Under Michael Castagnetto’s Leadership, Robinson Fresh Launches Its Own Brand

Jim Prevor's Perishable Pundit, January 19, 2021

C.H. Robinson launched its Robinson Fresh unit at The London Produce Show and Conference back in 2014, so we can really say we were there at the beginning. Now, Robinson Fresh is adding a namesake brand to its corporate identity. We asked Pundit Investigator and Special Projects Editor Mira Slott to find out more:

Michael Castagnetto
President, Robinson Fresh
Eden Prairie, Minnesota

Q: We’re intrigued to learn more about your major pivot from a behind-the-scenes, global sourcing/logistics powerhouse to a consumer-facing Robinson Fresh brand. Thank you for sharing insights on strategy and retail impacts.

A: Why don’t we just dive right in? Mira, we’ve been really trying to evolve our story of who we are in the produce industry for several years now. You’ll see in our new branding and our packaging the nod to our history of delivering freshness since 1905. We felt that it was important for us to really start to drive some consistency and focus in our brand as well as gain some recognition for the scale in which we engage our customers in the industry.
Robinson Fresh is the exclusive marketer of several licensed national consumer brands, including Mott’s, Welch’s, and Tropicana, but also owns the proprietary brands of MelonUp!, Rosemont Farms, Happy Chameleon, and Tomorrow’s Organics, which will now consolidate under the Robinson Fresh brand through a phased transition.

We’re realistic, Mira, certainly in how we engage consumers at retail, in digital and through the packaging itself. Our primary method of this brand is going to be to help our customers tell a better story to their customers in the produce department and online.

Q: How will the Robinson Fresh brand be used? Is the intent to market it and turn it into a brand such as Chiquita, Del Monte, Ocean Spray, etc.? Or is this more a private label for stores that can’t do their own?

A: I guess I’d probably say neither. This brand is to help Robinson Fresh tell our story, and we certainly do that through our customers and through the packaging, but we’re realistic of who we are in the marketplace. I’m not going to have the gall here and tell you that we’re trying to replicate Del Monte or Chiquita in the marketplace.

But we do believe our brand will help our customers tell a really strong story to their consumers. We think it will connect with people’s desire to have healthy lifestyles and to consume fresh produce more and more, especially in light of the pandemic. And as well — as we’ve seen buying patterns shift to ecommerce and online platforms — having a consistent brand is going to be more and more important for our retail customers. And we think this new brand and packaging will help them in this regard.

Q: Can you elaborate on the consistency issue, and why your branding strategy deals with this problem.

A: Sure. We are unique in that we market commodities across the entire department. Whether it’s greens, dry vegetables, melons… we help our customers department-wide, and we’ve done that up to this point with a multiple of brands. We made the decision to put one brand on it and to represent who we are, because we think now is the right time to do that. We think it’s important we get the recognition, certainly for the scale in which we are engaging with our customers. But we also believe it’s much easier for our customers to tell a story focused on freshness and quality, and to provide the consumer with that healthy product mix if you do it with one brand across all those products.

Q: What is the scope of the products that will carry the Robinson Fresh brand? Could you give us an understanding of that scale and the volume of produce items marketed under that label? What is the timeline for the rollout of the Robinson Fresh brand to retail shelves?

A: Certainly, the initial product rollout is going to happen in the greens category and the dry veg category, so peppers,
cucumbers, chiles, those type of items. But really, Robinson Fresh markets across the whole department, so you’ll start to see the brand as Q1 finishes and into Q2 in tropicals, in melons, and then you’ll start to see it in items like corn and other commodities as we get into those seasons.

Q: Are you focusing on particular retailers to launch the program, or is it across the board?

A: We currently work with 50 of the top 75 retailers across the country. So the brand will be hitting those stores as we roll items out, certainly in the commodities we do with that retailer, so it will vary by customer. We expect that rollout to take us mostly through the first half of 2021 to get through our commodity mix and kind of finish the process.

Q: Is there any way you could give us some numbers on the quantities of products that will carry the Robinson Fresh brand for perspective on how large you are and what this means? Is this going to be a situation where consumers walk into a supermarket produce department and see the Robinson Fresh brand in a noticeable way?

A: I don’t think we can give you numbers like that, but we know we’re lucky to have relationships with the leading retailers in the country. We believe that through those relationships you will see our brand in many customers of ours, and I do hope when you walk into those stores, you see our brand all over the place. But I think that will vary based on the time of year and the customer.

I’m really excited that when you do see that brand, you’re going to recognize our story. I think you’re going to see phenomenal looking product in really, really well designed packaging that conveys why you should pick that product up.

Q: How will the consumer branding fit within your company’s other businesses? Is this complementary? Are there synergies you can capitalize on? Are there any challenges you face?

Could you talk about the logistics aspects of bringing this consumer brand to fruition?

A: I’d say the first thing is Robinson Fresh has always represented the best combination of who we are at CH Robinson, and Robinson Fresh as a division of that. Robinson’s history started as a produce company in 1905, and when we tell our story, it’s rooted in the combination of fresh produce and complex supply-chain solutions, and definitely over the past few years, the integration of technology and information advantage to supplement those two core aspects of who we are. So, I think if you asked the other folks at CH Robinson, they’re as excited as we are to see our brand in the marketplace, because I don’t think anything represents commitment to complex supply-chain solutions more than fresh produce does.

