA has been sponsoring some health-related studies about the anti-aging and health benefits of stone fruit, it may be too preliminary to start spreading the word about how stone fruit can help consumers look healthier and younger, Watkins said.

"What we know is that what you eat is just as important as what you put on your face," she said.

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By Lisa Lieberman  
Staff Writer

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Peaches

Plums

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Grapes

Nectarines

• Wrap-Paks (Peaches)

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## GRADING

# Effort seeks stricter definition of 'ripe'

So far there have been standards for defects on fruit, size and maturity. But some shippers ask: "Where's the taste?"

U.S. Mature and California Well Mature are the two official designated standards for maturity. There are also "tree-ripe" stickers, which many shippers have begun putting on their boxes of fruit.

Under state guidelines, shippers who meet the California Well Mature guidelines are allowed to put tree-ripe on their boxes regardless of whether the fruit is ripe, said Rick Schellenberg, owner of Schellenberg Farms, Reedley, Calif.

"The terminology has become so bastardized that there's no meaning attached to it," Schellenberg said.

Some shippers say the tree-ripe sticker is put on everything from "fruit that is rock hard to fruit that is so soft you can put a finger through it." In short, the "tree-ripe" sticker tells the buyer nothing about the maturity or taste of the fruit, Schellenberg said.

Schellenberg is one of several growers in favor of creating a new, elevated standard of maturity above the existing California Well Mature standard, which would have to meet certain taste-based standards set by the U.S.

Department of Agriculture.

An array of technology can measure fruit maturity, sugar levels and ripeness noninvasively, Schellenberg said.

The question is: Do shippers want a new standard for ripeness? Proponents of the new standard say more differentiation is necessary because it helps buyers understand what they're buying.

"Different cars appeal to different people. Chevies appeal pricewise to a certain group whereas Mercedeses and Cadillacs appeal pricewise and feature-wise to another group of buyers. Fruit, (just like ) cars, needs to be labeled for what it is," Schellenberg said.

As it stands now, California Well Mature is such a broad classification that some boxes of low-quality fruit and high-quality fruit are all being given the "Chevy" stamp, he said. "If you're going to pack a Chevy, you should call it a Chevy," Schellenberg said.

Although many shippers agree the term "tree-ripe" is overused in the industry, many fear, if there's a new standard, buyers will start asking: "If this is your top box, what were you selling me before this?" said Dean Thonesen, vice president and general manager of Sunwest Fruit Co. Inc., Packer, Calif.

Some shippers say their individual labels sell themselves and a new grade isn't necessary.

Opponents of the new grade also say if there are three maturity standards instead of the existing two, more fruit will be packed as No. 2s vs. No. 1s because the majority of fruit still will be packed as California Well Mature instead of the new premium grade. "The question becomes: 'how many things do we want to deal with?'" said Steve Strong, plant manager for Venida Packing Co., Exeter, Calif.

When it comes to creating different standards, the argument can be made utility has had its place, especially during years when there's a large amount of cosmetic damage from hailstorms or other weather-related problems.

"During this time, the ability to sell (rather than cull) utility fruit may make the difference between survival and the last straw for some growers," Strong said.

But when it comes to creating a new higher grade for premium fruit, Strong sees the pros and the cons. On one hand, a new higher grade could increase the price for premium fruit, he said, but on the other hand, there's no guarantee that new grade wouldn't also downgrade prices for existing Cali-

fornia Well Mature packs.

Ideally, prices for California Well Mature would remain at least the same while fruit packed in the premium grade would sell for a higher price both at the buyer and the consumer level, Schellenberg said.

"Consumers are hungry for good-tasting fruit. Right now, there's an estimated 30 (percent) to 70 percent of consumers who are dissatisfied with our product because of taste. Based on that, there's a huge margin to expand the market," he said.

Schellenberg said he believes people who buy California Well Mature fruit will continue buying it, but a new higher premium grade of fruit will draw in new consumers who aren't buying fruit because of taste issues, he said.

As more shippers continue planting stone fruit, Schellenberg said it's going to be imperative to create new niche markets for the fruit.

"If we can give the consumer a positive experience with taste and get them to come back, we could get higher f.o.b.s. Right now, the average f.o.b. is \$4-6 per box (during certain times of the year). ... I think we could be getting a lot more for our fruit," he said.

