

## Project Description

Rapid changes in the retail sector, marketing, and supply chain management have altered the traditional fresh produce distribution system and the role of intermediaries.



"The direction we want to go is to have more integrated relationships. We want to provide value in more than just one or two areas" James Lemke, CH Robinson.

### Research questions

- What is the role of wholesalers in the fresh produce supply chain?
- How do wholesalers adjust to a constantly changing supply chain?
- What practices are wholesalers adopting in order to compete more efficiently?

### Methodology

- Interviews with selected wholesalers and distributors in key U.S. cities.
- Web-based survey applied to 3055 wholesalers, distributors, brokers, etc.
- Analysis of common characteristics using cluster and limited dependent variable techniques.

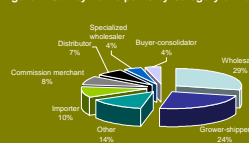
### Objectives

- Categorize different types of wholesalers according to different produce items
- Identify the role of intermediaries in multiple stages of the supply chain
- Characterize trade practices in the fresh produce industry

## Preliminary Results

Overall traditional wholesalers have declined their share in the fresh produce market. Particularly noticeable is the decreasing number of terminal markets in the country (According to AMIC, only 15 main terminal markets now exist in the U.S.). On the other hand, grower/shippers, specialized wholesalers, and other types of new service-oriented intermediaries are dominating the fresh produce supply chain. Business models such as forward integration, marketing contracts and more consolidation at the wholesale level are some of the main changes in this sector. Many wholesalers have successfully adapted to constant changes in the fresh produce market.

Figure 1. Survey Participants by Category of Business\*



\*Category of business only includes business that are currently handling fresh produce. Valid N=72

Trade practices are services or requirements commonly used by intermediaries when buying or selling fresh produce. Changes in the supply chain have promoted an increasing number of trade practices that are in some cases valuable opportunities for business, as well as demands for additional marketing services that successful suppliers must fill.

According to preliminary results, wholesalers do not vary their trade practices according to different products handled. Most wholesaler answered they were buying and selling almost all the different categories of products presented in the questionnaire.

Figure 2. Trade practices commonly used when Purchasing 15 fresh produce\*



Verbal agreements are the most common practice when trading with suppliers and are expected to remain a common practice. Marketing contracts, strategic alliances with suppliers and production contracts are expected to increase in the future, whereas buying on consignment or from spot market are likely to decrease (Figure 2).

Figure 3. Third-party Certifications most commonly requested by wholesalers



39% of wholesalers request third-party certifications.

Table 1. Main Category of Services Provided by Wholesalers

Services provided by wholesalers	%
Shipping	53
Distribution	47
Packing	46
Wholesaling	38
Warehousing	37
Re-packing	29
Exports	26
Other	23
Fresh-cut processing	14
Processing	12

Services most commonly provided are shipping, distribution and packing. Other services include, marketing, sanitation and inspection services, imports, retailing, quality control, and data management.

## Conclusions

Changes in fresh produce markets are imposing new directions in the way wholesalers establish relationships with suppliers. Verbal agreements characterized relationships between suppliers and wholesalers in the past; however, current practices emphasize more commitment in the form of alliances with suppliers and marketing agreements to supply volume and quality required by customers.

Although traditional wholesalers are still represented in the market, currently, more intermediaries are specialized in providing services to their customers, such as distribution, packing, brand development, etc. In order to satisfy their own evolving supply chains, wholesalers also request a higher commitment from suppliers, imposing new trade practices when sourcing fresh produce. A significant demand includes different types of third-party certifications.



### Acknowledgment

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### Selected key informant interviews:

Meijer's Wholesale distribution Center in Lansing, Michigan  
 Southern Specialties, Central America Produce, Coosomans, Caribbean Connection, Tropical Commodities in Miami, Florida,  
 Terminal market of Los Angeles, Melissa's, Coosomans L.A., Davalan Sales, Mission Produce, and Gills Onions (GO) in California  
 Citi Foods Inc in Indianapolis, Indiana  
 Key Stone onions in New Jersey