Perishable Pundit Podcast
New Episode: PMA/United Merger — What is Gained/What is Lost?

Jim Prevor's Perishable Pundit, May 16, 2021

How best to move ahead? It is the question for each of us as individuals, as executives for our companies and, as leaders, for the industry as a whole. What technology, what institutions, what ways of thinking can help us best address the future.

Podcasts have become a hot form of communication, so we've been using this new technology to present our Perishable Pundit Podcast.

You can listen, watch a video or read the text of our Premier Episode at this link:

Destructive Protests Hurt The Ones Most In Need

The second episode — and a list of industry luminaries who were kind enough to send in praise — is at this link:

Despite COVID-19, Schools Should Not Throw Away A Student's Shot

The third episode, which had by far the largest listenership, focused on the sad death of the man who played many roles, including that of Black Panther, in the Marvel Cinematic Universe (MCU):

CHADWICK BOSEMAN’S UNTOLD STORY
What Hasn't Been Said About His Extraordinary Family, Community and Personal Effort

Now just as United and PMA are seeking ways to use new technology and new ways of thinking to move ahead, we thought we would turn closer to home and discuss the merger between PMA and United. It is an issue we have, literally, been discussing for decades, in speeches, in print and here at the Pundit.

We've recently commented on the issue in our Fruits of Thought column in PRODUCE BUSINESS magazine in a piece titled How United and PMA Got There — Three Lessons:

There was a time when the association that is now known as the Produce Marketing Association was called the Produce Prepackaging Association, and it was in such a difficult state that it pleaded with the then-much-larger United Fresh Fruit and Vegetable Association, now the United Fresh Produce Association, to absorb the troubled association. United saw no value and passed, expecting the Produce Prepackaging Association to go out of business.

For those who have paid attention, perhaps one of the greatest business lessons our associations have ever taught the industry is that a generosity of heart can sometimes be a smart business move.

The board of that troubled prepackaging association did not give up. It reinvented itself into what we today call the Produce Marketing Association or PMA.

The decision was made to reorganize the association to focus on the buying end of the fresh produce industry. Indeed, it was decided at one point that a majority of the board had to be composed of buyers. The organization was recreated along buying channels, particularly retail and foodservice, and all the things the association did were driven by what the
buying community saw as a priority.

Many growers, packers and shippers, even those who bridled under the idea that buyers should dominate in a produce association, soon noted something important: That the association events — board meetings, trade shows, etc. — were attracting many key buyers.

There were other issues... United’s convention was in February, and this was chosen because there was not as much business being done at that time of year. The industry changed though. Imports from Chile, Mexico and the Caribbean turned February into peak business time for many in the industry. PMA’s annual convention, renamed Fresh Summit, was in a kind of industry shoulder season between the peak summer of domestic production and the winter of counter-seasonal imports. When PMA moved into floral, United staffers bridled at the restraints their February event, right around Valentine’s Day, posed on getting floral participation.

In the end, the produce industry found itself in a dilemma. PMA became, by far, the larger and more affluent association. While United, with responsibility for industry government relations efforts, was carrying a substantial financial burden for the trade.

For decades, the industry struggled to resolve the tension in having two national associations with the money going in one and the expenses out the other! Merger was discussed and studied many times. Each effort collapsed.

Here is another lesson that studying the associations brought to those paying attention: So much of life, and business, is personal.

There were two CEOs. Neither was ready to retire, and the boards weren’t ready to let the “other” run the association. So all fell apart.

Now it has been announced that United and PMA will merge. There will be one year in which the CEOs of both associations, Cathy Burns at PMA and Tom Stenzel of United, will jointly run the association as it is being redesigned for the future. Then Cathy will take over the combined association.