By Lisa Lieberman  
Staff Writer



# THE PACKER

For 107 Years, the Business Newspaper of the Produce Industry

## NEW LEAF LLC



Lisa Lieberman/The Packer

Tom Wolfe, salesman for New Leaf, surveys the progress of black bell eggplant. In addition to adding the kiwifruit and Chilean deals to its program, New Leaf is marketing 75,000 boxes of eggplant this year.

## Adding Sierra Kiwi extends product line

Deal raises profile in domestic and Chilean kiwifruit supply as well as grapes and stone fruit from Chile.

By Lisa Lieberman  
Staff Writer

Even with autumn approaching, there is a new leaf in the Los Angeles area.

New Leaf-Los Angeles will add California kiwifruit and Chilean kiwifruit, grapes and stone fruit to the product mix for New Leaf LLC, Traver, Calif.

Based in Newport Beach, Calif., New Leaf-Los Angeles on Oct. 1 assumed the former marketing staff and facility of Sierra Kiwi Inc. The entire staff

of Sierra Kiwi Inc. is working for New Leaf, the exclusive marketer of the Chase National Kiwi Farms' label, Sierra Kiwi, out of Marysville, Calif. Sierra Kiwi remains an export company in Marysville.

New Leaf-Los Angeles will market 700,000 tray equivalents of California kiwifruit — about 8% of the state's crop this year — and about a million boxes of Chilean kiwifruit, grapes and stone fruit, said Shaun Ricks, co-owner of New Leaf LLC.

The new alliance with Chase National Kiwi Farms will make New Leaf a year-round shipper of grapes and kiwifruit as well as a 10-month shipper of tree fruit, Ricks said.

All of the salespeople in Newport Beach will remain

See New Leaf, Page A2 ►



# Capital infusion spurs plans for further growth

AgriVentures hopes to improve its distribution capabilities by adding regional centers.

BY LISA LIEBERMAN  
Staff Writer

SOUTH SAN FRANCISCO, Calif. — AgriVentures USA Inc., one of the largest herb and specialty shippers in the U.S. is primed, pumped and ready to go.

With a recent infusion of \$10 million from its new equity partner, Catalyst Equity Partners, AgriVentures has announced plans to accelerate its nationwide growth by establishing a network of regional distribution points throughout the country — the Northeast, Midwest, Southeast and Southwest.

AgriVentures, which has had distribution centers in San Francisco and Los Angeles for the past eight years, also might expand its commodity base through an acquisition.

Along with the cash comes a new roster of leaders. Jerry Halamuda is the new chief executive officer of AgriVentures and Michael Vukelich is the company's new chairman.

Both Halamuda and Vukelich are former executives of Color Spot Nurseries, a \$250 million nationwide company, which also was financed by Catalyst Equity Partners.

Jay Fishman and George Gilman are the other co-founders of AgriVentures. Charles Dible is also a partner and controller in the company.

Steven Hurwitz, co-founder and former president of AgriVentures, will serve as vice president of sales and marketing. Gilman will serve as vice president of growing and procurement, while Fishman, who formerly was CEO, will serve as president of the fresh division for the company.

AgriVentures has the ability to transport highly perishable produce from the West Coast to the nation, from farm to receiver, within 24 hours. However, AgriVentures wants to deliver its products faster and fresher to its customers with regional distribution centers.

"Our goal is to sell our program at the corporate level and then distribute the product at a local regional level. While eliminating unnecessary costs, we want to get the product to market faster and fresher. We'll be setting up distribution hubs at key



## AgriVentures

locations where our customers are where it geographically makes sense," Hurwitz said.

AgriVentures, which has more than 400 customers nationwide, will maintain the HerbThyme Farms product line, Hurwitz said.

Besides herbs, the HerbThyme line includes retail and food-service lines of dehydrated mushrooms, edible flowers, Asian specialty vegetables and baby lettuces. Hurwitz said AgriVentures may also add complementary items to its mix and plans on making an acquisition within the next month that will expand its existing product line.

In addition to expanding its product lines and adding regional distribution centers nationwide, Hurwitz said AgriVentures also may consolidate forces with other herb growers-shippers throughout the country to help ensure consistent supplies for its customers.

Aside from better, faster service, regional distribution centers also will give AgriVentures the chance to help retailers set up more merchandising and marketing programs, Hurwitz said.

During the past 10 years, herbs have been growing in popularity because of trends in fresh, healthy eating, Hurwitz said.

Because herbs are used in a variety of dishes, they are an excellent way for retailers to cross-promote various items, Hurwitz said.