Q: How is the internal structure of Robinson Fresh repositioning itself to drive your consumer-facing Robinson Fresh brand? Is there a new division, for instance?

A: Robinson Fresh is already a division of CH Robinson, so this is really just a shift in how we market products to retail customers. We’ve done that with other internal proprietary brands up to this point, and we believe now is the right time for us to shift that into a single brand. We believe that will best represent who we are, and that is Robinson Fresh.

Q: Will your consumer-facing brand always be the Robinson Fresh brand on your products? Will there be iterations or other names to complement it, or will the Robinson Fresh signature represent all your products on retail shelves?

A: The answer is yes. We are going to consolidate all our branded products under one name. We do recognize that will take some time as we do the product rollout. We expect that to be done by Q2, and at that point, you are right, our products will be marketed under Robinson Fresh.
Q: What impact do you think this will have for the industry more broadly? Do you see this move as transformative in any way?

A: This is transformative certainly for us, and for our team. It will help us tell a much better story for our customers combined to hopefully move much more fresh produce to consumers. We are one of the largest produce providers in the industry, so I think for others to see our commitment to our own brand, at a transformative time in the industry with so much going on, it’s a big deal for us, and we hope it ends up being a transformative event for our customers.

Q: Could you address some of the challenges to create a well-recognized, and well-respected consumer brand in the produce department? (For instance, maintaining consistent quality; the fluctuating flavor profiles with varieties, seasonality and mother nature vs CPG products.) There are relatively few stand-out brands amid a cornucopia of unpackaged produce, towering loose item displays, etc.

Your consumer branding strategy coincides with trends in increased packaging, and the exponential rise in online/omni-channel shopping, which comes with its own trials, which were recently highlighted in our article, Gina Garven, Vice President of commercial development and analytics at CH Robinson. …

A: We’re very lucky to have our own analytics team to research consumer trends to understand how to better utilize packaging and the combination of packaging and brand to meet the consumers where they want to buy.

You are correct that the produce industry has not been a heavily branded industry, but brand consistency and the ability to tell your story correctly is going to be more and more important as consumer buying shifts, not only in store but also to an online platform, where you need to be able to tell your story quickly and effectively.

So, we believe the time is right for us to be in-brand, to be in the brand that represents where we are in the industry, and we feel very good based on the research our team has done that the brand and packaging represents who we are. It connects with the consumer and the trends that are important right now — healthy lifestyles and their desire to see the product they’re buying is high quality and fresh. So, we feel very good the story we’re telling is correct for the time, and we’re excited for the opportunity to launch this brand.

Q: The pandemic has expedited the trend toward online and omni-channel shopping, and it exposed challenges with that platform, such as inaccuracies or confusion with the way produce items are portrayed online, quality issues related to selection and delivery logistics, and how that can affect a brand’s image. Can you discuss these problems as it connects to your brand strategy?

[Editor’s note: With great foresight, Robinson Fresh introduced its proprietary omni-channel research at its European headquarters during the landmark omni-channel 2018 Amsterdam Produce Summit.]
A: Yes. I think you listed off a bunch of great reasons why now is the time to launch a brand that helps us be very consistent with how we tell our story. When you shop online, you want to see what you’re buying, you want to know what that product is, from having the right images, having the right copy and communication, and we believe we’re in a great position to execute on that, to help our retail customers execute that on their online platforms. The need to do all those things — make sure to offer consumers a strong e-commerce or online shopping experience — is even more reason we knew we had to have a consistent and focused brand message for the products we offer our customers.

Q: Did you get requests/feedback from your customers for this branding? What are the key points you want to get across here?

A: The most important thing we want our retail customers to know is that Robinson has always delivered high quality produce through the combination of produce expertise and complex logistics solutions. This brand is really just helping us tell that story more directly and consistently to them and the consumer. You see it in our packaging message, delivering freshness since 1905.

We’re very proud of who we are, and the solutions we bring our customers, and we think that combination of high-quality produce, complex logistics solutions, and the information and technological advantages that we have will be told through our customers and extremely well through this new brand.

Q: Could you talk about the marketing, merchandising and promotional plans for the Robinson Fresh brand? Will you be working with different retailers on customized programs, or is this more of a national brand concept, where you just deliver the products and produce departments integrate them in the mix, and do their own marketing and promotion? Are you also looking to do a consumer media/social media campaign to interface with consumers directly?

A: I’d say it’s a little bit of all of that, depending on the customer. We’re going to focus on the front side on digital and make sure we get our message out to as many folks as possible. Certainly, in light of the pandemic, it’s changed how we might normally do a product launch. Based on the time of year, we might have been launching this at The New York Produce Show, and had a great outlet to share the information there. But that’s just not happening right now.

We’re going to focus on the digital aspect of it and work directly with each customer to make sure they get what they need. They all go to market in a different way, and need different levels of support. But we’re very confident our marketing team is ready to help them support our customers in any way they need. And we’re excited to get the product into the marketplace.

Q: When you say digital, that’s mainly with the trade then? Will there be a concerted effort to go direct-to-consumer in the
future?

