



Welcome

Caneberry Marketing Strategies
January 7, 2010
Southeast Fruit and Vegetable Conference
Savannah, Georgia

Agenda

- ▶ Welcome, Introduction and Workshop Objectives
 - Erwin Lineberger – Meeting Manager
- ▶ Past, Present and Future of Blackberries and Raspberries in the Marketplace
 - John Shelford, Shelford Associates
- ▶ Direct Marketing – Grower to Consumer
 - Erwin Lineberger and panel
- ▶ Break
- ▶ PACA – Perishable Agricultural Commodities Act – What you should know
 - Basil Coale, Eastern Regional Director, PACA Eastern Branch, USDA

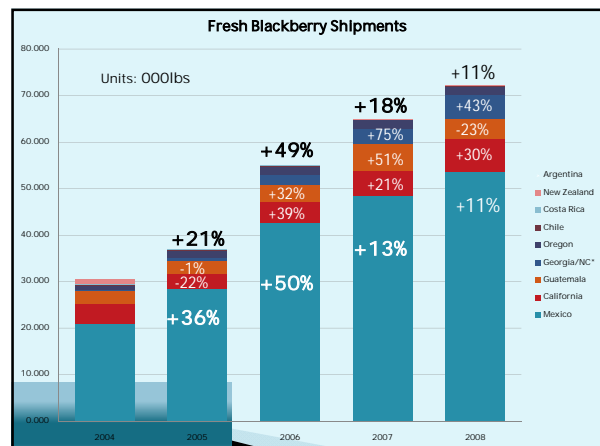
Agenda (cont.)

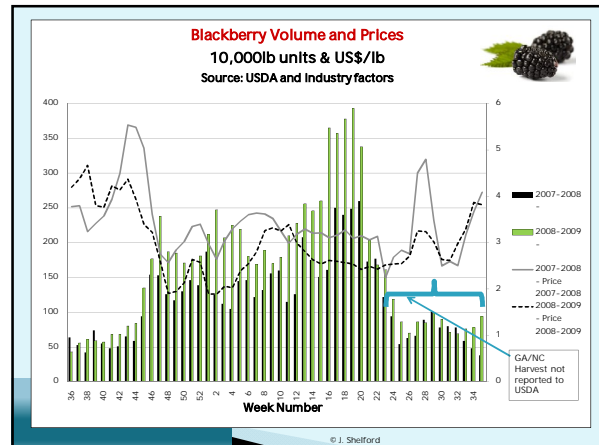
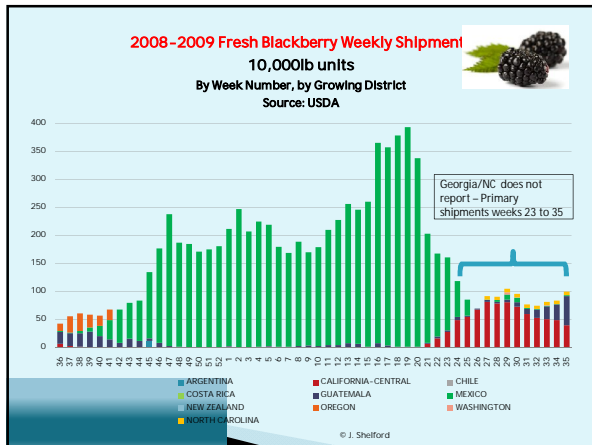
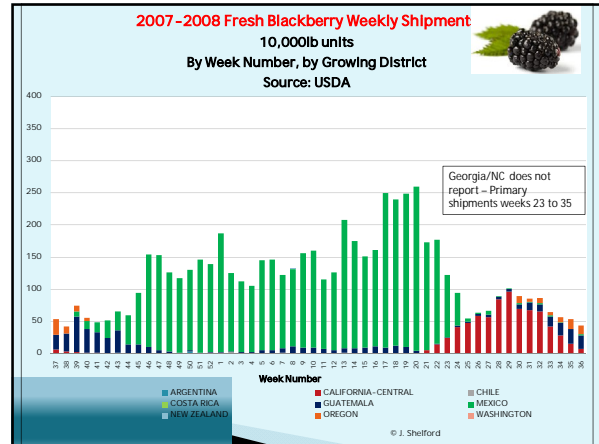
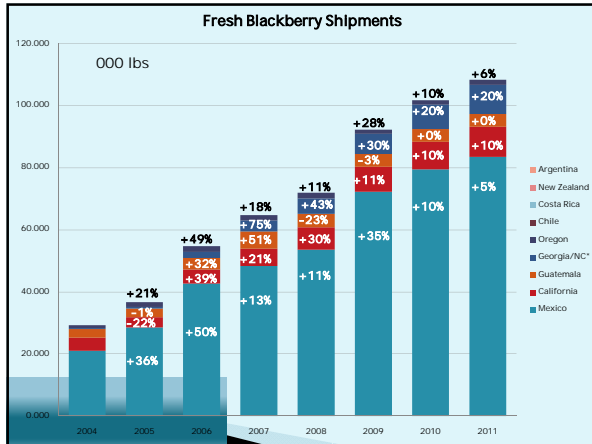
- ▶ Pitfalls to Avoid in Sales/Marketing plan
- ▶ Marketing Alternatives - Considerations
- ▶ Open discussion with presenters and audience