"Herbs are a wonderful way to enhance flavors and the whole experience of eating and cooking. Herbs can connect the whole store to the produce section, the meat section, the baker and the grocery section. Herbs are the spice of cooking. Herbs are the spice of life," Hurwitz said.

Catalyst Equity Partners, which has offices in Chicago, New York and San Francisco, is a middle-market business investor. The company decided to invest in AgriVentures because it saw an opportunity to help unite a highly fragmented herb industry, said George Skegas of Catalyst Equity Partners.



□ ITO PACKING CO. INC.

# Company to pay more than \$2.7 million

Out-of-court settlement ends 3-year inquiry into unfair business practices.

By Lisa Lieberman  
Staff Writer

REEDLEY, Calif. — After being investigated for three years, Ito Packing Co. Inc., a major player in the stone fruit deal in Reedley, has agreed to pay more than \$2.7 million in penalties, mostly to growers, for allegedly engaging in unfair business practices.

The California Department of Food and Agriculture's Market En-

forcement Branch, based in Sacramento, began its investigation of Ito in 1996, said Dennis Peterson, a Fresno County district attorney who was involved in the investigation.

Peterson said that among the more serious allegations made against Ito was that the company charged growers excessive fees for packing and palletizing, failed to pay growers for fruit sold as culls and underreported to growers the full amount of prices received for fruit.

Fifty growers involved in the dispute will divide \$1.9 million in January, Peterson said.

Ito also will pay \$300,000 to the

'Basically we had the choice between paying or going to court and getting dragged through the mud in the middle of the (stone fruit) season. ... We decided to settle.'

Craig Ito  
Ito Packing Co. Inc.

CDFA for investigative costs and \$563,000 for civil penalties to the Fresno County District Attorney's Office.

As part of the settlement, the CDFA will place Ito's produce dealing license on probation for five years. During this time, the company will be subject to and required to pay for biyearly audits from Market

Enforcement, Peterson said.

James Ito, the company's president, will step down and be succeeded by his son, Craig Ito, as part of the agreement. Craig Ito now serves as vice president of the company, which markets about 4,500 acres of stone fruit and table grapes.

James Ito has pleaded no contest to a misdemeanor criminal charge of

failure to render a true account and make settlement of account as required under the Food and Agricultural Code.

In a news release, Ito's attorney, Kendall Manock, admitted that there may have been "technical violations of the complex and ambiguous accounting requirements imposed on packers licensed by the California Bureau of Market Enforcement." Craig Ito said that he would have liked to respond to charges leveled against the company, but terms of the agreement prevented him from doing so.

"Basically we had the choice between paying or going to court and

getting dragged through the mud in the middle of the (stone fruit) season. With low prices for peaches and nectarines this season, we couldn't jeopardize our marketing position and the livelihoods of our 35 growers and 2,000 employees, so we decided to settle," Craig Ito said.

Despite the settlement, Ito said that the company is in good financial condition and plans to move forward without major changes to its personnel structure.

"We want to put this behind us and continue on with our business," said Craig Ito about the company his father founded in 1955.



□ TRI-VALLEY GROWERS

# Closing sends growers in search of new markets

Many California peaches, pears and tomatoes were destined for the cannery.

By Lisa Lieberman  
Staff Writer

The bankruptcy of cannery Tri-Valley Growers has hoards of California tomato, peach and pear growers desperate and scrambling to find alternative markets for produce that would ordinarily go to the processed market.

With \$400 million in debt, San Ramon, Calif.-based Tri-Valley Growers, one of California's largest processor of pears, tomatoes, and peaches filed Chapter 11 bankruptcy on July 10. The cooperative is closing canning facilities in Stockton and Los Banos, Calif., while cutting

production of peaches, pears and processing tomatoes.

Retail buyers won't see much of an effect on the supply of fresh produce in the market, although buyers are likely to see a slight increase in the supply of fresh pears at lower prices.

In addition to Tri-Valley Growers cutting production of processed goods, Del Monte announced earlier in the season that it was cutting back on pear production for processing, said Chris Zanobini, executive director of the California Pear Advisory Board, Sacramento.

Already grower-shippers have been seeing the affect of production cuts of processed pears, said Pat Sanguinetti, vice president at Blue Anchor Inc., Dinuba, Calif.

Bartlett pear harvest started in the Sacramento area around July 4

'We're only (four weeks) into the season, but we've seen a lot of fruit being packed already into the fresh market and we have a lot of growers in the early districts that have diverted their fruit to the fresh market.'