A: As we talk about social media approaches, we’ve primarily focused on LinkedIn because we’re a B2B company, but knowing we need to connect with consumers in-store and with online opportunities, we’re making sure recipes are available, so they know how to utilize the product. We’re becoming more active on Instagram, and the more consumer-focused channels are really where we’re starting to lean. We know we’re not going to go overblown too deep, but we’re making sure we can relate and absolutely connect with consumers on the right online channels.

Q: From a personal standpoint, could you share a little about your career leading up to this news. I remember you were one of the PRODUCE BUSINESS 40 Under 40 Award Winners at age 32 back in 2009!

A: All you did is make me feel really old there! I’ve been in the industry since 1998. I grew up in Salinas, California, an agriculture hotbed of the industry. I’ve been with Robinson since 2005 and I’m on the Board of United Fresh. This is my career. I’ve never worked in any industry but fresh produce.

Q: When you received your 40 Under 40 Award, you were director of operations at Foodsource, a C.H. Robinson Company. Much has transpired since then. Your future goals included the continued evolution of the company’s role as a vertically integrated service partner to customers, while simultaneously identifying opportunities to pursue expansion into the global economy. And now, as president of Robinson Fresh, you’re championing this multi-faceted integration with a consumer-facing brand on store shelves…

When did the decision take place to create this all-incompassing Robinson Fresh brand?

A: We launched the Robinson Fresh name in 2014, and really over the past several years as we’ve evolved our strategy and our story, we’ve come to the realization we needed to be much more consistent with how we told that story through our products. Near the middle to end of 2019, we made the decision we had to have a much better product and brand-based strategy. It really became apparent pretty quickly the best way was directly under our own brand, to tell our story of who we are, delivering freshness since 1905, and being such an integrated part of the fresh produce industry.

Once we made that decision, it’s been really exciting for us to work for the last year developing the brand, the packaging and the story, and we couldn’t be more positive about the direction we’re heading and to let the marketplace see this unfold.

We wish Michael Castagnetto and the whole Robinson Fresh team good luck with this rollout. There is no question that, in some ways, this is a no-brainer. After all, it is easier to market and support a brand if you are dealing with a larger base of products.

Yet, you have to admire the gumption of the team at Robinson Fresh to want to make this happen. The big growth in grocery is in private label, and Robinson Fresh has been a leader in licensing well known consumer names and applying them to fresh… which is where Mott’s, Welch’s and Tropicana come in.

This is something different. Although it will have the advantage of many consumer impressions in the produce department, there is no indication Robinson Fresh will be spending big bucks on TV to roll out a national consumer brand.

With brand display, in-store marketing and some use of social media, the question is whether Robinson Fresh can make consumers confident that the brand means quality.

It’s an audacious goal, but if they succeed, consumers will be more confident and thus more willing to buy. That would help producers and retailers both, so let us wish them well in this brave new world!
Sometimes buyers forget that in this industry there are no factories. We are dealing with live plants, real weather events and much more. Recently Central America, the heart of the banana industry for North America, has suffered severe damage from hurricanes. What does this mean for the banana industry? We asked Pundit Investigator and Special Projects Editor Mira Slott to find out more:

Renato Acuña Delcore
President of
Dole Fresh Fruit International
San Jose, Costa Rica

Q: I appreciate your taking on my extensive questions to help us cover this important story in more depth, and to alert retailers of the impacts and key information they need to know.

A: Thank you for placing attention to this critical issue. Back-to-back hurricanes, Eta and Iota, have devastated banana production and entire communities in Honduras and parts of Guatemala across the industry, yet it’s largely not been reported because of other headlines owning recent news in both the trade and consumer media.

In fact, even some retailers are not aware of the magnitude of what’s happening there. The extensive damage will dramatically limit supply volumes from both countries for the foreseeable future and will require major investment to return production to normal levels.
Q: This devastation comes as the affected countries have grappled with the coronavirus pandemic and subsequent economic crisis. As an industry expert, your insights will be invaluable to aid the industry in navigating the best paths forward. To start, could you tell us about your background and responsibilities at Dole?

A: I started as a financial analyst in Costa Rica back in 1982. Since then, I have worked in Colombia, Honduras, and Ecuador in different positions. I assumed full responsibility for the fresh fruit business in 2014.

Q: Based on your experience and proficiency in handling a range of challenges, what are the key points you want retailers to know about the impacts of the recent hurricanes Eta and Iota?

A: The hurricanes had a devastating impact on the banana supplies earmarked for the U.S. from Honduras and Guatemala. Industry estimates that the supply volume loss could be as much as 20% of the U.S. supply volume. To continue to support the consumer market, suppliers will be sourcing from multiple non-affected areas in other countries and navigate logistics challenges in shipping, trucking and ripening. This will represent multimillion dollar incremental costs for the suppliers.
Q: How could this crisis impact retailers’ banana purchases and marketing/promotional programs? What strategies do you recommend retailers take based on these circumstances?

A: Suppliers will do everything to comply with their contracted volumes but at a very high cost. These costs are the logic behind the **force majeure** surcharge established by the largest banana importers to the U.S market.

