

Amid the Coronavirus Pandemic, the Produce Industry Marches On

By Tim Linden

By mid-May, the novel coronavirus, COVID-19, had swept the world impacting virtually all corners of the earth. Unfortunately, the United States has been one of the hardest hit countries with the most cases and the most deaths. Safer-at-Home orders stretched from coast-to-coast impacting companies large and small, idling millions of workers and hundreds of thousands of companies.

The agricultural sector has had its challenges, but as an essential industry charged with feeding the nation and the world it soldiered on. However, the industry hasn't escaped the impact of the epidemic.

Hardest hit was the foodservice sector, which, in turn, impacted producers all over the country. There are close to 1 million restaurants in the United States and tens of thousands of institutional feeders, from K-12 schools to universities and company cafeterias. Many restaurants closed due to COVID-19, and the National Restaurant Association has predicted that 25% of those restaurants will remain closed after the pandemic subsides. Other restaurants pivoted to take-out orders that captured about 25-40% of their normal business.

Foodservice distributors tried to pivot to make up for some of their lost business. Reflective of what many companies did, Dallas, Texas-based Hardie's Fresh Foods began setting up farmers' market type events in empty restaurant parking lots selling mixed boxes of produce to consumers from the back of their delivery trucks. "We had 48 hours to put together a new business model," said CEO Greg Rowe of the overnight shuttering of most of its foodservice customers. "We are a \$275 million company and you have to do something when your account receivables come to a screeching halt."

When the pandemic first began to take hold in March, supermarkets saw a spike in business that only started to let up

a couple of months into the crisis. The Food Marketing Institute surveyed shoppers and discovered that most (89%) had changed their shopping habits and where they shopped (79%). Many shoppers (27% and 24% respectively) had increased their use of online platforms or pick-up options, and 30% were using grocery delivery services more frequently. Toilet paper was flying off the shelves, but so were potatoes and onions. For a couple of weeks, the potato industry saw prices they haven't seen in years. "I've only seen a 'hot' market like this one other time in my more than 20 years in the industry," said Lance Poole of Idaho-based Eagle Eye Produce Inc. "That was in 1998-99 soon after I started here. At that time, we were selling cartons of russets for \$35. Right now, we are at \$30 for a carton and it (the f.o.b. price) is still increasing."

Industry experts theorized that bags of relatively shelf-stable potatoes and onions were an old-fashioned way for consumers to stock up for the potential pandemic "winter" ahead.

Supermarkets were struggling to keep the shelves stocked as consumers were binge buying. A buyer for Stater Bros. Markets in Southern California revealed that the company was using some of its Southern California wholesale partners to deliver directly to stores in order to keep up with demand. David Weinstein, a produce salesman for Heath & Lejeune, a Los Angeles area wholesaler, reported in March that the produce supply chain was doing an excellent job of keeping up with the increased demand. By the middle of May, he said there were challenges caused by the inconsistent buying habits of consumers and consequently produce buyers. One week, the phone would be ringing off the hook and the warehouse would be emptied. The next week, virtually no calls and the coolers would fill up.

All segments of the industry from east to west were reporting changes in the way they conduct business. Joe Eisenger, a produce salesman for Nathel & Nathel at New York's busy Hunts Point Produce Market, spent four weeks selling from home during the peak of hard-hit New York City's outbreak. Chalmers Carr III, who, along with his wife and business partner Lori Anne, owns and operates Titan Farms (which produces almost 8,000 acres of peaches and vegetables in South Carolina) reported that the spring is when he visits his customers to tout his home state's peaches. He got about halfway through his person-to-person calls when he was grounded. He takes a shoe leather approach to sales, but this year the phone and Internet are going to have to suffice.

Eisenger also noted the changing buying habits of consumers. He said that the bagged, grab and go items were the top sellers initially and they still are. "It seems that most people want their produce in bags or other packaging," he said.

There also were growers all over the country from Florida to California that had sales disruptions because of the coronavirus.

A survey of Monterey County growers by the county's agricultural commissioner's office revealed that 40% reported financial losses related to the safer-at-home orders. Many different vegetables as well as wine grapes and strawberries were impacted. Reportedly 3,000 acres in Monterey County were either plowed under or not planted.

Greg Cardamone, general manager of L&M Companies Inc., which is headquartered in North Carolina but has vegetable operations throughout the Southeast, said the company did have to plow under some of its Florida vegetable acreage when sales dropped immediately after foodservice restrictions went into place in late March.

And Then There's the Avocado Industry...

Of course, like every other segment of the produce business, the avocado industry was impacted by the coronavirus... but seemingly, it was a much smaller impact.

Speaking of the avocado marketing situation during the coronavirus, Giovanni Cavaletto, vice president of sourcing for Index Fresh Inc., Riverside, CA, said in mid-May: "It blows our mind how good it has been. Three of the past four weeks, we (the industry) have moved 65+ million pounds at a very good market price."

And this occurred without the foodservice business, which typically takes 25-30% of the fresh volume, according to a sampling of shippers. During the first eight weeks of safer-at-home orders (mid-March through mid-May), more than 400 million pounds of avocados were consumed in the U.S. market. That included two back-to-back weeks in early April when shipments were cut in half because of the always-slow period around the Easter Holy Week in Mexico and rain in

California that also curtailed harvest.

Ross Wileman of Mission Produce, Oxnard, concurred. "Initially the biggest problem was logistics," he said. "But since then everyone has adjusted to the new normal. We have actually been surprised at how well movement has been."

Wileman did add that another impact has been ensuring physical compliance with the social distancing regulations in California. Mission Produce is operating with a skeleton crew in its office as most employees are working from home though Wileman continues to come into the office. And protocols have been put in place for picking, packing and shipping of the fruit.

Bob Lucy, president of Del Rey Avocado Company Inc., Fallbrook, CA, noted that the protocol changes in his packing shed have reduced the weekly output and will impact the length of the California avocado season. Del Rey has shorted its packing house schedule from 10 hours to eight hours a day and has eliminated packing on Saturday most weeks. The company also is practicing social distancing, which means fewer packers at any given time. Just like the safer-at-home rules have largely flattened the virus curve in states complying with those orders, these changes at Del Rey are flattening the supply curve. Lucy said Del Rey will be packing through October and even most likely into November with its Morro Bay avocados. "This is a good thing," he said, as the California fruit will stretch beyond the peak volumes from Peru and should give growers more options to market their fruit at optimum times when overall supply could be lower.

Rob Wedin of Calavo Growers Inc., Santa Paula, CA, said the avocado industry also is experiencing the same preference for bagged fruit that its colleagues in other sectors of the industry are noticing. While bagged avocados have been on an upward trend for the last few years, Wedin believes the fears generated by COVID-19 have accelerated the pace. He theorized that shoppers are less comfortable picking up bulk fruit handled by other shoppers. In addition, he said buying a bag of avocados that contains four to six pieces of fruit aligns with new shopping habits that see consumers going to the supermarket less often. A bag can fill their avocado needs until the next time they venture out.

But he said the bagging operations at the typical packing plant are less efficient than bulk avocado packing as fewer pounds are bagged than boxed in the same time period. This also could result in less daily production and a longer season.

With May coming to a close and states around the country starting to open up their restaurants a bit, the avocado industry might see another boost in sales as the new normal, which has seen very strong retail sales, combines with the old paradigm, which typically sees solid foodservice sales, resulting in a post COVID-19 world of greater avocado consumption. 🥑