Chris Zanobini  
California Pear Advisory Board

at \$11.50-12.50 for 36-pound boxes of 135s. Prices for 120s and 110s were \$12.50-16.50.

As of Aug. 1, the prices had dropped considerably, Sanguinetti said.

"Today (Aug. 1), you can buy 135s for \$7-8, 120s for \$9-10 and 110s for \$10," he said.

While pear prices always drop after the start of the season, prices are dropping much faster than normal, Sanguinetti said.

Overall, Zanobini said there will be a 24 percent decrease in production of canned pears because of the cutbacks.

"The bottom line is that the impact is going to be pretty severe. ... We're only (four weeks) into the season, but we've seen a lot of fruit being packed already into the fresh market, and we have a lot of growers in the early districts that have diverted their fruit to the fresh market. The long range impact (could)

be a reduction in acreage, and no one wants to see that happen," Zanobini said.

Unlike tomatoes and peaches, for which growers grow for either the fresh or the processed market, most pear growers are dependent on both the fresh and the processed markets.

The overall pear crop is expected to be 280,000 tons, which is down from 310,000 tons last year, Zanobini said.

Fresh market tonnage should be 82,597 tons, up from last year's 82,000 tons, Zanobini.

In late July, the U.S. Department of Agriculture announced it would purchase 32,000 tons of canned pears to be donated to the federal lunch program and food banks in order to encourage canneries to pack more pears. While this will help

pear growers, it won't be enough to alleviate the pressure of the canneries' cutbacks on growers, Zanobini said.

In the Central California Valley, processing-tomato growers were hit especially hard by Tri-Valley's cutbacks. Ed Beckman, president of the California Tomato Commission, Fresno, Calif., said Tri-Valley's closure has had relatively little affect on the fresh market, since tomatoes grown for processing aren't legally allowed into the fresh market.

There have been several instances of tomato growers, however, in Fresno County attempting to sell processing tomatoes in used roma tomato boxes. These boxes, however have been red-tagged and prevented from going into the fresh market, with inspections heightened elsewhere, Beckman said.



# CALIFORNIA AVOCADOS SHIPPING PROFILE

## OVERVIEW

# Growers expect smaller volumes and sizes

A late start combined with spring storms may bring a 20 percent drop.

By Lisa Lieberman  
Special to The Packer

Higher overall prices should come about because of a smaller California hass avocado crop this season.

Volume is expected to be down 10 percent to 20 percent compared to last season, and harvest will get started late this season because El Nino-driven storms last spring delayed blooming.

The new season normally starts about Nov. 1. But this season, pickings won't get heavy until at least late December.

Prices for California hass are about \$40-42 per 25-pound box of size 48s or larger, \$5 lower than

prices at this time last year, said Rob Wedin, director of marketing at Calavo Growers of California, Santa Ana.

Wedin predicts that because of lower supplies this season, prices will drop off more gradually than last year and that growers will average \$2 per box more than last season.

"Prices won't come down as fast as they normally do (after the New Year)," Wedin said.

Estimates are that growers will harvest about 270 million pounds of avocados this season, down from 304 million pounds last season.

"The market outlook seems good. We're optimistic that we'll have a strong consumer demand and we'll have a good supply in California to meet that demand," said Tom Belamore, senior vice president of the California Avocado Commission, Santa Ana.

There is no danger of running out of avocados this year because Chile had a bumper crop and it looks like imports will reach close to 90 million pounds this year, almost triple from last year's 32 million pounds, Wedin said.

Chile typically ships avocados into the United States from mid-August to mid-December. This year, however, Chilean imports may continue into January, thereby creating even more overlap with the California season.

Chilean avocados have been selling for an average of \$20 per box this season, but recently they have been fetching prices as high as \$40 per box, Wedin said.

"The Chilean (market) is less of a barrier (to California growers) because prices are coming up and their shipments are coming down. The barrier is sizing and maturity of (California fruit)," Wedin said.

California growers most likely will wait to do heavy pickings until the end of December or early to mid-January when Californian fruit sizes up and the Chilean market tapers off, Wedin said.

"Growers aren't in a hurry to pick because they know there's not as much fruit to pick as last year," Wedin said.

"We should have a very steady flow of California avocados to the market starting in December," said Phil Henry, vice president of Henry Avocado Packing Corp., Escondido, Calif., "and we'll be increasing supplies every week after that so they'll be good supplies by the time Super Bowl rolls around."

Most handlers estimate that sizes will be the same as last year but that there will be an increase in No. 2 fruit because of greater problems with thrips this year.

