



Supermarkets as Alternative Market for Virginia Grown Berries

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Introduction

Virginia consumers are increasingly interested in purchasing locally grown berries such as strawberries, blueberries, raspberries, and blackberries. This demand has piqued Virginia growers' interest in berry crops as a potential specialty product. Nationally, there is increased demand for berries among consumers, and the high value per acre of these crops is particularly attractive to growers in Virginia who typically farm on a relatively small scale.



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Nearly two-thirds of Virginia's berry crop producers sell through direct markets such as pick-your-own operations, roadside stands, farmers markets, and Community Supported Agriculture (CSA) programs (Monson and Mainville, 2006). Some producers are also interested in selling to alternative markets such as supermarkets. This publication assesses the potential demand for berry crops among supermarkets in Virginia and examines the requirements producers must adhere to, in order to successfully sell to supermarkets. Information on Virginia berry markets is drawn from interviews with produce buyers for major supermarket chains, produce suppliers known as

distributors, as well as from producers selling to various types of markets.

Americans are consuming more fresh fruits and vegetables. Several factors contributing to the rising demand for berries include increasing consumer incomes, improved berry varieties and taste, and year-round availability of fresh produce in mainstream markets. U.S. consumers have become more health conscious and are eating more berries because they contain high levels of antioxidants, which have been proven to lower cholesterol levels, and reduce the risk of cancer and heart disease (Zafra-Stone et al.,

2007). The U.S. consumption for berries has increased during the past two decades from 2 lb per person in 1980 to 8 lb in 2013 (USDA, 2014). Strong demand has provided opportunities for suppliers to specialize in producing and marketing for their region, an activity that offers the advantages of fresher products for consumers and lower transportation costs of the produce to markets.

On the supply end, more food sales are accounted for by fewer and fewer retail firms as chains merge. Selling to a supermarket chain is more complex today and rarely is a written contract used. Large shippers generally sell directly to a supermarket chain. Small growers often sell to produce distributors who service area chain grocery stores. When a chain has an interest in a grower's produce, it is a verbal understanding of interest. The grower talks to the buyer, shows their product to the buyer, keeps the buyer informed of when the produce will be available and estimates the market window.

As food safety regulations increase, supermarket chains require at minimum, a grower be GAP certified. GAP stands for Good Agricultural Practices. Growers are encouraged to take a Produce Safety Alliance Training Class. The grower will also need to show proof of product liability insurance and complete a vendor packet. The growers packaging must meet the supermarkets' requirements such as most often the use of a clamshell, approved label with UPC code, ounces and state of origin. Your state department of agriculture sales and market development team can assist growers in reaching their goal to sell to supermarkets.

Supermarket Demand for Berries

Supermarket buyers report that demand for berries is growing in Virginia, just as it has grown nationally. In general, supermarkets sell a large volume of berries, with those sales accounting for 10% of all produce sales. Organic berries account for 2% of the total of all berry sales. For large national chains, this amounts to millions of dollars annually in berry sales alone. Strawberries rank number one in berry sales, closely followed by blueberries, both nationally and regionally. Raspberries and blackberries are purchased by consumers but in much smaller amounts according to those interviewed.

Fresh berry sales continue to rise due to its simple wash and eat preparation. Berries are loaded with antioxidants, high in fiber, low in calories and packed with vitamins. Local strawberries are desired in supermarkets but newer varieties need to be grown as most traditionally grown Virginia strawberries lack shelf life. Blueberries, on the other hand have a better shelf life. In order to meet the demand for blueberries, buyers indicated their interest in buying Virginia blueberries from local growers. Quality raspberries and blackberries are also desired by Virginia supermarkets and distributors. All types of organic berries must be certified for sales to supermarkets and distributors.

Supermarket Sales Arrangements and Market-Entry Requirements



Berries on display at local supermarket
Photo credit. G.M. Milteer

Compared to other fruits and vegetables, berry crops are highly perishable. As a result, berries need to reach consumers quickly once they are harvested. In the United States, the majority of berry crop production is concentrated in relatively few geographic locations. For example, strawberries are mostly produced in California, where they can be grown for 11 months of the year. The perishability of berries and Virginia's distance from the major berry growing areas means that along with meeting their consumers' demand for locally grown products, supermarkets have an incentive to purchase from local berry crop producers in order to reduce transportation costs and to provide the freshest, highest quality product possible. However, certain varieties must be grown to offer a shelf life. Each produce buyer interviewed expressed a desire to purchase quality Virginia produce and build lasting relationships with local producers who have the capacity to meet their berry merchandising needs.