Why now? Well, with COVID, it concentrated the minds of industry leaders on economies. It highlighted the idea that government relations might be strengthened with unity and, truth be told, Tom and Cathy get along better than Tom and PMA’s previous CEO, Bryan Silbermann, ever did. Plus Tom, having served 28 years at United after a 15-year career at other associations, is willing to move on.
What will happen next is unclear, intentionally so, because revealing a lot up front would raise opposition. Most of the employees are in Newark, DE, which was chosen simply because in 1958, Bob Carey, a graduate student at the University of Delaware, was given the job of “Executive Secretary,” and so they moved the association from New York City. United, and its government relations efforts, are headquartered in Washington, DC.

So far, the only change announced is that United’s annual convention will consolidate into PMA’s larger event. People wonder about the future of the Produce for Better Health Foundation and the two associations’ foundations. Are these the next to roll up?

There is some uncertainty. PMA has worked hard to build a global footprint, yet it is not clear how that fits with an association handling government relations for US farmers in Washington, DC. PMA’s leadership in global relations was important when the produce world began to open globally, but it is not as clear that this is needed today. Of course, the new association can do trade shows, conferences and webinars — but it is not clear that these functions can only be done by an association. The National Restaurant Association sold its giant NRA show just before the pandemic. If the new combined association received an offer to sell its trade shows and its headquarters office, and the industry was left with a $100 million-plus fund, what would the industry think best to do with that money?

What is really of value to the industry may be hard to ascertain. There is a big discount on buying a booth or attending an event if one happens to be a member. One wonders how many members the associations would have, and what each member would pay, if there were no such discounts — if the only reason to join was to support the work of the new association?

This perhaps points to the third great lesson these associations have taught the industry: There is never an end to the work to be done... that only through constant innovation and re-creation can the future be built.

There are so many board members, staff members, volunteers, contractors and more who have done much for the industry, and many of their names have passed onto the great beyond. Let us see this combination as a tip of the hat to all who came before and a salute to a future yet to be written.

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There is a broader take on this important industry milestone, and in the latest episode of the Perishable Pundit Podcast, we thought we would analyze the role of trade associations, the positive and the bittersweet in this merger, and the hope to use such change to move the industry forward. You can listen, watch video or read the text below:

Business and industry in America often depend on trade associations to move ahead.
Part of the issue is how to interact with government. Another issue is how to give broader meaning to the lives of a company’s employees and, then, how to reach beyond the industry to build consumer demand.

So it raises many issues and brings many thoughts that the two national trade associations in the produce industry — the Produce Marketing Association and the United Fresh Produce Association — have announced plans to merge.

It is both personal and professional for me…

My family has been in the produce industry for generations. My great-grandfather, Jacob Prevor, took over the family’s long-established produce wholesaling business just outside of Kiev when he was a young man. He grew the business substantially and was successful — but he grew concerned that the future for Jews was not bright in what was called the Pale of Settlement, part of the Russian Empire.

So he decided to explore a new opportunity. He boarded a ship and he took his family to America… where they settled in Brooklyn, New York, and he opened a produce wholesaling business in the Wallabout Produce Market, now part of the site of the Brooklyn Navy Yard.

His son, my grandfather, Harry Prevor, crossed the East River and moved the family business to the Washington Street Produce Market in Manhattan, not far from where the Twin Towers would come to stand. There he opened a wholesale produce operation while also becoming a large buyer at New York’s two fruit auction houses, The Brown & Seccomb Fruit Auction Company and The New York Fruit Auction Company.

In time, my father, Mike Prevor, would move the family business to the new Hunts Point Produce Market located in the Bronx. It was a kind of involuntary move, as the City had decided that the hustle and bustle of the fruit market was not appropriate for the modern city.

I worked in my family’s produce enterprise on Hunts Point where I decided to launch the first magazine to serve the trade, called PRODUCE BUSINESS. That company has grown to include other magazines, web pages, trade shows, conferences and more — all to serve the industry.

During the spread of these many generations, my family and I have engaged with numerous trade associations to help
our own business advance and to advance the larger produce industry. My grandfather, Harry Prevor, also served for many, many years as the Chairman of the association that served the buyers at the fruit auctions, which were the most powerful buyers in the industry at the time.

