

Can a Small Agricultural Processor Compete Globally?  
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Good Afternoon

Let me first tell you a little about Graceland Fruit. We are today primarily an infused fruit dryer. We manufacture infused dried cherries, wild and cultivated blueberries, cranberries, peaches, apples, strawberries, carrots, mango, lemon peel and orange peel. Additionally, we manufacture fruit for the ice cream industry and process and freeze some tart cherries for the frozen market.

Our dried products in the U.S. are eaten, out of hand, as a snack or trail mix. They are all natural and have no sulfites, preservatives, artificial color or flavoring. They are used in baking, cereal, cooking, salads, etc. All of these products have a broad spectrum of uses here in the United States. They are sold primarily to the ingredient market and not directly to the retail market.

I believe it is important for you to understand what we market because it is certainly a factor in our export success.

Our question today is “Can a Small Agricultural Processor Compete Globally”? The answer we want is yes. Now, how does a small agricultural processing company compete in this fast pace, high tech, global market place with multinational corporations?

Every agricultural producer has heard it said that for their commodity to return a higher price they just need to export more. Or you’ve also heard farmers say, “our problem is not over production it is under consumption”.

Let’s look at exports and what Graceland Fruit has found works. I would like to suggest there are three things one must have to succeed. There, of course, are others but for today, I believe these three are critical.

1. Product
2. Plan
3. Persistence

First, let us look at our product.

As manufactures we all have products, but do they lend themselves to export?

Are they price competitive after freight costs?

We were partners once in a company that manufactured 30-pound tins (that’s about a four gallon can). Much of what we were really shipping was air. You could never compete over seas with such a manufactured product. The freight cost would be just too high. Or, if you have a highly perishable product, and is one that requires air transportation it may not be able to compete either.

Does it require special storage or handling?

An example would be a refrigerated or frozen product. Over seas refrigerated and frozen warehousing can be very expensive and in short supply.

Are there already strong competitors in your intended foreign markets? Obviously, we want to expand our products into the market areas where we have the greatest economic advantage.

Is it a product that will be accepted?

Taste in Asian markets for example, are quite different from here in the U.S.

Are there cultural or religious practices that will hurt or help you?

For example, some cultures prohibit alcohol. In other cultures there is a staple food in their diet that may be imported, such as rice or beans. This may be an opportunity for those producers.

Can your products or your packaging be modified if necessary for your foreign customers markets?

Japanese consumers have very limited space whether refrigerated or dry so, the package size needs to be smaller than here in the U.S.

U.S. food customers focus on flavor in their food first – Japanese focus on eye appeal first.

It is clear that you must design your products to meet the market needs of your targeted customer.

One of the real advantages that small companies have is, we are more flexible and can change or modify our product easier and faster than the large corporations. We have smaller production runs so we are able to “customize” our products easier. As an example we have special size specifications for the blueberries that we export only to Japan.

Secondly, a strategic plan is critical.

You know your product, now you need to prioritize your export effort.

- Do Your Homework.

We did a global market study to determine where our product, infused dried fruit, had it’s greatest potential for success.

We have a relatively high cost item. One that is new and unique. It is a shelf stable product with high value per pound. The only product that is a real comparison is raisins, however, our dried fruit is 4-5 times more expensive. Given these factors, we identified which markets had; a high per capita income, or who ranked high in the consumption of dried fruit, or had similar taste to the U.S., or preferred natural foods.

- Identify Your Market.

We also needed to limit ourselves to a key market or country to enable us to build our business to a critical mass. This was critical for us to be as efficient as possible in our transportation, distribution, and marketing.

We identified two primary markets; United Kingdom and Japan. The United Kingdom was identified because it has the second highest per capita consumption of dried fruit in the world and their tastes are quite similar to our in the U.S. Secondly, we identified Japan. Japanese like the sweet-sour flavor that we believe our dried tart cherry has. They are also a very health conscious consumer. The Cherry Marketing Institute and the North American Blueberry Council had been promoting fairly heavily in the Japanese market for a few years. These promotions were emphasizing the nutritional and health benefits of cherries and blueberries.