*In relative terms, bananas are a very low cost, very high value fruit. Under ideal circumstances, the retailers should be able to pass on the incremental cost to the end consumer. The average retail sale is about three pounds of bananas, and this extraordinary cost increase will represent less than five cents a pound. I believe that even at this price level, bananas will continue to be the best option for consumers in terms of value, and therefore should not affect sales. We do not think that any major changes in marketing and promotional strategies will be required, given that the price increase is relatively small.*

*Increases to the consumer prices are so low that it will not likely impact retailers’ marketing and promotional strategies. That was the case back in 2011, the last time the industry faced a similar situation.*

Q: For context, how important are banana sales to U.S. retailers? Do you have data to give scope and perspective?

A: Bananas have always been the top sales item in produce and a major element of grocery retail — nearly 1% of total store sales. Often consumers make judgements on retail stores based on the quality of their produce departments — and, more granularly, the produce departments themselves are rated on their bananas — how robustly they are stocked, how they are merchandised, the color and blemishes of the fruit itself. To this point, retailers in the U.S. put a high level of importance on their banana programs to draw consumers in and keep them coming back.

Q: Could you provide perspective on the size of the banana industry, and key production areas? How much banana production is done in the areas impacted by the hurricanes? Could you talk about Dole’s business, and also more broadly?

A: We updated the table with actual information for 2020. In the short term is not possible to increase volumes from non-affected areas, quite the opposite, the very heavy rainfalls have stressed the plantations and production should be lower. It is probable that volumes from non-affected countries will be redirected to the US market at a significant increase in costs. The impacts to industry volumes are anticipated to be at least two years.

*The Latin American banana industry exported approximately 237 million boxes of conventional bananas to North America in 2020. Central and South America — Honduras, Guatemala, Costa Rica, Ecuador, Colombia, Nicaragua, Peru — are core*
production areas for the industry, as are Mexico and Dominican Republic.

The extensive damage will result in limited volumes from Honduras and Guatemala for the foreseeable future and will require a multimillion-dollar investment to return production to normal levels. In addition, the sourcing of consistent, high-quality product from alternative sources will drastically increase industry costs due to strained supplies, higher cost of fruit, and changes to vessel logistics. For this reason, non-affected countries will probably redirect fruit to the North American market to meet contractual obligations.

For 2021 we anticipate a loss of over 40 million boxes in Honduras and Guatemala.

### North American actual volume 2020 – conventional bananas

<table>
<thead>
<tr>
<th>Country</th>
<th>Millions of boxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>110</td>
</tr>
<tr>
<td>Honduras</td>
<td>25</td>
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<tr>
<td>Costa Rica</td>
<td>47</td>
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<tr>
<td>Colombia</td>
<td>11</td>
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<tr>
<td>Ecuador</td>
<td>26</td>
</tr>
<tr>
<td>México</td>
<td>16</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>237</td>
</tr>
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Q: Are you able to quantify the extent of the damage and what it will take to rebuild and return production to normal levels? What is your assessment? (For instance, there were reports on November 10 that half of Honduran banana production was lost following Hurricane Eta. The Honduran banana sector reportedly estimates that around 8,000 hectares of plantations have been lost due to flooding from Hurricane Eta. This estimate would represent around half of the total hectarage in the Central American country).

A: It has been estimated that about 50% of Honduran production areas and 20% of Guatemalan production areas were destroyed by the hurricanes, and the rest of the area will see a negative impact on yields. The replacement of these areas will require hundreds of millions of dollars and at least three years.

- The storm has impacted more than 5 million people in the region, and over a 100,000 people are still living in shelters.
- ETA & IOTA produced over 200 fatalities across Central America.
- Economic damage in Honduras alone is estimated at over $10 billion (USD). About 20% of the population has lost all of their assets.
- During their passage, ETA and IOTA affected vulnerable communities across Nicaragua, Honduras, Guatemala and El Salvador.
- The economic and social consequences in the short and medium term are going to be severe, with infrastructure and agriculture heavily affected, in an area already in vulnerable conditions.
Q: What you describe is horrific. The scope of the crisis is hard to grasp… An article in the New York Times reported, “The storms demolished tens of thousands of homes, wiped out infrastructure and swallowed vast swaths of cropland.” Could you elaborate on how this affects the industry?

A: Bananas are a fragile fruit. Production and harvesting is not automated nor done by machine. It is very much still a “hands-on” process of continual care. Skilled farmers (called “bananeros”) are the lifeblood of the industry. With the communities impacted — homes, roads, bridges destroyed — their priorities lie elsewhere (as they should) in getting their lives and communities rebuilt. Thousands of hectares of banana farms were flooded causing interruptions to the business, the need to deploy emergency relief to surrounding communities, repair of roads and bridges, debris removal and facility clean-up, and work on reconstruction plans to minimize loss of employment.

Q: What will be the effect on supply volumes, and for how long?

A: This is still being determined. The volume loss represents more than 20% of North America supply. It may take more than two years for the most affected areas to recover. It is anticipated that certain plantations that were wiped out will not be reestablished.

Q: How are supply chains going to be impacted. Will there be other production areas that can fill the voids?
A: Some of the supply shortfalls will be made up by sourcing fruit from other countries, mostly Ecuador, the largest banana exporter in the world, where prices have more than doubled in the last few weeks. Supply shortages may be intensified as a result of the approach of the beginning of the year, when demand increases.

