The Price Point Conundrum: How the Sustainable Farmer Can Afford Her Own Tomato

February 16, 2012
Presentation Outline

- Technical Orientation
- Welcome

**John Fisk**, Director
*Wallace Center at Winrock International*

- NGFN Overview
- The Price Point Conundrum
- Questions and Answers
- Upcoming Opportunities, etc.
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- NGFN Overview

Jeff Farbman
Wallace Center at Winrock International

- The Price Point Conundrum
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National Good Food Network

Moving more good food to more people
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: GOALS

Supply Meets Demand
• There is abundant good food (healthy, green, fair and affordable) to meet demands at the regional level.

Information Hub
• The National Good Food Network (NGFN) is the go to place for regional food systems stories, methods and outcomes.

Policy Change
• Policy makers are informed by the results and outcomes of the NGFN and have enacted laws or regulation which further the Network goals.
National Food Hub Collaboration

Study and support regional aggregation and distribution entities “food hubs” across the country.

- Collaborate with USDA AMS, PPS, NAPMM and others
- Create a Resource Guide (Spring 2012)
- Establish and support a food hub Community of Practice
- Convene hub managers and supporters
- Provide technical assistance
- Document and communicate impacts, innovations, and models of success

http://foodhub.info
FIELD GUIDE TO THE NEW AMERICAN FOODSHED

Provide example-based education to producers and other participants in the food system to increase access to capital.

• Explain new opportunities for success in today’s market
• Illustrated by case studies
• Lenders can learn that their innovative investment is solid
• Comprehensive outreach program

• [http://foodshedguide.org](http://foodshedguide.org)
• November 2011 NGFN webinar – [http://ngfn.org/webinars](http://ngfn.org/webinars)
EVALUATING AND IMPROVING EDUCATIONAL INSTRUMENTS AND OUTREACH FOR BEGINNING FARMERS

Increase effectiveness of financial skills and business literacy of beginning farmers by supporting trainers.

- Collaboration with Farm Credit
- Collect a “toolkit” of top-quality resources
- Create and nurture a Community of Practice for trainers
- Create a rubric for evaluating training programs
- Targets the Southern US states
NATIONAL GOOD FOOD NETWORK: VISION
NATIONAL GOOD FOOD NETWORK: LOCATIONS
NATIONAL GOOD FOOD NETWORK

www.ngfn.org
contact@ngfn.org

... and for the food hub project:

www.foodhub.info
contact@foodhub.info
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- The Price Point Conundrum

Michael Rozyne
Red Tomato

Barney Hodges
Sunrise Orchards

- Questions and Answers
- Upcoming Opportunities, etc.
Red Tomato’s Answer to:
The Price Point Conundrum - How the Sustainable Farmer Can Afford Her Own Tomato

2/16/2012
The Cost/Price Squeeze

Price – is what your customers pay

Cost – is what you pay (or bear, or suffer) in covering your expenses; an opportunity cost is an example of a non-monetary cost

My price becomes your cost; and your price becomes my cost

Businesses regularly experience the cost/price squeeze
Organic Sunflower seeds: retail $1.02/lb vs. $.88/lb for CV
Wholesale: Red River always $.05-.10/lb under
Lessons: pennies matter; costs matter = price; market disruption
The Price Conundrum = an Advanced Case of the Cost/Price Squeeze

NGFN: pay the farmer a fair price (a good price)

NGFN: that price should enable the farmer to pay workers a fair price

NGFN: and, food should reach the marketplace at a price affordable to most consumers

How the Sustainable Farmer Can Afford Her Tomato

Or his apple – Barney Hodges, Sunrise Orchard, Cornwall, VT
Elements of a Red Tomato Price

<table>
<thead>
<tr>
<th>Supply Chain Case of Apples</th>
<th>Case</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grower receives for 40lb apples</td>
<td>$20.00</td>
<td>$.50/lb</td>
</tr>
<tr>
<td>Transport to customer</td>
<td>$1.60</td>
<td>$.04/lb</td>
</tr>
<tr>
<td>Red Tomato</td>
<td>$2.80</td>
<td>$.07/lb</td>
</tr>
<tr>
<td>Distributor pays</td>
<td>$24.40</td>
<td>$.61/lb</td>
</tr>
<tr>
<td>Distributor gross margin 14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer pays</td>
<td>$28.40</td>
<td>$.71/lb</td>
</tr>
<tr>
<td>Retailer gross margin 45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer pays</td>
<td>$51.60</td>
<td>$.129/lb</td>
</tr>
</tbody>
</table>
What is a Good Price? A Fair Price?

