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Entrepreneur offers financing option for growers and shippers

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Growing up in a fourth-generation farming family in northwest Mexico, Pablo Borquez Schwarzbeck was well aware of the financial challenges that come with bringing a fresh produce crop to market.

A couple of years ago, while getting his master's degree at Cornell University, Borquez Schwarzbeck combined his knowledge of the ag space with some financial wizards from the business school to



develop what has become Produce Pay Inc.

This Los Angeles-based firm has created an online presence at producepay.com designed to provide short-term financial solutions for growers and shippers.

“We invest in produce as it is being brought to market,” he said.

Borquez Schwarzbeck explained that growers typically need lots of cash, especially for harvesting costs, as their crop is being prepared for market. He explained that in a typical situation, a grower begins his harvest, sends the product to the shipper who then sells it, and then must wait as long as 30 days for payment. In the meantime, he has to pay to harvest tomorrow’s output, and the next day ... and the next day after that.

“What we do is immediately pay him 40-50 percent of the value of that crop based on market value,” he said.

The entrepreneur illustrated his value proposition with an example. If a grape grower has harvested 100 boxes and delivers to a shipper who has sold that output with a \$10 per carton return to the grower, Producepay will immediately give that grower 40 percent of that value — \$400 — so he has cash to harvest tomorrow’s crop.

“We basically operate one day behind,” said Borquez Schwarzbeck. “If he harvests Monday, Tuesday and Wednesday, we are cutting him a check on Tuesday, Wednesday and Thursday as the previous day’s crop is brought to market.”

The charge for this advance infusion of cash is 1-1.5 percent, depending on the company’s history with the grower and the pay practices of whomever the crop was sold to. A faster pay history will result in a lower commission.

Borquez Schwarzbeck continually calls his company’s proposition an “investment rather than a loan,” and the payback a commission rather than interest. In fact, he said if there were a market decline for some reason in the price of the product from shipping date to delivery, Producepay’s commission would be based on the final selling price, not the original price.

He believes there is a great need for this service, which he said often falls on the shoulders of the shipper. Instead, he believes the shipper should concentrate on selling the product and let Producepay deal with the financing of the harvest from day to day.

Borquez Schwarzbeck said his Internet-based company links its investment directly to the shipment with its software package. So when the shipper ultimately gets paid for the product and remits payment to the grower, Producepay receives its money and commission at the same time.

Because it is an Internet-based firm, he said the service is available to shippers throughout the world. The common theme is that their fresh produce shipment must be destined for the U.S. market and a U.S. buyer.

The company has been up and running for about a year and he said that the majority of its clients have been growers from Latin America, but it does have U.S.-based grower customers and all of the shippers involved are U.S.-based companies.

After Producepay works with a grower and develops a track record, Borquez Schwarzbeck said the financial firm also offers short-term financing prior to harvest. He said this type of help is designed to get the grower through the growing season and would typically take place within about 45 days of harvest.

“Agriculture is very labor-intensive and grower costs can skyrocket near harvest,” he said. “We can help with their cash flow needs to get that product off the ground and shipped.”

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