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Foodservice closures: Where does the produce go?

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The closures of restaurants, hotels and schools have left growers with heaps of fresh produce without a destination. With crops often grown exclusively for the foodservice industry, growers who produce crops with a large percentage of production destined for this vital market segment are faced with incredible challenges amidst COVID-19 closures.

Potato growers have been hit hard with French-fry sales plummeting. The best potatoes for French-fries in foodservice are variety specific, which does not always translate at retail into consumer expectations of what a fresh potato should look like. Add to the list, growers of leafy greens, tomatoes, and more fresh produce whose foodservice orders have all but disappeared, which sadly for many means a “lost crop.” When fresh produce is in search of new destinations for sale, perishability often means the solution might take longer than the shelf-life of the produce.

Although they are consistent masters of pivoting, growers and farmers are now faced with the questions of, “where and how do I sell my crop?” There have been expected increases in retail sales since cooking at home has risen dramatically and restaurants are offering dine-out options. But consumers eat differently at home. They eat in smaller portions so this does not replace the sheer quantities of product that would be consumed at foodservice establishments with those doors open and orders in full swing.

As an industry, fresh produce has historically weathered economic storms well. Demand for food typically has an income elasticity near zero, meaning little or no reduction in overall food consumption during a recession. However, removing foodservice from the equation stresses this reality; an enormous market has dried up overnight. To frame this in dollars, in 2018 the USA foodservice industry represented \$678 billion in food sales, compared to \$627 billion that was spent at grocery

stores.

Furthermore, consumers are limiting their shopping trips and changing the nature in which they shop. Fresh fruits and veggies have always been that bright colorful and inviting section of the store that drives impulse sales. Now, there is an increased demand for packaged produce as consumers' perception is that produce has been handled less often and is, therefore, safer when packaged. Sales of canned and frozen produce have also grown. While these changes can be tracked with retail scan data, reacting to these shifts on the farm or in the orchard is not so simple. The nature of growing is complicated and dramatically changes depending on whether you are growing for processing or growing for fresh commodity sales.

Firstly, there are different pre- and post-harvest activities. Input costs are significantly higher when growing for the fresh market since consumers expect to produce to look fresh, colorful, and practically perfect. For example, tree crop growers will actively prune and thin during bloom to increase the eventual size of the fruit that each tree will produce. If they don't, the result is a small fruit sizing that is not desirable in the fresh market. This and other activities are costly and begin early in the growing process. With foodservice closures sweeping the globe in February and March, most planting and pre-harvest activities had been completed. It's impossible for growers to pivot that quickly.

Secondly, the pack types and pack sizes for distribution to restaurants, hotels, hospitals, schools, and other 'out-of-home' eating facilities that define foodservice is very different than preparing produce for retail. Retail packaging requires information printed on-pack for the consumer. They are also the silent sales tools that growers rely on to create demand for their specific offerings. Produce destined for retail is focused on merchandising within the produce department. Produce destined for foodservice is all about efficiency: think limited cooler and counter space, no branding or consumer messaging required.

Completely re-tooling your packing line to accommodate for this is a huge undertaking and a risky investment when no one can be certain as to when, where, or how foodservice activities will return.

Because the lack of demand challenge is piled high on top of challenges with transportation, and most significantly labor, growers are having to make seriously difficult decisions. In the case of ground crops, the question bears: Should we even plant, or should we sit this year out?

Meanwhile, there are some commodities like cherries that are expected to still thrive. They are not heavily dependent on the foodservice industry, and seeing as they are not available all year, fresh cherries create natural excitement at retail making cherries feel exclusive for a limited time.

The closest phenomenon to this experience for our industry might be the global economic crisis of 2008. Economies were under pressure, unemployment was high, people were eating more at home, and dining out less often. Over time we saw "frugality fatigue" — people got tired of being so frugal they developed a strong desire to treat themselves. Maybe they won't buy a new TV or indulge in white tablecloth dining, but they would treat themselves to a bag of cherries. They might even indulge in an impulse purchase of a baby pineapple or higher priced berries. This is viewed by many consumers as an "affordable luxury," and sustains these categories.

So, where does all the produce go?

There have been some efforts by governments to connect growers with food banks. The plan being, to buy up surplus fruits and vegetables that do not have a home thereby supporting the farmer while getting food to millions of people in need. However, there have been frustrations that this plan hasn't been executed swiftly enough. Unfortunately due to the perishable nature of fresh produce, in some cases, food banks simply cannot accept all of the fresh donations being offered to them.

As we work around the clock to shift supply from one market to another, fill gaps where we can, and support growers during this challenging time, we can only hope this is short-lived. We hope that with attention to physical distancing measures, our global foodservice industry partners can succeed in opening their doors safely, with sustained trust, and high-quality fresh produce to nurture us, body and soul.

(Craig Stauffer is the CEO of Vanguard International)

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