Q: You expressed concern that retailers may not understand the full extent of the crisis…

A: News in the U.S. centered around COVID-19 and the election cycle has dominated all media coverage. The damages caused by the hurricanes were not widely covered. Retailers need to be made aware of the impacts these hurricanes have had and work with suppliers to ensure that customers continue to receive high quality bananas. They also need to understand the challenges associated with maintaining the service and be prepared for the financial impacts that are associated with this extraordinary situation.

Q: Going forward, how is Dole working with retailers to handle the supply issues?

A: Dole has been in continuous communication with retail customers in order to explain the order of magnitude impacts of having two hurricanes — category four and five — in a matter of two weeks in the same areas, and the need to institute a surcharge. The last time a similar weather-related event was back in 1998.

We very much appreciate the support and understanding of customers under extremely difficult circumstances. The plan is to lift the surcharge as soon as possible.

Q: What steps is Dole undertaking to help alleviate the crisis?

A: Dole’s immediate focus has been providing needed relief for people living in and around our farms. We are working closely with authorities and relief organizations to respond to the needs of the impacted communities. Dole has been providing much needed food, potable water, road and bridge repair, and allotting space on our southbound voyages for goods and equipment to assist humanitarian organizations leading disaster relief efforts. Dole has already begun tapping alternatives of fruit and changes to vessel logistics to pick up and deliver those supplies.

Q: The New York Times article noted the magnitude of the ruin is only beginning to be understood, but its repercussions are likely to spread far beyond the region for years to come. Millions of people have been impacted. What is your assessment? What strategies are being undertaken? Are you working with any other companies to weather this crisis?

A: The combined rainfall from the ETA and IOTA hurricanes equals that of 1998’s Hurricane Mitch, a devastating natural
disaster from which Central America took two decades to recover. Therefore, it is anticipated the region will be set back in its development for many years, a situation compounded by the pandemic. The company has been operating in Honduras for 120 years and has every intention to rebuild and continue to be one of the major employers and exporters in the country. We have been working with local and international relief agencies to assist all the social and community needs that the disasters have created. However, long term recovery will require significant multilateral aid and assistance to the governments in Central America.

Q: This devastation follows the debilitating coronavirus pandemic already wreaking havoc... Could you talk about Dole’s actions to help communities in need?

A: Early in the pandemic Dole jumped in to provide more than 2 million pounds of food donations in needed communities in the U.S. and Latin America, as well as other communities around the globe. Additionally, the company supplied water, masks, sanitizing gels, COVID-19 testing kits, health services, medicines, cleaning and disinfection products, protective and safety equipment, and other critically needed health supplies for families, police forces and healthcare and governmental institutions. Dole operates as an essential industry and has implemented all COVID-19 preventive measures in order to continue its business and provide much needed employment to the rural communities where we are present.

Now with hurricane relief Dole has been providing much needed food, more than 4 million pounds of bananas, potable water, repair machinery and equipment, and all ship space needed on Dole’s southbound vessels to assist humanitarian organizations leading disaster relief efforts of goods and equipment. We will continue to support the communities surrounding our operations during these difficult times.

Q: Dole has pioneered landmark environmental sustainability certifications and actions. Could you talk more about your role here, and how this relates to what’s happening now.

A: As a result of emergency preparedness procedures established in our certified management systems and prior experience with natural disasters, Dole employees were situated in safe locations even before the hurricanes arrived. This allowed the company to focus on relief activities at the community level, as well as assist local authorities with reestablishing roads and bridges.

Q: Guatemala and Honduras last month called on the United Nations to declare Central America the region most affected by climate change. Is Dole embarking on strategies related to climate change, and future related issues?

A: Yes, Dole recognizes the impact that agriculture can have on the climate and also the vulnerabilities that its operations have as a result of a changing climate. Over the years, the company has worked toward geographic diversification to mitigate the impact of climate change. Today we source product from seven different Latin American countries.

The company has established goals to reduce carbon emissions of its agricultural operations and to compensate for those that cannot be reduced further. At farm-level, our goal is to achieve net zero carbon emissions from Dole managed operations by 2030.

Q: Dole, and the produce industry more broadly, are constantly challenged by the perishability of fresh produce and Mother Nature, and the ability to pivot in all kinds of difficult situations. Do you have examples that parallel this current situation?

A: There is a long list of challenges in the fresh produce business beyond climate. These include:

- The incidence of pest and diseases, including fusarium wilt TR4 with threats to expand throughout Latin America
- Evolving hazard-based regulations in Europe, which are becoming a barrier to trade.
Stringent and changing customer expectations regarding quality and sustainable practices.

Political instability, civil strife, strikes, legal uncertainty, and business interruption suffered in producing countries.

Q: How unique is this crisis, and what is your projection for future crises of this magnitude and what the industry can do to be prepared?

A: There is an important concern that the frequency and the intensity of tropical storms and hurricanes will increase over time due to climate change. In order to prepare, the industry must invest in more resilient infrastructure, including enhanced irrigation systems, levees and dykes, elevated and protected buildings and installations, and secure transportation.

Q: This has been an amazing, thought-provoking interview. Thank you for your comprehensive answers, and providing our readers with a deeper understanding of the devastation in Latin America, its impacts on the banana industry, and the strategies going forward.