Past, Present and Future of Blackberries and Raspberries in the Marketplace

Blackberries

- What is happening with supply?
- What is behind the increased supply?
- Is demand adequate for profitable prices?





Why the Blackberry supply growth?

- ▶ Mexican production
 - Consistent reliable supply
 - Basis for retailer early adapters
 - Surface transportation to market for "off-season" supply
 - Mexican government encouraged plantings
 - Profits - Low cost producer
- ▶ Flavor/eating experience
 - Tupi variety in Mexico
 - Arkansas varieties
 - Proprietary selections
 - Flavor motivated repeat purchase

Why Growth? - Page 2

- ▶ Logistics/Supply chain reliability
 - 14 days shelf-life achieved
 - Pick at peak of maturity
 - Cooling protocol developed/implemented
 - Cold w/l two to four hours of harvest
 - Reliable, monitored cold trucks
 - Volume increased supporting every day shipping
- ▶ Berry category health 'halo'
 - Blueberries led the way
 - Strawberries followed
 - Blackberries on board

Why Growth?– Page 3

- ▶ Great Consumer Value
 - Blackberry price point attractive vs blueberry
- ▶ Retail Distribution
 - Traditional Supermarkets early adapters
 - Club Stores became driver and channel of greatest volume –
- ▶ Horticultural Protocols
 - Increased acreage equals more expertise
 - Trained experienced employee availability

Why Growth?– Page 4

- ▶ Profitable
 - Profits encouraged entry by growers and marketers
 - Mexico low cost producer
 - Transportation to market – not a hurdle
 - Entry barriers low
 - Primarily horticultural knowledge
 - Initial planting investment
 - Lowest of berries category
- ▶ Marketing Company interest
 - Marketer interest stimulated new production
 - Particularly true in SE and California

Opportunities–Blackberries

- ▶ Locally grown
- ▶ Eastern production
- ▶ Five or more marketing companies engaged
 - Well aligned with major retailers
- ▶ Market/demand development is driven by product and marketing companies
 - Minimum investment to engage consumers
 - Opportunity for Blackberry Promotion Commission

Opportunities–Blackberries

- ▶ Blackberry Promotion and Research Commission
 - Time to advance
 - Competition for share of stomach and dollars is real
 - Generic Publicity is first and most efficient dollar spend for producers
 - Board based demand then supported, added to by individual marketers/shippers

Red Raspberries

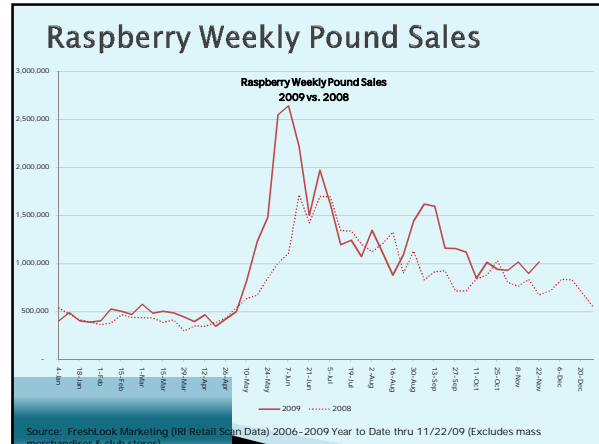
Raspberries Supply Factors

- ▶ Dominated by Driscoll
 - Proprietary Varieties
 - Provide competitive advantage
 - Cost of production, per unit cost
- ▶ Customer interest in additional suppliers
 - Others engaged in proprietary variety development
 - Essential is low cost production or clearly superior product to displace dominant player