Thrips are a new pest in the in-

dustry believed to have been introduced into Ventura County in 1996, possibly from Mexico. Thrips get onto the leaves of young fruit and eat the skin of the fruit. Thrips can consume the entire skin portion of an avocado, making the fruit look shriveled up like a potato.

"The amazing thing is, though, that the fruit is still good on the inside even though the outside looks really bad," said Bob Lucy, president of Del Rey Avocado Co. Inc., Fallbrook, Calif.

Damage by the pests in Ventura County in 1998 was under 5 percent, Wedin said. But because thrips appear to work in three-year cycles, Wedin predicts the problem will get more severe.

"This year, the damage will probably double and be under 10 percent. In the year 2000, I don't know what it will be, but we'll probably still have some damage," Wedin

said.

However, the Southern California cities of Fallbrook, Temecula and Riverside, escaped serious infestation, said Wayne Brydon, field manager at McDaniel Fruit Co. Inc., Fallbrook.

The primary damage was further south in Bonsall, Calif., and areas within 5 to 10 miles of the coast, Brydon said.

Some growers escaped thrips altogether, but 100 percent of a few growers' crops were damaged and will have as much as 50 percent of their fruit downgraded to No. 2s, Brydon said.

No. 2s typically sell for 10 percent to 15 percent less than No. 1s. The challenge is going to be marketing the smaller-sized No. 2s, but it poses no real problem, Wedin said.

See Overview, Page 2D ▶

## Overview

(From Page 1D)

"The fruit may look scarred on the outside, but it's still good inside," he said.

Foodservice buyers and restaurants, which seem to be growing in numbers, also may be less picky than retail supermarket chains

about buying scarred fruit, said Carmon Samples, a former retail sales account representative at Mission Produce Inc., Oxnard, Calif.

"Statistically, we hear that foodservice is still growing at a faster pace than retail stores. Consumers want convenience and more people are eating out more often, so restaurants are springing up faster than grocery stores," Samples said.

Wedin is trying to convince restaurants to buy smaller-sized fruit

by telling them that for less money, they can buy size 70s and get the same amount of pulp than they can from size 48s.

While volume and quality were a problem for hass avocados, the pinkertons were hit particularly hard last season and were down in volume by about 50 percent.

Normally, the pinkerton season is from Thanksgiving to April. But this year, Calavo may compress its season from January to mid-March

so that the company can at ensure customers with consistent sizes for a shorter period of time rather than trying to stretch the meager supplies out through the traditional season, Wedin said.

Harvesting for bacons and zutanos is right on time, said Steve Taft, president of Eco Farms.

The zutanos are selling in the \$10-12 range while bacons are going for \$14-15.



□ MEXICAN IMPORTS

# U.S. growers worry about flooding market

Potential risks outweigh the advantages of more imports, farmers say.

By Lisa Lieberman  
Special to The Packer

It seems like a simple concept: Greater fruit volume coming in from Mexico may eventually equal lower overall prices for the California avocado market. And if prices fall far enough, consumer demand should rise.

Theoretically, California farmers could sell more volume and potentially make more money as a result of more Mexican imports.

But some growers said that the potential phytosanitary risks of fruit coming in from Mexico far outweigh the possible advantages of increased Mexican imports. Some also said that it's too costly to grow more California avocados for lower prices.

Mexico was given permission by the U.S. Department of Agriculture to import avocados into 19 Northeast and Midwest states between November and February under the USDA Animal and Plant Health Inspection Service program.

Mexico imported 5 million pounds of avocados in the first month of this year's import season. Last year's imports were 13 million pounds, said Tom Bellamore, senior vice president for the California Avocado Commission, Santa Ana.

"It's just the beginning of the season right now, and it's hard to estimate how much (volume) will come in, but it looks like it could be double from last year," Bellamore said.

Mike Browne, president of Fresh Directions International, Ventura, Calif., still is banking on the theory that greater consumer demand will be an advantageous situation for

the growers, consumers and retailers.

Consumers are used to paying between 69 cents and \$1.89 apiece for avocados, but if the price went down to 40 or 50 cents, there would be more consumer demand.

The fear, however, is that too much volume could end up flooding the U.S. market and cause prices to drop too far. This year, for example, when Mexico exported about 30 percent of its export crop to the United States during the first two weeks of the season, prices ended up plummeting to \$10 a box, which caused the Mexicans to back off.