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Up-and-comer Ted Taylor Of Taylor Farms Sees Optimism In Produce After Pandemic

Jim Prevor's Perishable Pundit, January 19, 2021

A highlight of the recently completed virtual edition of The New York Produce Show and Conference was an all-star collection of industry insight. We started out with our Pundit coverage of the show’s extra content with this piece: Sysco’s Juliet Olivarria Comes Through A Pandemic With Grace And Sees Strength In A New Future. These are robust discussions as we discuss both what has happened and what the future may yet bring.

Today we share a conversation with Ted Taylor, Head of New Ventures & Business Development at Taylor Farms. We appreciate the willingness of Taylor Farms to help advance the industry by sharing Ted’s experience and insight. You can read the text of the discussion below or watch the video beneath the text.

Ted Taylor
Head of New Ventures & Business Development
Taylor Farms
Salinas, California

Q: We’re here today with an industry luminary who’s an up-and-coming person doing a lot of very important things. We’re honored to have Ted Taylor here with us. And Ted, why don’t you tell us a little bit about your background … who you are and how you came to be doing what you are today?

A: Absolutely, Jim. Obviously, first and foremost, it’s a pleasure to join you and be on the program. Obviously, I have deep respect for you and what you’re doing. A little bit of background on me: Born and raised in the Salinas Valley. I went to Berkeley for undergrad. Went and worked for Taylor Farms, the family business, for a few years and then moved to Boston and on to business school at Harvard.

Then went to Mission Produce, the avocado company, and moved to Europe and helped lead their expansion efforts. And then got recruited back to Taylor Farms, the family business. So born and raised in Salinas and now I’m back in Salinas.

Q: That’s great. Well, maybe you made a mistake. If you had stuck with Mission, maybe you would have gotten some stock options and hit their big public offering this year.

A: Yeah, hindsight is 20/20 there, Jim.

Q: I appreciate you being here and, of course, we’re talking to people all over the industry. And so our first step is to
understand the current pandemic and when that started and all this… what kind of impact that had on different businesses around the industry.

Your company is a broad one. They do a lot of things. Can you just give us some little thought? Let’s go back to March and all of a sudden, you must start hearing things, getting calls from customers, foodservice, retail. What was it like in March?

A: You’re going to make us relive this, aren’t you? [laughs] Tail end of March, early April, wow… there was real concern about where things were going, not just for our business, but for everyone overall, right? If you look at kind of your planning of how you’re going to structure your business as you move forward, there was a lot of unknown.

And so we literally had a war room set up. We had whiteboards up and basically we had our management team there saying, “Hey, how are we going to manage through this crisis?” It was an interesting experience for me, a few years removed from business school. There’s a number of cases about crisis management that they teach you, but they don’t teach you about a global pandemic. So there weren’t a lot of tools to pull out of the tool chest, if you will.

What we were faced with was managing a business that looked dramatically different than it did a month prior. And that’s a real challenge. In the fresh produce space, that’s a real challenge.

So a few things that we had to do… Obviously, number one was keeping our folks healthy and safe. As an essential business strategy, we had to keep producing food for the country. And so we were trying to adapt to ever-changing recommendations from the medical community because people didn’t know, right?

We didn’t really know… it was masks and then it was six feet apart, and so we were constantly trying to iterate and design around how to keep folks safe in both the field and in our processing plants. And I don’t need to tell anyone, a processing plant isn’t designed for six feet of space for folks. And so when you’re dealing with square inches in your design criteria, you have to rethink the whole layout. And so that was probably the biggest challenge to start was how are we going to keep people safe? How are we going to keep operating? And then obviously, there were a number of other ramifications around raw product overhangs and gaps that we can get into as we move forward here.

Q: What about the customer base? Obviously, Taylor both serves retail and foodservice. What were they telling you? Were they asking you for things? Retailers demanding more product? Foodservice saying, “How can we get out of our contract with you?” I mean it must have been pretty tough.

A: We’ve built a great trust with our customers, and we view it as a partnership in each of those selling channels. And so we approached this as kind of a family, right? And honesty and transparency are the best policy. But you’re right. If you
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by Jim Prevor

look at the retail selling channel, there was general fear about stockouts. And so consumers were doing panic buying; then our customers were doing more than anticipated ordering. Our run rate was probably 125 percent of average on the retail side. Where it really got challenging was the club stores. So the Costcos and Sam’s Clubs of the world… that number was even higher than 125 percent. And you’re looking at large-format products, and so you need a ton of raw product to fill that extra demand. And so that was a real challenge.

And then on the other side of the coin was the foodservice and deli worlds, where we went from 100 percent of what we anticipated in foodservice to 50 percent the next week. Obviously, the ordering just stopped. And so that normalized after about four to six weeks to about 75 percent of normal, 80 percent of normal. But just working through the product overhang that we had on the foodservice side was a real challenge for our team. And then, obviously, securing the right raw product supply for the retail increase was another challenge we were faced with.

Q: Were you able to switch some of the product that was designed for foodservice use into retail or are they too different?

A: It was interesting. The product mix was dramatically different, right? So we had an exposure of … I want to say about $35 million worth of conventional iceberg and conventional broccoli … and there was very little demand for that, right, in our traditional selling channels. All the while, you obviously had a huge uptick in the organic spinach, the organic spring mixes, the organic romaines on the retail side.