- Method of Sales

You need to determine how you will sell your product and collect your money. There are various methods, all with varying degrees of risk. We choose to sell to distributors rather than through brokers if the trading companies do not have stateside offices. We carefully select our distributors. What we look at is their customer base, the market segment they serve, and their financial condition. Those we select, we give an exclusive market or territory. This provides them with a level of market security however, we also require that they take title and so they are responsible to pay for all product shipped to them. This greatly reduces our financial risk from having a multitude of foreign customers each pulling product from inventory that we would be storing overseas for that market.

- Strategic Alliances

Are there other companies that you can work with to maximize your efforts?

We found that Ocean Spray was also trying to increase their sales of infused dried cranberries. At the same time, we were looking to expand our export efforts. By working together we could offer a broad product line. We would consolidate our shipping and we could offer an agent a much more exciting package of products with a greater chance for success than working separately.

We also found other processors such as walnut, almond and raisin companies that were interested in working together to put on demonstrations and seminars on how bakers and chefs could use our product line to create new and special products.

Just this month, we started production of our tropical fruits in Mexico. We have formed an alliance with a Texas firm that has been processing in Mexico for years. We will be drying tropical fruits in Mexico rather than freezing them and then shipping the frozen fruit to Michigan for drying.

This accomplishes two key objectives; 1) it reduces our cost of dried tropicals so we can be more competitive with our tropical line and 2) it also frees up valuable manufacturing time for our U.S. produced fruits. We are at manufacturing capacity for our U.S. fruits and need this extra process capability.

- Market Representation

Finding the right agent. You want an agent who is well known in your market and who your company and your products are important to. This is very important! Alliances can help a great deal in being able to attract the primary or secondary firm in a market. If two companies team together, the dollar volume can be very attractive. Once you have established who will represent you, your representative can help you identify the best distribution system for that market. Once again, alliances with other non-competing companies help get you that critical mass necessary for top performance.

- Market Support

Your foreign agent will want your support just as your U.S. agents do here in the United States. All printed material must be produced in the native language. Today our brochures and specification sheets are printed in 7 languages (English, Spanish, French, German, Japanese, Chinese and Korean).

Your agent will want you to join them on some customer calls. That means traveling to your export market at least once or twice a year.

- Food Shows

Trade shows are an additional expense that must be planned for. Exhibiting at major food or product shows can be combined with customer calls. This will save some travel expense and is an efficient use of your marketing time. We have found that all international shows need extra presentation effort. Your signage needs to be in the country's native language. You need interpreters if you do not speak the language.

You need to plan ahead and get all of your display and materials to the exhibition well in advance of the show.

Working with F.A.S. and A.T.O. and other government supported export companies can provide you with both financial and statistical help. This help has been extremely valuable to Graceland Fruit in determining where to exhibit and which of our products have the greatest interest in those particular markets. They have also helped tremendously with our targeted country baking seminars and demonstrations.

- Pricing

The final strategic planning issue is your export pricing.

I believe we sometimes forget the cost of an export sale is not the same as a domestic sale. In general, export is often thought of as almost surplus removal or disposal. I would suggest it costs more not less to be successful in the export business. We must maintain a consistent program over time at consistent pricing, which will return acceptable profits.

This leads us to our third and final point - - - - Persistence

If you are going to be successful in a foreign country I believe you must serve that market just as you do your domestic market. We can not go over seas only when we have a surplus. We must be prepared to supply our export market year round whether the domestic supply is up or down, the exchange rate up or down, the price up or down.

We try to personally call on each of our customers at least once every year. That includes all customers whether stateside or not.

The export market is not an immediate sell. It does take time. . . . years in many cases. So, be persistent and committed.

If you have a product that can be easily exported, a plan that gets you to that critical mass soon and are persistent and committed to being to be in the market over the long haul, the answer is Yes, a small agricultural processor can compete globally.