USDA Reported Raspberry Movement

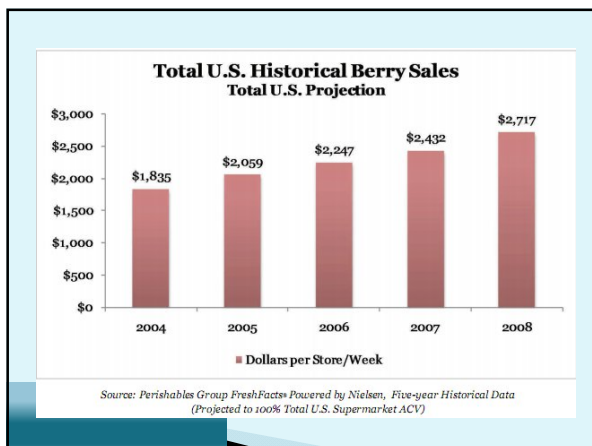
10,000 lb units

Product/Year	2006	2007	2008	2009
Calif Conv	5654	7047	7436	8679
Calif Organic			1297	1581
Total California	5654	7047	8733	10260
Calif Growth %		24.6%	23.9%	17.5%
Mexico Conv	1564	2173	2470	3067
Mexico Organic			71	182
Total Mexico	1564	2173	2541	3249
MexGrowth %		38.9%	16.9%	27.9%
Chile	653	675	241	161
Grand Total	7871	9895	11515	13670
Growth %		25.7%	16.4%	18.7%
Organic % of total			11.9%	12.9%



- ### Raspberry Market Factors
- ▶ Health motivation is the least for raspberries
 - ▶ Perceived as "Premium" berry
 - Special occasion, expensive
 - ▶ Supply growth has provided
 - Increased promotional opportunities
 - Club Store engagement
 - Larger packs

- ### Opportunities-Raspberries
- ▶ Locally grown
 - ▶ Eastern production
 - ▶ Dominant player is tough competitor – strategy must be well defined to win
 - ▶ Market development – driven by major factor
 - ▶ No Commodity commission, and unlikely due to dominant position of one factor



- ### Berry Category
- ▶ Growth envied by other produce items
 - ▶ Growth of category share since 2000
 - Blueberries
 - Blackberries
 - ▶ Stable share – Raspberries
 - ▶ Reduction of share – Strawberries

Challenges

- ▶ Increasing regulatory requirements
 - Driving up costs
 - Reducing efficiency
 - Driving out small growers
- ▶ Retailer margins increasing
 - % of gross margin increasing
 - To maintain hard dollar margin when prices deflate
- ▶ Health care burden
- ▶ Wal-mart squeezing shippers
 - Others will follow
- ▶ National Debt, economic stagnation

Opportunities for Berries

- ▶ Consumers like berries
- ▶ Easy to eat
- ▶ Keep the health message strong
- ▶ Protect the “category” brand with consumers
 - No negative event is everyone’s responsibility
- ▶ China as a market??

Questions?
Comments!

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Pitfalls to Avoid

- ▶ Planting for production without a sales plan
 - Production driven vs Market driven
 - People – creating value for others must be the priority
 - Purpose – an outcome of knowing the consumer/customer
 - Professional Proficient Execution of the plan
 - Profits
- ▶ Lack of focus on Customer and Consumer
 - Motivation to purchase and repurchase

The Age of Customer Capitalism

For three decades, executives have made maximizing shareholder value their top priority. But evidence suggests that shareholders actually do better when firms put the customer first. *by Roaer Martin*

J&J has confidence that when customers are at the top of its list, shareholders will do just fine. So far, the bet has paid off.

Harvard Business Review; January-February 2010
Author: Roger Martin

Pitfalls to Avoid (cont.)