There are built-in checks and balances to the system, Browne said. For one thing, Mexico has its own strong demand for avocados and only exports about 4 percent of its total avocado crop.

So if U.S. prices plunged too far, Mexico would export to markets in Japan or Europe.

"There would be a built-in bottom line," Browne said.

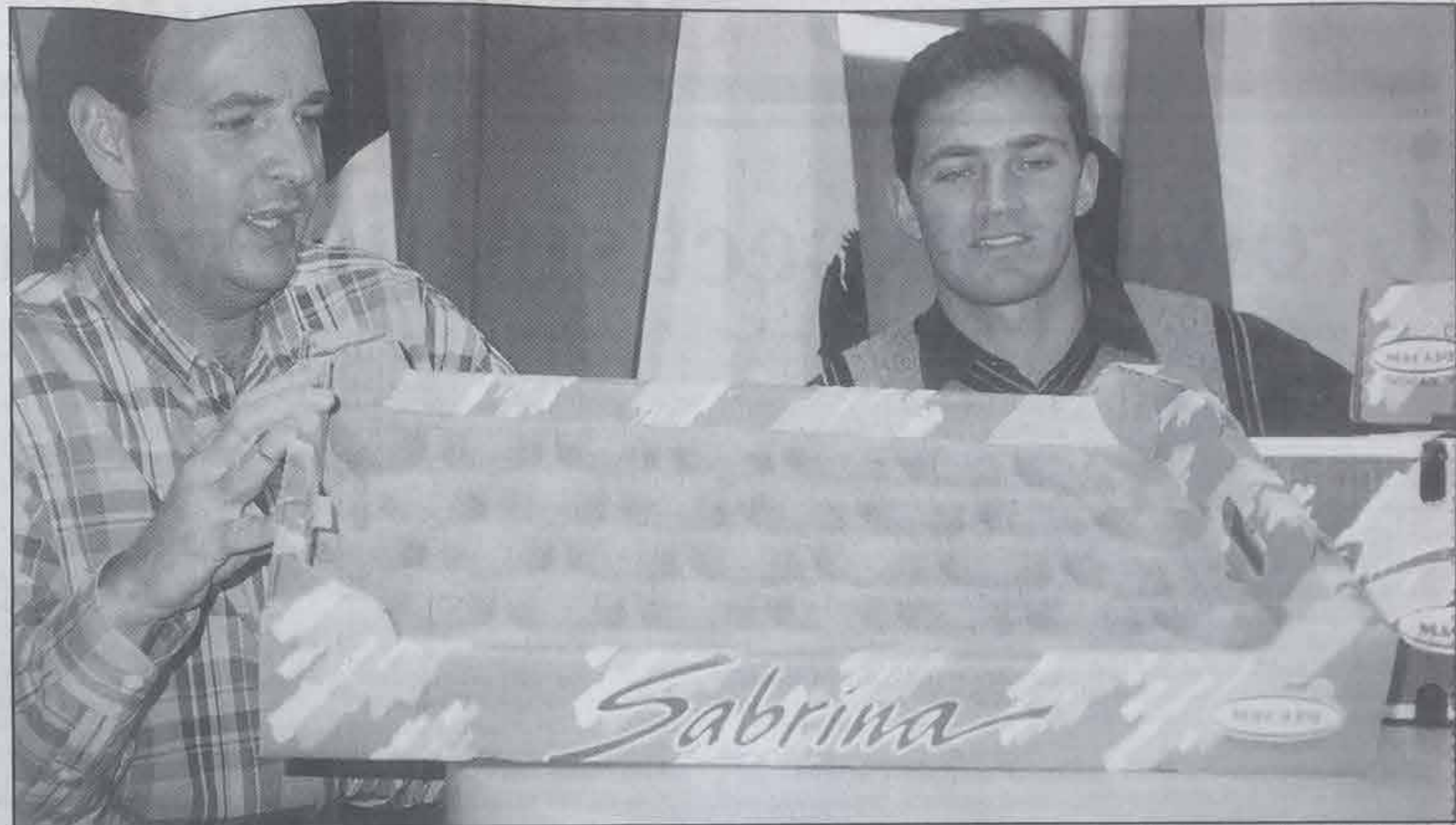
Price aside, there's also room for growth in American consumption of avocados, Browne said.

In Mexico, the average person eats 20 pounds of avocados per year, said Marcos Chiappe, the international sales director at Fresh Directions.

In the United States, consumption is only about 2 pounds per person per year, according to a 1995 USDA study.

