

# GROWERTALKS

## Features

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### Gambling with Finished Goods

*Jennifer Zurko*



"I was told by a large producer, 'A bad day in flowers is still better than a good day in vegetables,'" said Mike Gooder, owner of Plantpeddler in Cresco, Iowa, who started the trek down the path of producing finished vegetables in the winter of 2007. Since then, he's tried dozens of different varieties, expanded his customer base and helped provide his community with locally grown food.

This past fall was Banner Greenhouses first foray into the world of finished veggies, when they performed their first trial program. Jeff Mast, the general manager for the 12-acre greenhouse operation in Nebo, North Carolina, said his team has learned a lot during the last seven months. "This is totally and completely new from a growing and handling standpoint," Jeff said.

So, why did they decide to take the plunge into produce? To find new revenue streams for a floriculture business that has either declined or plateaued, depending on your market.

"When you look at your crop options, there aren't a whole lot. That's why we explored it," Mike explained. "Plus, we can learn something that can help us teach others."

Neosho Greenhouses in Council Grove, Kansas, is one of the businesses Mike helped to kick-start their produce program. Eric Nelson, owner of Neosho, said, "The deciding factor was that the poinsettia market keeps shrinking. There was a lot of greenhouse space available at that time of year because we don't grow as many poinsettias as we used to. I heard Mike was doing it and we just wanted to try something new."



For seasoned veterans in this industry, growing finished vegetables in a greenhouse isn't new. Many operations started out growing produce before the boom of the bedding plant market kicked veggies to the curb. But now, putting produce back into an ornamentals range makes sense, said Mike.

“We’ve developed this enormous peak industry and it’s killing us,” he stated. “If you don’t [sell your products] from April 15 to June 15, you’re sunk. We’ve become so peak reliant as an industry, it’s really dangerous. I think guys look at that and say, ‘I have all this infrastructure I’m building, I’ve got these greenhouses and I’ve got people through the rest of the year—what’s my alternative?’”

### **Getting a spot at the table**

The hard part is getting your foot in the door of a market that few commercial growers are familiar with. Instead of dealing with independent garden centers or other growers, you’re now delving into the world of grocery stores, institutional places like schools and hospitals, and restaurants.

Plantpeddler looked at the different market segments for fresh food, learning that each one comes with its own set of challenges. Independent retailers, restaurants and Community Supported Agriculture programs (CSAs) are easier to do business with, but if you’re a supplier for these markets, you have to take the good with the bad.

The good—you don’t have to deal with a lot of corporate rigmarole or specific requirements to sell your produce. The bad—it’s not as easy to track if there’s a problem with the product. This is the main reason why most institutions and large grocery and restaurant chains require their fresh food suppliers to be GAP certified, which can get expensive (see sidebar at the end of this article).

But there are a lot of benefits to growing finished produce for local businesses, said Mike.

“It’s been huge for the company from a PR standpoint,” he said. “It’s good for the soul—you feel good about what you’re doing bringing local food [to the community] and people have identified very well with it. It’s been positive for the company. We’ve gotten state awards and a lot of recognition out of growing a few veggies.”

Although finding a buyer for your product may be difficult, it’s the first thing you need to research before filling that empty greenhouse space with vegetable plants. But once you have a few customers lined up, the rest is easy.

“[The customers] loved the product,” said Jeff. “One of the best features of our product was the flavor and that we’re local and pesticide free—values that were recognized by them and their customers. There was a lot more demand that we couldn’t meet. I delivered the last crop of tomatoes the last week of Christmas, but there’s still a lot of demand for product now. If we could grow it economically [year round], we could be selling it. So the opportunity is definitely there.”

### **What’s the success rate?**

With a program that’s still so new to many growers, how do you determine if you’re heading down the path to success? For Mike, Jeff and Eric, there’s no definitive answer because it’s hard to quantify in terms of actual dollars. But if you look at the alternative to not utilizing empty greenhouse space and keeping your employees idle, then the payoff goes beyond money.

“I don’t think I made any money, but I don’t think I lost very much,” Eric said. “I see potential if I can get the yield out of these plants to actually make it a cash crop. We try to maintain about 20 full-time employees and the tomatoes have enabled me to keep those people employed in the hours that they wanted to work. So, if I look

at it that way, I feel pretty good about the tomato crop because I really didn't have that much additional labor costs to produce them."

Although these growers are used to the culture of bedding plants, there's still a learning curve for growing finished produce. And the margin for error is much smaller—trying to cut corners in order to save a crop doesn't work as well with fresh veggies as it does ornamentals.

"I think it's a big learning curve going from young bedding plants to finished product," states Eric. "Fertility and temperature management is much more demanding. You have to monitor it a lot more. You can't make any mistakes on tomatoes or any vegetable. Those mistakes can reduce your yield."

With a few years of produce under his belt, Mike is on a roll with his vegetable program, but that doesn't mean it's a cash crop for him ... yet.

"We won't stay in it if there's no money," Mike stressed. "So does it make a huge contribution? No. Is it contributing to the reduction of our overhead expenses? Yes. Is it positively impacting the financial health of the company? Yes."

### **Could you buy in?**

Interested in adding produce to your line-up? Besides conducting some market research, there are other vital aspects first timers need to be aware of when starting a finished vegetable program.

"My advice would be to start with a trial," said Jeff. "Depending on your climate, it's going to affect the varieties you choose. I would not advise anyone to jump in and go for it without figuring out how to grow them and who you can sell to."

And don't forget that this product puts you front-and-center of the food safety movement, so you have to be sure your business—and your conscience—can deal if there's ever an issue.