• Exceeds cost of production
• Thus enabling profitability for reinvestment, improvement, survival
• Observations/challenges:
  • Context is critical: scale, location, product mix, management, labor
  • Different farms, different costs of production

*This is clearly about more than price!* What’s a food hub to do?
More than Price: What’s A Good Deal?

- Volume
- Planning
- Long-term relationship
- Efficient logistics
- Fast, reliable payment
- Ability to move the whole crop: all sizes, grades
- Quality of relationship: reliability, trust, dignity
Elements of a good deal: VOLUME

Issues/Opportunity: What about small growers? Different prices, different deals; grower gains options and market strength in other deals; waste reduction

Translation to profitability: low margin business suggests need for larger volume
Elements of a good deal: PLANNING

**Issues/Opportunity:** match production to sales; reduce waste; innovation

**Translation to profitability:** avoid excess capacity and increase bargaining power; waste reduction
Elements of a good deal: LONG-TERM RELATIONSHIP

Issues/Opportunity:
feedback and improvement; continuity, long-term stability

Translation to profitability: hold on to markets in/after tough year(s)
Elements of a good deal: EFFICIENT LOGISTICS

Issues/Opportunity: total load size; palletization; box design; backhaul

Translation to profitability: can add $1-2.00 per case
Elements of a good deal: FAST, RELIABLE PAYMENT

Issues/Opportunity:
best case: can replace credit

Translation to profitability:
lower cost of operation
Elements of a good deal: MOVE THE WHOLE CROP: ALL SIZES, GRADES

Issues/Opportunity:
efficiency, waste and cost reduction

Translation to profitability: basic to running a profitable packing operation
Elements of a good deal: QUALITY OF RELATIONSHIP

**Issues/Opportunity:** the Dignity Deal: trust, respect, transparency, good communication

**Translation to profitability:** longevity, consistency, reduced stress, reliable information, intelligence
Barney Hodges: Sunrise Orchard, Cornwall, VT
Family-owned

120,000 bushels - wholesale focus

Advanced IPM

Local and H2A Jamaican employees
CA Storage Facility

Packing line

Sales staff

Distribution
Selling to the Consumer – the *other side* of the Hub

Affordability is largely about price, but not entirely.

There’s product choice; location/access; service level; language/culture; cleanliness; freshness and quality.
New Seasons Market

“grocery store that [is] fun, friendly and filled with healthy, delicious local foods, not to mention favorites like Rice Krispies and Coca-Cola.” (from newseasonsmarket.com)

- Portland, OR area
- Multiple locations
- Several in “border” areas
Thank you

For more information, please visit: www.redtomato.org
Questions and Answers

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www.redtomato.org

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Moderator
Webinars are Archived

TOPICS!

http://ngfn.org/webinars
NGFN Webinars

- 3rd Thursday of each month
  3:30p EST (12:30p PST)

- Mar 8 – BONUS!
  USDA & Regional Food Systems: Navigating the Know Your Farmer, Know Your Food Initiative

- Mar 15
  Harvesting Investment Dollars from the 99%: Cutting Edge Ways to Fund Your Food Business

http://ngfn.org/webinars
Three Notable Websites

- **www.FoodHub.info**
  - Food Hub “hub”
  - Research, case studies, list and map of hubs across the country, much more.

- **www.HUFED.org**
  - About the initiative
  - Grantee profiles
  - Library of many of the best food access resources

- **www.FoodshedGuide.org**
  - Case study-based business and financial training
  - Includes a “One Page Business Plan” and a “One Page Financial Plan”
Get Connected, Stay Connected

http://ngfn.org/database

National Good Food Network Database

Search for: Wallace Center

contact@ngfn.org

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contact@ngfn.org