The theory goes that once the price for avocados declines, consumers would buy even more of them, but the problem is that retailers aren't passing their cost savings to consumers.

Retailers can buy Chilean avocados for an average of \$20 a box, or half of what California avocados cost. But consumers rarely see prices fall below 69 cents apiece.



Lisa Liebermans/Special to The Packer

Mike Browne (left), president and chief executive officer of Fresh Directions International, Ventura, Calif., and Marcos Chiappe, international sales coordinator,

show off the company's 24- by 16-inch open-topped box. Open boxes mainly are used to ship Mexican avocados to Europe.

"If they're not going to pass the cheaper prices down to the consumers, they're not going to increase demand. And there's nothing we can do to make them lower the price.

"They don't want us telling them what to do any more than we want them telling us what to do," said one handler who wished to remain anonymous.

Also, chain stores are consolidating, which means that retail stores are less likely to compete against each other to offer consumers lower prices.

Even if retailers did reduce prices and consumer demand rose as a result, growers can't afford to plant more avocados for lower prices, some industry experts said.

The price for water in Southern California is about \$500-600 per acre-foot, or about double what it was 10 years ago. Labor costs also have increased in the last five to 10 years from about 6 cents a pound to

11 or 12 cents a pound.

And now that thrips are a problem, California growers are looking at spending an additional \$300-400 per acre for pest control, some handlers said.

Even for countries like Israel, where the cost of water and labor is cheaper than the United States, the avocado market declined when Mexico started exporting lower-priced avocados to Europe 10 years ago.

While some handlers admitted that allowing more Mexican imports into the country would drive down California prices, they also said that they were in a double bind.

While they want to get their growers the best possible prices, they also need to service their Northeast and Midwest customers during the off-season months so they don't lose business.

Randy Shoup, president of West Pak Avocado Inc., Temecula, Calif.,

got into the Mexico deal a year ago because he felt he had no choice.

"We're importing Mexico avocados primarily because we are an avocado company every day of the year," Shoup said. "That's our main business. And we need to be in that marketplace to service our customers.

"We can't afford to be out of the marketplace from November to March. But if I had my druthers, I'd like to see the whole operation in Mexico cleaned up.

"There's a tremendous widespread problem down there. Some areas are certified, and that's OK, but in a lot of other areas there's great (phytosanitary risks)," he said.

Aside from the phytosanitary risks, other handlers said that Mexico and other importers such as Chile have another situation in their favor.

While U.S. growers are assessed 4 percent of the gross price from

producer to handler — money that goes toward avocado research and promotions — growers in Mexico and Chile don't pay the same assessments.

But they may reap the benefits of California Avocado Commission promotional campaigns because consumers can't always tell the difference between California avocados and other avocados.

Another problem is that while U.S. avocados are tested for maturity at the packinghouses, Chilean imports aren't tested for minimum maturity levels until they reach the United States.

Therefore, Chile has an the ability to ship the fruit green because there is an extra two to three weeks for the fruit to mature.

Even if Chilean fruit doesn't meet minimum maturity standards upon reaching California, the Chileans have the option of shipping their fruit to other U.S. states.



a two-day delay between distribution, which con- rnk and extra labor costs. n, the tomato commis- nded that vendors deliv- ay as delivery day. hey didn't spend the time oduce) in the warehouse ing again," Ballecer said. ss-docking saved the million in a year. ke a simple solution. ese little tiny things that t," Ballecer said. small changes like prod- on supermarket shelves uge difference in sales,

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e in locating tomatoes is ortant for shoppers in a r said. ot have to worry about ement for the consumer ery night of the week and op. But most people inutes in the grocery g for food for a week. ... convenience is a no- ecer said.

By Lisa Lieberman  
Staff Writer

# Demand changing the mix

## Consumers eat more tomatoes, but more types share the limelight.

It used to be that the mature-green tomato fit all consumers' needs. But now there are vine-ripes, hot-house tomatoes, cherry tomatoes, grape tomatoes, romas and a plethora of other varieties vying for the same amount of supermarket shelf space that used to be taken up only by the mature-green.

Although consumer consumption has increased for several years — to about 19 pounds per person — tomato production still outpaces consumption.

The solution is not for tomato varieties to compete against each other for already limited shelf space in the stores but for the industry to work to increase overall consumption, said Ed Beckman, president of the California Tomato Commission, Fresno.

"If we're going to raise consumption, we're going to have to find new uses for tomatoes," he said.