"You've got to be real upfront with yourself first that you can run a large risk that could make someone sick," said Mike. "If you're going to produce, make sure that you understand your responsibility as a producer—which is much different from producing ornamentals. And you better make sure your insurance company understands that you're going to be producing food. If you don't tell them and you go down the path of a liability or recall issue, they may tell you that you're not covered and you're on your own. And it will bankrupt you.

We try to be as careful as possible with our sanitation processes and are very astute with what we're spraying to make sure it's safe for food because it's more challenging than it is for ornamentals. For pest and disease control, your tools are much more limited. Knock on wood, man—we work hard to make sure we don't ever have to use that insurance."

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### **How much produce do they produce?**

Each grower measures their vegetable yield differently. The current year's veggie crop is winding down because bedding plant season is upon us, so how was the volume for the

2010/2011 season? Here's a quick breakdown:

**Mike Gooder, Plantpeddler (Cresco, Iowa):**

- Two of their eight acres are used to grow vegetables.
- This year, they grew tomatoes (including Beefsteak and cherry), cucumbers, leafy greens, other cole crops like chard and kale, and herbs (which they also do for spring and summer).
- Yield—"At times, we've picked 2,000 to 3,000 lbs. of tomatoes per week and we have weeks where we wish we could pick 500. Cucumbers, we're averaging 500 lbs. a week. Leafys, 100 to 150 lbs. per week. When you look at the crops, you think, can we sell more? We're not even coming close. We turn away more business than we can satisfy because we overlap with other production."

**Jeff Mast, Banner Greenhouses (Nebo, North Carolina):**

- Two of their 12 acres are used to grow vegetables.
- This first year, they grew four varieties of tomatoes, orange and yellow bell peppers, cucumbers, baby bok choy and French green beans.
- Yield—At peak, they picked 360 cases (a standard case is approximately 25 lbs.) "One of the reasons for the trial was to try and calculate what our yield would be. The grocery chains want to know ahead of time and we don't have a cooler to hold them. If this business grows, that would be something we would look into, where we could manage our inventory."

**Eric Nelson, Neosho Gardens (Council Grove, Kansas):**

- 60,000 sq. ft. of their 350,000 sq. ft. are used to grow vegetables.
- This year, Eric and his team only grew tomatoes, totaling about 14,000 plants. In 2009/2010—which was their first year for finished produce—they also grew Bibb lettuce and mini cucumbers; however, inventory and insect issues prevented them from trying those crops again this season.
- Yield—At press time, Eric was still harvesting. "So far we've picked about 30,000 lbs. of tomatoes. What we'll end up with, I'm not sure. They've got to go pretty soon because bedding plants are starting to encroach upon them."

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## **Food Safety Firestorm**

Food safety is a major hot button in the media and at the consumer level, causing the U.S. Congress to mandate through legislation government agencies like the FDA and USDA programs that monitor where our food comes from, how it's produced, and to pinpoint the source if there's a problem.

GAP (which stands for Good Agricultural Practices) is a food safety program that originated at Cornell University in conjunction with the USDA to help farmers and producers adopt production practices that minimize food safety problems. GAP, at its core, revolves around a food safety plan developed by the farmer. For years, many companies who make processed food have developed HACCP (hazard analysis and critical

control points) plans that document their production protocols and risk mitigations that help them control the environment where their products are manufactured. With outdoor food production, there are too many variables to develop a HACCP plan, which is why the production side developed GAP, said Debbie Hamrick, Director of Specialty Crops for the North Carolina Farm Bureau Federation (and former editor of *GrowerTalks* magazine).

However, GAP is currently voluntary with no “oversight body,” said Debbie. So the new bill from the FDA—the Food Safety Modernization Act (FSMA)—that was signed by President Obama in early January will have a larger impact on the fruit and vegetable industry.

“What’s going to happen because of the FSMA that passed in a lame duck session of congress in December is that the FDA—in coordination with the USDA and the Department of Homeland Security—is going to be putting together standards for produce safety that covers production, harvesting, packing and storage of raw agricultural commodities, specifically fruits and vegetables,” explains Debbie. “In essence, the idea would be to ‘codify’ GAP through regulation based on instruction in this law from Congress. You want to take steps to minimize contamination. That’s really what good agriculture practices are and that’s really what’s going to happen with this bill.”

So what does this mean for small growers who want to start growing finished produce? First, there is an exemption in the new bill that states growers with total food sales below \$500,000 a year do not have to comply with the Produce Safety Standards that the law calls for if they meet certain conditions. For the exemption, 50.1% of your sales must be to “qualified end users” who are located in your state or within a 275-mile radius. So most growers just starting out don’t have to worry about the Produce Safety Standards that will be developed.

However, many fresh fruit and vegetable buyers require growers to be GAP certified—which can be expensive because the audit is conducted by crop in season. So if you’re growing a multitude of veggie crops, the total fees could potentially be well over the amount of total sales of the audited crop.

“We do need some sort of ‘all farm audit’ so that you would have an audit for your farm, not just one crop,” said Debbie. “A lot of these guys who are doing fruits and vegetables, they’re going to have to have multiple types of crops in order to be economically viable. And in order to do that, it’s physically impossible for them to be GAP audited for 45 or 50 crops on just a couple of acres. That’s not practical.”

Since the rules of the new bill have yet to be written and defined, the ag world is in a holding pattern, said Debbie. The FSMA may not affect your business, but if you’re producing any type of fresh food, you should always be aware of the latest food safety protocols. **GT**