



HYDROPONIC FRUITS & VEGETABLES

Doug Kling, senior vice president and chief marketing officer for Village Farms, discusses how they meet consumer needs by focusing on the customer value proposition.

How has, what has been termed, the “New Value Economy” affected your business and customers?

Doug Kling: The “New Value Economy” has undoubtedly changed some consumer behaviors. The biggest challenge in more recent economic conditions is trying to figure out short-term trends compared to long-term behavior changes. According to a recent Hartman Group Study on Frugality, Value & the Post Recovery Consumer, effects on food and restaurant spend will be minimal, and as quoted, “it may be harder to take a trip to Mexico but not likely to affect one’s food choices.”

How have retail trends affected the commodities Village Farms sells?

Trends in retail tell a slightly more complex story, not so much in what specifically consumers are purchasing, but how they are purchasing. For us, and the produce commodities we grow, market and distribute, (tomatoes, peppers and cucumbers), change is apparent. Consumers are seeking value in pack-size and value-added packaging has become a real growth segment. A report from the Freedonia Group on U.S. demand of produce packaging for the overall food industry forecasts increases of nearly 4% yearly, with an estimated \$4.8 billion market by 2014. This is being driven by a recovering economy, consumer health trends and retailer preference for display ready packaging.

How is Village Farms able to meet the changing needs of consumers?

Recent retail scanner data from The

Perishables Group shows the hothouse tomato segment holding steady at 50% of sales and only slightly less in volume for all tomatoes purchased. The sweet bell pepper and hothouse cucumber segments are also seeing strong growth, particularly in the value-added packs. Village Farms is responding with a number of new value-added products such as tomato on the vine in 2-lb. clams, Roma tomatoes in 2-lb. clams, and Beefsteak tomatoes in 3-lb. clams. We are now also offering sweet bell peppers in 2-lb. and 6-count bags as well as Long English cucumbers in 2- and 3-count pack sizes. Another item we are offering is mini-cucumbers in 8-count trays and 2-lb. bag packs. These new value-added packs we have added to our retail product offering are in keeping with consumer trends toward value and convenience in the face of the new economy.

How has the “New Value Economy” affected your retail partnering?

One interesting aspect that has sprung up from the “New Value Economy” that is creating consumer push at retail is the buy local movement. This new trend has been a strong driver in consumer purchasing behavior and has actually worked to strengthen our retail partnering capabilities. Village Farms’ ability to get product into stores within one or two days has been a big selling point for us. Our retail partners value this because it reduces shrink, a substantial profit loss center in fresh produce. Another aspect of the buy local movement is the focus on sustainability. Our greenhouse growing methods are environmentally friendly, with the ability to

grow more food on less land using fewer resources. We can yield the same amount in 50 acres of greenhouse that a 1,500 acre field would produce, comparing pound-per-pound of tomatoes. We recycle our water up to five times and overall use 86% less water compared to field grown. In addition, we use integrated pest management to control pests, and have some of the highest food safety scores from third-party audits in the industry today. Our retail partners value all of our sustainability practices and have partnered with us because of our commitment to environmental stewardship.

Has Village Farms had to sacrifice quality for value in the “New Value Economy”?

Our value and quality customer proposition have never been stronger at retail. High value and premium quality go hand-in-hand with our product offerings. Our hydroponic greenhouse growing methods provide hand-picked vine ripened produce 365 days a year, delivered to grocers and ready to purchase, many times by the next day within our local markets. In addition, our distribution centers are strategically located enabling us to provide nationwide on time delivery. Our distribution center system is geared toward quality control so we can double check product before delivery, improving our delivery capabilities. Quality is a primary value at Village Farms and foremost in our customer value proposition. Quality, along with food safety, reliability and sustainability are what set us apart, not only from our competition but make us a cut above the rest. FF