I think we were fairly fortunate in that there were a couple things going on. For the product overhang on the conventional side for foodservice, the freezer business actually took off. And so that became kind of a logical new selling channel for us as people were stocking up. The commodities at foodservice we were able to move some of that to commodity on the retail sides. We were able to shift selling channels there. And then there was actually a decent outside market, so we were able to sell some on the open market. But we still took a fairly meaningful write-off on that side.

In terms of the retail gap, I think we’re fairly fortunate that during the end of March, April timeframe was the transition back to Salinas. And so during springtime, there’s historically some extra acres out there in the market. And so we were able to secure those. We were able to save a number of acres down in the Yuma area and the Huron area and the Mexico area for second cuts. All the while, we were able to pull some of that Salinas acreage up. So we were able to fill those gaps, really focusing on maximizing yield in all those four growing areas. We were very fortunate in terms of timing of when the pandemic and shutdown hit.

Q: You happened to mention some of the organic product, and people have reported high demand for that. Is your understanding of this that it is just a function of people wanting anything at that time, and they would simply take more organic? They’d take anything? Or is it really a health concern and so forth that was leading to people preferring organic?

A: Yeah, great question. And I’m not sure we’ve got a firm answer. I would probably make the argument that both things are going on. Obviously, we continue to see transformation and morphing of demand toward the organic side. But I remember vividly going into a Costco in early April, and I think there was one cut of pork on the shelf. And I was like, “That looks great for dinner.” And so when you have one option, it sounds like a great option!
Q: During the course of this, you mentioned the priority of taking care of your staff. What was the attitude of the staff? Were they all happy to come to work? Were they afraid to come to work? What about people who would've come to work, but they lived with their grandparents and they were worried about them? What was the general feeling out there?

A: It’s been a mixed bag, to be honest. I think we’ve had a number of folks who have great confidence in what we’ve done with staging shifts, with running overtime, with running on Sundays, trying to limit the number of folks who are on a processing facility at any one time or on a harvesting crew at any one time or even in the office at any one time.

There has been that group that was fearful of their health and safety but also their loved ones, and we made arrangements for those folks. And we felt like the right thing to do was if you weren’t comfortable coming to work, stay home, and we’ll take care of you. And so that’s just part of who we are culturally. We look at ourselves as a big family with 22,000 employees. And our objective was to do the right thing for them. Make sure they’re safe. Make sure they’re healthy, all the while producing food for the country.

Q: After a period in which we had a sort of panic, we sort of seemed to get into some regularity and calmness. But recently, of course, the numbers have been up again on COVID. Governmental authorities have been putting in new rules. What’s the situation today in your area and what did you learn from the past few months that is making this current resurgence somewhat easier to deal with?

A: We feel like we’re well positioned, obviously, given the diversification of our selling channels and our sourcing. But it’s a real challenge, right? You look at the foodservice business, and it felt like it was finally starting to get its legs back. It was at 80, 85 percent of normal.

The new shutdowns will obviously negatively impact that. There appears to be a little bit more of an uptick in terms of the retail club store volume going back up, a little bit more of the panic buying that we saw early on. But we’re obviously super hopeful about the vaccine information that’s coming out. We think that that’s obviously going to be really impactful.

But we’re just trying to adapt to what we believe is the new normal. Obviously, costs have gone up. The cost of labor has gone up. There’s been real challenges at the border with the H-2A Program with hiccups with processing. Packaging materials have gone up. There’s an incredible demand for home delivery. And obviously, Amazon’s doing really well so there’s strong outside demand for corrugated packaging. So we just took on a six percent increase in corrugated pricing. So we’re looking at a new cost structure as we move forward, and I think that’s probably our new reality for at least a short to medium term.

Q: You know, Ted, obviously there are a lot of people at Taylor. I think of you, though, being in charge of new ventures and business development… I somehow imagine all of this is falling on you and they’re now saying, okay, Mr. Genius, tell us what should our new ventures and how should we develop this business now that we know about this world?

A: And that’s a great question. Obviously, there’s a lot of different layers involved in that. I think at the end of the day, we feel pretty good about where we are positioned in the healthy food category, right? Focused on convenience, health, freshness for folks, we’re going to continue to do what we do well.

Having said that, I think there’s a lot of opportunities out there that the pandemic has created. Some I don’t want to talk about because I want to keep them secret. [laughs] But as you probably know, the pandemic has impacted a variety of businesses in different ways. Some folks have been able to weather the storm quite well. Others have really struggled. And so when that happens, right, there’s opportunity.
But we believe that the American consumer will continue to prioritize eating more fruits and vegetables because the data suggests we need to as a nation. And I think there’s going to be a continued shift toward a plant-based diet. Alternative proteins are very trendy right now, and so I think there’s a lot of venture capital money going into that space.

I also think we’re continuing to look at the different areas in terms of how do we continue to build our business and continue to serve our customers and consumers the best we can.

Q: If you look at the situation as it is now and try to help your retailers seize upon this situation, the big question that they are all asking is what happens next. People learned to cook — some who never cooked before or didn’t really do much cooking — people who were not used to eating at home have somehow gotten into this pattern. Their big question is: “Is the future going to be permanently changed by this?”