And in order to do that, the industry must understand the principle governing consumers' buying and eating decisions: Consumers want convenience.

They want simple, fast, easy-to-make recipes, and they want it to be easy to find the tomatoes in the supermarkets, Beckman said.

"In the old days, we used to come up with recipes that tasted great that would be extremely lengthy to prepare. Now the average consumer doesn't want to spend more than 10 minutes in the kitchen," he said.

So now the industry has to convince consumers that tomatoes are simple and easy to use.

"We're going to have to teach consumers how to snack on tomatoes and how to incorporate tomatoes into their menus in different ways," Beckman said.

"In the old days, we used to come up with recipes that tasted great that would be extremely lengthy to prepare. Now the average consumer doesn't want to spend more than 10 minutes in the kitchen."

Ed Beckman  
California Tomato Commission



This year, for example, the commission has been invited by several retail stores to do in-store demonstrations.

"There haven't been a lot of demos in the last 10 years, but now more retailers are wanting demos to put some excitement into the produce department," Beckman said.

One example of a quick and easy recipe is to chop some tomatoes, onions and cilantro, sauté them and toss them on toasted French bread.

Consumers too busy to cook even simple meals can buy tomatoes to go with their precooked roast beef or beef stew to improve the meal's flavor, Beckman said.

In order to give consumers ideas about blending tomatoes with prepared foods, product placement in the supermarkets is crucial, Beckman said.

Beckman would like to see tomatoes placed in high traffic areas in produce departments, such as in the packaged salad areas, near the deli and near the home-meal-replacement centers.

"If the tomatoes are way in the back of the store, ... it's not likely to pick up the level of sales," Beckman said.

Beckman also would like to continue focusing on the health benefits of tomatoes, namely the recent finding that lycopene, a nutrient in tomatoes, helps reduce and/or prevent prostate cancer in men.

One retailer is planning a big promo-

tion linking lycopene and tomatoes on Father's Day.

"The store is going to be (selling) do-it-yourself pizza kits with (fresh) tomatoes (encouraging consumers) to bake up a pizza for dad because it's good for him," Beckman said.

Beckman also wants see some more tie-ins between bagged salads and tomatoes. When bagged salads came on the scene about five years ago, tomato consumption suffered.

There had been a strong relationship between iceberg lettuce and tomatoes, and when bagged salads became popular, consumers became more focused on convenience and forgot about adding tomatoes to their salads.

Now that the bagged salad industry has expanded the number of salad offerings, produce departments have been affected even more, with demand for cucumbers and bell peppers declining, Beckman said.

However, consumers are beginning to buy more tomatoes. But retailers need to make it easy for them.

"Stand-alone displays (near the bagged salads) or extenders underneath the prepacked salads are not a surefire method that works in all cases. But by putting tomatoes in extenders (under the bagged salads), you will trigger some impulse sales," Beckman said.

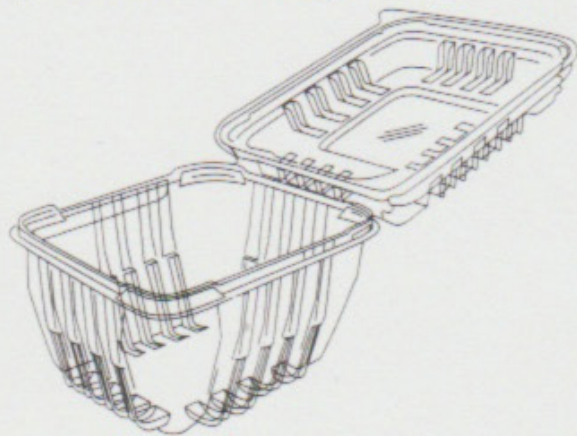
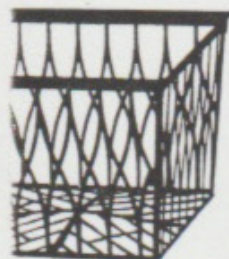
By Lisa Lieberman  
Staff Writer

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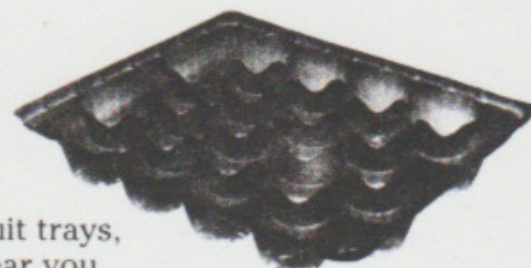
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