In further time, that association merged into what is now called the United Fresh Produce Association.

The role of trade associations in America is quite exceptional. No less a visitor than Alexis de Touqueville, the French civil servant and writer from an aristocratic family, was to marvel when reflecting on American society following his visit to America in 1831 and 1832 about the truly American phenomenon for forming “associations” of all types — political, civil, social and professional.

Today, to a large extent, government relations is the key purpose of most of these professional or business associations. Some of this, of course, is for educating our elected officials about our particular needs.

Government authorities don’t typically have deep knowledge about the industries they regulate, so industry efforts at government relations do the useful, and important, work of helping the people in-government to better understand the industry and industry needs. Obviously, this impacts employment, tax payments, exports and many important areas of concern.

Yet there is a kind of duopoly that makes this interchange between government and industry difficult.

On the one hand, there exists a certain fear that individual companies, or an industry as a whole, will try to coopt the government… get the government to do things in favor of industry or corporate interests — but these things may not be at all in the public interest.

Looking back at the great Spinach Crisis of 2006, I remember how difficult it was to get the government to let the industry be part of the discussion. It became clear that many key players in the government, though wanting, of course, to solve the problem, were even more afraid of being attacked for allowing private enterprise to manipulate the process.

This led to bizarre and expensive overreach. For example, we quickly pointed out that whatever the problem was at the source — that is to say, the one packing facility in California which was quickly identified — there was zero reason to make some poor farmer in the Carolinas plow under his spinach.

Yet the powers that be were so hesitant to take advice from industry that many businesses suffered unnecessarily, and many consumers were deprived of delicious and healthy food.

On the other hand, Theodore Jay Lowi, known commonly as Ted Lowi, recently deceased but a longtime professor in the Government Department at Cornell University, spoke of an “iron triangle” where particular interest groups focus on Congressional Committees or Subcommittees that have jurisdiction in areas of concern.

Typically, the members of Congress on these committees are interested in and sympathetic to industry causes. So, for example, the ag committees tend to have representatives from ag districts and states. It is not uncommon for industry to actually draft proposals that are fully adopted by subcommittees, committees, then all of Congress and signed into law by the President. This is especially likely when there is not broad public interest in, or attention paid to, such a policy.

Being presented with such a new law, it is not surprising to learn that people working in regulatory agencies will often go back to the industry (which, after all, often proposed and drafted the new law) to find out how it might best be executed.

This “iron triangle” — industry, legislators and bureaucracy — is often, and with good cause, criticized. It seems unlikely to prioritize the needs of the poor or those unable to have an interest or the ability to engage in the lobbying process. With government employees — from legislators and Cabinet secretaries to staff on committees and agencies — thinking ahead to jobs and their own futures, it is easy to see how the three corners of this triangle become self-reinforcing and, almost,
Still, like it or not, this is our system, and it is why almost every industry and almost every major corporation and union maintains government relations efforts.

What is, perhaps, less clear is what else trade associations are there to do.

Of course, regional associations, such as the Florida Fruit and Vegetable Association and the Western Growers Association, have regional interests to represent, and the associations find ways to fund these efforts. Western Growers Association has a substantial insurance operation, for example. As they explain: “we provide more health benefits to the ag industry than any insurance carrier.”

The Produce Marketing Association, in its latest filings, shows that in a pre-pandemic year, about 80% of its revenue comes from putting on Fresh Summit, its annual trade show and convention, and various conferences and events. This almost certainly understates the importance of these trade shows, as many companies that are members surely elect to be members in order to get a discount on buying booths.

If no such discount was offered, many would surely not join, or they would insist on lower dues. So, maybe, 90% of association revenues can be traced back to being in the business of doing events.

Years ago, I was called in to run a strategic planning process for United, back when it was called the United Fresh Fruit and Vegetable Association. The association was going through troubled times. Part of the issue was that, over time, an unusual divide had occurred in the produce industry. United had taken on the responsibility — and expense — for running government relations for the industry.