People learned to cook. People enjoyed being at home with their families more. Or are we going to go back to the old normal?” Obviously, these are key things when you’re trying to look at new ventures and so forth, how the world is going to be. What’s your thought on all this?

A: I don’t think we’re ever going to return to what we believed was normal, right? Call it last year. I think the hope is that we’ll get most of the way there. But I think you’re right… I think there are some consumer trends that are not going to go away.

I do think people have developed the ability to cook, right? Folks who didn’t know how. And I think there’s great value in cooking for your family at home, right? But I also think there’s going to be a desire to get out and go to dinner. My wife and I went out to dinner on Saturday, and it was the first time in months. And it was fantastic just to get out. And so I think there’s going to be some return to normalcy, but I don’t think we’re ever going to get there.

One thing I do worry about is the financial position of the country, and the lack of the ability just to… I think we need more stimulus. I think consumers are starting to spend less. And because fruits and vegetables inherently cost a bit more, it feels like there’s downward pressure on demand there. The data’s still early, but Thanksgiving numbers were not as good as I think we in the industry had anticipated, and so there’s some concern that people might be cutting back on eating healthy food, which certainly isn’t the solution.

Q: Of course, people are concerned. We do a lot of consumer surveying and things of that sort, and one of the things we are hearing is that there are still substantial sectors of the economy that really were damaged by this. Obviously, restaurants but many retail stores too. People don’t seem to want to go to the mall even if the mall is open again.

A: Right, right.
Q: So it's just a lot of things have changed but how long that will last and what the way out of that is, is still not 100
percent clear. So when it comes to the produce industry, one of the questions is what is the right way for it to market itself
and promote itself? Obviously, through this pandemic, there are clear signs — we've been speaking to maybe dozens of
retailers — and they're all telling us citrus sales... they can't keep them in stock.

Vitamin C and the pandemic, it seems to all mix together. But what is going to be the path out of this is not 100 percent
clear because perhaps people will be just happy post-pandemic to enjoy their lives a little more and do things they
weren't able to do. And they don't actually want to be lectured about what's good for them all the time. And maybe the
produce industry has to find other ways to promote and other ways to sell.

A: Right, right. Yeah, it’s a great question. We’ve got some friends in the wine business and they’ve had their best year
ever, right?

All the while, gyms are closed. And so I'm not sure we as a society are getting healthier through the pandemic. And so I
think there’s general hope that once there’s a vaccine, once we’re able to open up and try to live our lives again,
there’ll be a strong desire to get healthy, to eat healthier, prioritize that. That’s hope for us.

I also think that when I look at our industry overall, there’s incredible value that we are creating as an industry, particularly
for consumers. I’m not sure we do a great job of capturing that value as a whole, and so there’s an interesting gap there.
You look at the U.S. overall, right, and when you look at how much we spend on food, it’s incredibly low compared to
other nations. And so I think that there’s going to need to be some acknowledgement that food, good food, healthy food,
costs money. There’s got to be a willingness to pay for it. And there’s got to be a willingness to deliver the right quality
and the right health characteristics on the supply side.

Q: Well, let’s hope you’re right on that and I’ll be voting for it. I know you’re very busy, Ted, and have a lot going on out
there. I want to thank you for taking a moment to speak with us here today. Next year, we’re going to get you to the New
York Produce Show and Conference live. And in the meantime, we thank you very much for joining us today. We really
appreciate it.

A: Thanks for having me, Jim. Really appreciate it.
It is interesting that the younger the person, the less jaded they are and are less set in the old way… and so the more plausible it is to imagine life proceeding differently. Ted has young children and, of course, this is their life too.

You know when Ted talks about the Taylor Farms family of 22,000 employees, it makes us want to apply for a job and petition to be accepted as part of that family. We talk to many, many executives, and some don’t believe in that family business philosophy. Some believe but don’t have the resources to execute the strategy on such a massive scale.

It is, of course, interesting to hear Ted discuss the strategy of one of the trade’s premier companies during the pandemic, but maybe it is more valuable to engage with the thoughts of a young man seriously wrestling with the future. Think about Ted’s closing lines:

“I also think when I look at our industry overall, there’s incredible value that we are creating as an industry, particularly for consumers. I’m not sure we do a great job of capturing that value as a whole, and so there’s an interesting gap there. You look at the U.S. overall, right, and when you look at how much we spend on food, it’s incredibly low compared to other nations. And so I think that there’s going to need to be some acknowledgement that food, good food, healthy food, costs money. There’s got to be a willingness to pay for it. And there’s got to be a willingness to deliver the right quality and the right health characteristics on the supply side.”

Think about that for a moment. Ted is challenging the industry to persuade the citizenry of America as to the importance of good quality food and urging people to recognize its value. Yet he also challenges the industry to deliver on the value: To offer the highest quality and commit to selling products that deliver on the health side.

Beyond the problems of the pandemic, produce has had challenges. Per capita consumption has not been rising. Yet, with young leaders thinking like this, one imagines a bright post-pandemic experience for the industry. We thank Ted, and Taylor Farms, for being willing to speak out about the challenges and opportunities presented for a post-pandemic industry.

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