Most transactions that take place between Virginia berry producers and supermarkets are made through verbal contracts based on trust. Though these contracts are informal, they usually include specific terms regarding minimum volumes, quality expectations, service performance, and specific fee payments. Daily communication between the producer and buyer during the growing season is common for these sales arrangements. In order to sell to supermarkets, growers must be able to meet several entry requirements. In addition to price and quantity specifications, produce agreements frequently include requirements regarding quality characteristics, and requests for services, such as third-party food safety certification, grading, packaging, and labeling. Despite their willingness to work with local producers, supermarket buyers do have significant market entry requirements that could be a challenge for the smaller berry producer in the state to meet.

In general, supermarket buyers in Virginia require local producers to adhere to minimum volume and frequency of delivery stipulations in order to maintain a consistent supply of uniform products throughout the chains' stores. For a small chain with 30 stores, for example, this could amount to a total of 200 cases of berries per week, made through at least two separate deliveries to a centralized

distribution center. This number could grow as the number of stores in the retail chain or the volume of sales increases.

Quality specifications are standard among all supermarket buyers. If quality specifications are not upheld, buyers will typically refuse the load at the producer's expense. Supermarket buyers generally follow grading standards specified by the U.S. Department of Agriculture (USDA). Some retail chains use their own set of standards, which exceed the USDA's top standards. In addition to meeting minimum standards, one buyer explained the importance of having a product that has a consistent taste so that the product gives the same eating experience regardless of which store the customer visits.

Delivery of berry products is also the responsibility of the producer. While some producers may be required to deliver their product directly to the stores of smaller retailers, larger retail chains generally channel their products through a centralized distribution center. Retail chains that have centralized distribution centers have strict rules regarding delivery due to the high volume of traffic they have to coordinate throughout the day. More companies require berry crop suppliers to transport their products in a temperature and humidity controlled truck that is compatible with their warehouse docks after the produce has been cooled at the farm.

Additional requirements vary depending on the supermarkets. In order for local berry crop producers to sell to national chains, they must subscribe to a specific online buying system, hold a minimum of \$2-4 million worth of product liability insurance package and label their products according to criteria specified by the grocery chain, provide proof of third-party food safety certification, and invest in appropriate postharvest technology, such as pre-cooling storage, which is used to remove the field heat from harvested berries.

Recommendations for Producers Interested in Catering Produce to Supermarkets

In considering the potential for berry producers in Virginia to supply supermarkets, the producers' ability to profitably meet supermarket requirements must be taken into account. Typically, berry crop producers in Virginia are small operations that depend on income from direct-outlet sales. The berry producers that sell to supermarket chains in Virginia operate berry farms with an average of 6-20 acres of berry crops, which puts them in a better position than smaller producers to meet supermarkets' demand for minimum volume requirements; provide products consistent in quality, grade, taste, and flavor; and the provision of fees and services commonly required by supermarket buyers. In contrast, market-entry requirements make it difficult for small- and medium-scale producers to meet these demands. An alternative for smaller producers is to sell to a broker or other intermediary who compiles deliveries from numerous farms to send to buyers, or to work with cooperatives or food hubs with other producers to market a branded product together. While there is potential for smaller producers to form cooperatives or food hubs and work together to meet these requirements, it is essential that they do so carefully to ensure that the quality of the product is consistent and that the supermarkets' other requirements are consistently met.

For growers interested in selling berries to supermarkets, it is appropriate to contact potential buyers at least one season before the crop is ready to be harvested. In order to communicate to buyers that they are

professional and serious about growing and selling berry crops, producers should familiarize themselves with the supermarkets' requirements and be prepared to meet them before they seek commitments from buyers. Such requirements will frequently include a product liability insurance policy; third-party food safety certification; adequate transportation; and the willingness and ability to provide additional fees and services.

For those producers who intend to scale up their operations in order to supply supermarkets, some initial investments will be needed. These include a postharvest cooling facility (used to remove field heat and store harvested berries), irrigation (used to provide a consistent supply of water to plants and protect them against frost or freezing temperatures), fencing materials (to keep unwanted animals such as deer away from berry plants), production equipment (used to plant and maintain berry plants), spray equipment, and crop protection such as plasticulture or high tunnels. Along with these investments, large-scale producers need access to adequate labor for harvesting their berry crops; this is often the biggest expense incurred by large-scale, berry-crop producers serving supermarkets and is a factor that frequently limits the expansion of these operations. The Virginia Department of Agriculture Marketing Office offers services to assist growers in marketing their products and to expand opportunities between growers and buyers.

References

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