

# **U.S. Fresh Produce Wholesale Sector Trade Practices**

## **Electronic Survey Report: Preliminary Results**

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The fresh produce wholesale sector is an intermediate stage in the supply chain comprised of business operations which in general do not transform a specific fresh product, but rather provide services related to the sale of this product. The term 'wholesaler' refers to all merchants that are part of this intermediate stage in the supply chain; namely, wholesale merchants, distributors, jobbers, shippers, import/export merchants, agents, brokers, commission merchants, and other types of intermediaries.

Major changes such as retail consolidation, low-cost supply chain models, technological change in production and marketing, and growing demand for quality and variety have altered the wholesale system and the current and future role of wholesalers in the supply chain. This project is designed to present a general overview of current trade practices wholesalers utilize to adapt to these changes and to document future trends and the role of wholesalers in the fresh produce distribution system in the U.S. Changes in fresh produce distribution and management have created new forms of commercial relationships between suppliers and wholesalers. In some cases these changes represent valuable opportunities for business, beyond to the demand for additional marketing services from suppliers.

Trade practices wholesalers and intermediaries use to carry out transactions with their suppliers include, but are not limited to, marketing assistance, quality procedures, legal relationships, terms of payments, financing, communication and others. This diversity of trade practices characterize commercial relationships between intermediaries and suppliers of fresh produce in the wholesale sector and understanding changing trade practices in this important supply chain sector is fundamental for suppliers who want to gain or maintain access to fresh produce markets.

According preliminary results of this survey, there are three areas in which wholesalers have had to significantly adapt to new market structures.

### 1) Certification

Increasingly, requests for third-party certification from suppliers are becoming a standard procedure. Thirty percent of participants indicated they were currently requesting third-party certifications from their suppliers. Among those requesting certification, 25% were asking for good agricultural practices (GAP) certification. Other common certifications requested are from private labs (25%), USDA (21%), and Eurepgap (11%)

### 2) Business model

Practices such as verbal agreements and sourcing from spot market are becoming less relevant compared with more commitment-based relationships among suppliers and wholesalers. In the past, verbal agreements were common practice with both suppliers and customers; however, respondents indicated that in the future they expect increasing reliance on contracts, strategic alliances, inventory management, third-party certification, traceability systems, packaging standards and private standards.

In general, communication with produce suppliers is very frequent: 49% of respondents maintain daily communications with suppliers, and 24% communicate on a weekly basis. Most respondents (25%) indicated they have maintained commercial relationships with their primary suppliers for at least 6 to 10 years. Almost 20% of respondents have known suppliers for over 15 years and around 9% of respondents have had more than 20 years of relationship with suppliers.

### 3) Trade practices

Presently, most wholesalers are providing services not only to their customers, but also assisting suppliers in order to comply with the latest industry norms. Trade practices such as providing suppliers with final quality grade received, widespread use of internet and digital photography, advising suppliers on planning process, and visiting international growing areas are expected to become standard procedures in the future. Practices such as buying from spot markets and consignment are expected to decrease considerably.

Among those respondents currently purchasing internationally (28%), they expect to increase future direct sourcing from producers and to decrease sourcing from packer-shippers, wholesalers and brokers which have been traditional suppliers.