

Good and consistent quality, reliable supply and outstanding service

Village Farms lives up to the trinity of fresh produce marketing

Michael DeGiglio enjoys dynamic action, which he found as a pilot with the U.S. Navy and which he still finds as Chief Executive Officer of Village Farms. “This sector is so dynamic that the playing field changes constantly. We stay in the lead by distinguishing ourselves through marketing. But this requires an ability to adapt”.



Village Farms ‘germinated’ in 1990 at a horticultural trade fair in the Netherlands. DeGiglio, who was then the North American agent for Rockwool-Grodan, began a conversation with turnkey project developer Albert Vanzeyst. They both saw potential in the large-scale production of greenhouse vegetables based on modern Dutch technology. After returning to the United States, the businessmen did not waste any time. With financial support from their third partner, Tom Montanti, they built the first 4.5 hectare greenhouse that same year for the production of tomatoes on rockwool.

In the meantime, the production area has increased to nearly 60 hectares. “The Netherlands is the benchmark for modern cultivation technology, but the largest greenhouse vegetable growers developed in North America”, says DeGiglio. “This is because greenhouse tomatoes were truly a new product when we started fifteen years ago in the USA. At that time, 99 percent of tomatoes were field grown, from California and Mexico. However, the market share of greenhouse tomatoes increased very rapidly. In 2005, it represented an estimated 17 percent of fresh tomato supply in the United States, which includes retail and food service. About 37 percent of all fresh tomatoes sold in U.S. retail stores are now grown in glasshouses”.



From shortage to surplus

Compared with the golden years at the beginning, the competition on the North American tomato market is now much greater. Large producers in the United States, such as Village Farms and Eurofresh, compete with each other and with Canadian and Mexican suppliers. Due to the NAFTA treaty, these countries form a single free trade zone. However, there are still differences. Canada supplies only greenhouse tomatoes, the United States supplies both greenhouse and field-grown tomatoes, and Mexico supplies mostly field-grown tomatoes. Both Canada and Mexico export large quantities of tomatoes to the United States.

“In 1997, there was a production surplus for the first time”, recalls DeGiglio. “Dozens of smaller companies were forced

out of business. We also had difficulty at that time, but to a lesser degree. From the beginning, we have placed a great deal of emphasis on marketing. As a result, we have a relatively strong position on the shelves. In addition, we grow various types of tomatoes, bell peppers and cucumbers. Due to this

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broad product range, we are less vulnerable than smaller companies”.

8,000 truckloads

For Village Farms, marketing means more than having a recognisable house style, a well-maintained website and an informative label on every cluster of tomatoes. “We use focus groups to track the wishes of consumers”, DeGiglio explains. “In addition to the consumer, we must first satisfy the buyers wants and needs as they are our primary customer. To keep the buyers satisfied we have to achieve three goals: a good – and especially consistent – product quality, reliable supply and outstanding service. The importance of service has increased in recent years. The retail sector in the United States is undergoing a consolidation phase, and this puts the suppliers under great pressure. Last year we shipped 8,000 truckloads with tomatoes, bell peppers and cucumbers. On

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average, you have only 20 minutes to unload. A late delivery is disaster. At the same time, we want to be able to fill last-minute orders. This is why we’ve invested a great deal in our distribution centres. Our logistics are well organised, and a delivery has never been refused. Buyers have a long memory for mistakes; therefore you always have to perform well”.

Price is not everything

According to DeGiglio, Village Farms can therefore allow itself a fractionally higher sales price. “You shouldn’t exaggerate this”, he explains, “but I do want to state that price isn’t everything. Our aim has always been to provide a premium product and service for the prevailing market price. This strategy appears to work”.

DeGiglio states that he is open to innovation, but does not choose niche products. The current assortment is therefore limited to TOV’s (tomatoes-on-the-vine), cherry tomatoes and baby beefsteak tomatoes, as well as red, orange and yellow bell peppers and cucumbers. “We have greatly expanded the production of cherry tomatoes in recent years. We play it safe and supply top quality, basic products. Due to this strategy and our steadily-growing production area, we can supply large volumes. For retailers this is also an important aspect”. The growing consumer awareness of the quality and health aspects of fresh produce has accelerated the growth of Village Farms. Consumers are purchasing vegetables that look better and taste better than they did fifteen years ago. Partly as a



Village Farms is operated from the head office in Eatontown, New Jersey and has more than 600 permanent employees. There are three production locations in Texas and one in Pennsylvania, with a total greenhouse production area of nearly 60 hectares. The company has three distribution centres along the East Coast, one in the Midwest and one in Texas. All products are grown using integrated cultivation with the help of natural enemies of harmful insects, such as parasitic wasps and predatory mites.

result of this trend, per capita consumption has increased slightly.

A view towards Mexico

But the competition is not standing still. Tomato production has increased greatly, especially in Mexico, with its beneficial climate and low wages. This increased production has also been linked with professionalisation and quality improvement. A growing number of Mexican-based companies use shade halls or plastic-covered greenhouses. “The productivity and product quality of the Mexican companies has increased noticeably”, states DeGiglio. “The production per square metre is still only half as much as that in the United States or Canada, but this is not a problem for them because the cost of production in Mexico is much lower. Only a few companies can match our quality level. We are now working together with these companies. They are growing products according to our strict guidelines, and we are marketing the products under our brand in the United States and Canada. However, Mexico is also developing its own market for greenhouse tomatoes”.

Strategic issues

DeGiglio does not exclude the possibility of intensifying the cooperation with the best Mexican companies. “We are faced with important strategic decisions. The high energy and labour costs work to our disadvantage, even though we are

still on the right side of the line. Our primary aim is to gain market share in the retail channel. To this end we must effectively provide the buyer with a good product for an attractive price. If we can't grow that product ourselves for that price, we will have to get it somewhere else. For that matter, I am fairly optimistic and I still see possibilities for expanding our own production. In the Netherlands, a new generation of greenhouses and other technology is in development that will make it possible to grow much more efficiently. In addition, breeders are developing varieties that require less heat. However, new technologies and new varieties must prove themselves first in practice. We will not invest in them before this. Moreover, we are not simply following things from the sidelines; we are also doing experiments in our own research greenhouse”.

“We want to achieve a larger market share for our branded product. If we can't grow that product ourselves for the right price, we will acquire it from somewhere else”.