- ▶ No written sales agreement
- ▶ When a Niche is no longer a niche
- ▶ No Food safety Protocol/Audits
- ▶ Lack of written records
- ▶ Do not know the path of the product
 - Is it traceable if an event occurs?
 - Where did the product come from?
 - Where was the product delivered?
 - Are there unique inputs?
 - What are the unique markings on the case/clamshell?

Pitfalls to Avoid (cont.)

- ▶ Lack of Effective Cooling – Is the product really cold in a two hours?
 - 36-38 in two hours, and sustained!!!
- ▶ Lack of compliance with laws
 - Labor practices
 - Child labor
 - Housing
- ▶ Inaccurate estimating of production

Marketing Alternatives

“Go to Market” Alternatives pg 1

- ▶ Direct marketing
 - Local farmer’s markets
 - U-pick
 - Ready pick – at farm purchase
 - Ag-tourism
- ▶ Local retail stores/direct delivery
 - Connection with local multi-store retailer
 - Locally grown, premium quality

“Go to Market” Alternatives pg 2

- ▶ Fruit/Vegetable brokers
 - Relationship important
 - Commitment of either party is minimum
 - Strategy – follow the short term market
 - Opportunistic
 - Greater degree of risk
 - Best to allocate only a portion of production
 - Seasonal supply of specific product
 - Often limited in geography district served, both sourcing and selling; will be well aligned in this area
 - Customer aligned – customer looks to for supply

“Go to Market” Alternatives pg 3

- ▶ National Marketers
 - Board line marketers
 - Specialty marketers, i.e. Berries
 - Various organization structures
 - Privately held
 - Publicly Traded
 - Tightly held shareholder owned
 - Cooperative grower owned
 - Joint Ventures, LLC, or LLP
 - Typical characteristics
 - Multi-year contractual relationship
 - Exclusive supply from a single grower
 - An alternative - well defined partial supply
 - Eight to ten significant US firms specializing in berries

National Marketer Characteristics Page 1

- ▶ Aligned Customers
 - Diversity of channels – may serve one or all
 - Supermarkets/Supercenters
 - Club
 - Food Service
 - Wholesaler
 - Specialty Distributors
 - Terminal/Wholesale Markets

National Marketers Page 2

- ▶ Year Round supplies of product
 - Important Customer benefit
 - Many customers are consolidating number of suppliers
 - Important benefit to growers with supply windows
 - Connect with sales organization
 - Infrastructure of marketer demands year round supply for efficiency

National Marketers Page 3

- ▶ Services offered
 - Horticultural counsel or requirements
 - Specified varieties
 - Growing protocol/prescription requirements
 - Food Safety standard/training/implementation
 - Traceability protocol
 - Harvest and post harvest management
 - Forecasting volume and timing
 - Cooling, handling
 - Quality Standards and Assurance Monitoring
 - Inventory Management systems

National Marketers Page 4

- ▶ Services offered (Cont)
 - Packaging Material
 - Customer preferred or brand requirement
 - Pack size, configuration
 - Meet Legal requirements
 - Weight, volume
 - Responsible Party
 - UPC Code
 - Inventory Management
 - Responsive to customer demand changes

National Marketers Page 5

- ▶ Services offered (Cont)
 - Sales Team and strategy
 - Multi person sales team
 - Professional, trained, experienced
 - Engaged in trade full time
 - High touch with market dynamics
 - ▶ Information Technology systems
 - Reporting information to effect change and efficiency?
 - Essential sales tool
 - Prompt

National Marketers Page 6

- ▶ Transportation services
 - Assurance of on time, good delivery, cold temp
- ▶ Distribution Centers
 - May have a number of DC's
 - Also may be called "Forward Distribution Centers"
 - Where are distribution points?
 - What are locations relative to your ship point cooler?

National Marketers Page 7

- ▶ Assessment of marketer
 - Financial soundness
 - Track record of paying on time as promised
 - Balance sheet – is it sufficiently strong to assure payment to you in face of adversity
 - Responsible for collection from customer
 - Who is the customer?
 - Who is the buyer?
 - The sales company
 - The customer
 - Is this a commission service relationship or a buy/sell transaction?

If not fresh market...

- ▶ Process market alternative
 - Often not a viable alternative

Decisions, Choices

- ▶ Many VERY GOOD alternatives
- ▶ There is one that will fit your business needs
- ▶ Very challenging days ahead

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