At the same time, with its focus on buyers and events, PMA had come to run the most profitable industry events. In the end, our efforts at strategic planning for United included explaining and emphasizing to the production side of the industry the necessity to directly support United’s government relations efforts. For the most part, the effort was a success.

Now the decision to merge PMA with United has virtually unanimous support in the industry. To most, it just makes sense.

Why have two associations? What is the point? Of course, we all hope the industry will save some money — no need for two CEOs, etc. Many also hope their own companies will experience savings.

I was recently given a private communication between one industry member and an executive of one of the associations, who was trying to maintain the sale of a booth. The produce company wasn’t interested, and its next query to the association was whether it could avoid paying duplicate dues to the two associations.

There is some concern that everything isn’t being said.

Right now, the only actual economy mentioned is that the United Show will consolidate with PMA’s Fresh Summit event.

One can’t help but think that there are plans beyond that.

There also is a kind of uncertainty at the core: For years, PMA has worked hard to expand its international footprint. Yet it is unclear how this works with an association focusing great effort on US government relations.

The biggest challenge, though, may be the very future of a vertically integrated produce association. Most industry associations are horizontal — meaning that they represent one class of trade. In other words, the Food Marketing Institute represents supermarket chains, not their suppliers. The National Restaurant Association represents restaurants, not their vendors.
Of course, there is great value in a supply chain being able to work together, but the industry has changed. There was a time when retailers were regional, and none, on their own, were capable of forcing industry change. Now, many concepts are rolling out nationally, think Walmart, Costco, Whole Foods, Aldi, Lidl and Amazon.com. Others, such as Kroger and Albertsons, have swallowed other regional companies to become national entities.

In any case, these companies are now so large, with such resources, their need for associations to make things happen is much less than it was when Dick Spezzano was running produce for Vons or Bob DiPiazza for Dominicks.

We’ve also found the attitude toward produce associations is different… Produce has become much more important at retail. As a result, many top executives want to do a rotation as a top produce executive. But they are not produce people. They come from CPG departments, non-foods and perhaps go on to other perishables departments, all on the way up the ladder.

One also senses that with fewer and bigger players, legal departments are cautious about their executives being in the same rooms with executives from competitors.

For sure, many of the association staples that once were very valuable have become less so. In an age when vendors have quarterly meetings with retailers, when zoom calls connect buyers with sellers around the world — where is the value going to come from?

There seems to be a consensus forming to have the new combined association fight for efforts to boost consumption…. though whether the industry is really willing to pay the price is still unclear.

I have always found joy in our trade associations. I remember a man from Del Monte coming up to me at the PMA Convention in San Francisco, back in 1985, where we launched PRODUCE BUSINESS magazine, and he told me of his engagement with my great-grandfather so many years go.

I was invited to keynote a show that PMA was doing in Australia via its affiliate there, and I took my then-teenage son. A man approached him, upon seeing his badge, and asked him if he knew Mike Prevor, my father.

My son explained that Mike was his grandfather, and the gentlemen told him a story of how he came to visit my son’s grandfather as a very young man to introduce him to an unknown fruit which would later come to be called the kiwi.

He told my son of his grandfather’s acuity in business and how he analyzed the kiwifruit and its opportunities. He also told my son of how my son’s grandfather invited him out to his house in Long Island, and how when he knew nobody in America, he was treated as a friend.

The merger of United and PMA is right.

It will bring about efficiencies.

It will allow the industry to be more effective in many ways. Yet the passing of time, the move to greater efficiency, the growth of national chains — it is all good, yet still, a little bittersweet.

There is nothing to do. There is no way to avoid it.

But, sometimes, with each gain comes a loss.

With progress, comes regret.

I hope the purpose-driven industry of tomorrow will still, somehow, find a way to build the relationships that have made
engagement with the produce industry not just a job, but a source of true joy.

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