

## SUPPLY CHAIN

# A cucumber's journey to market

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PORTLAND — Betsy Walton had an idea.

It was 2008, and Walton, then 57, decided to leave her decades-long career in the apparel industry to create her own Oregon-based food company.

It all started with pickles. Every Labor Day weekend, Walton canned a batch of pickles using her grandma's recipe. Friends told her she should take the recipe to market — and finally, she decided to try.

She signed up for a local class called "Getting Your Recipe to Market," created a company called Our Favorite Foods LLC and named her pickle line Duker's Dills.

Walton quickly learned the grocery supply chain is a complex clockwork. The sheer size of the 2021 U.S. supermarket and grocery industry, measured by revenue, is \$658.1 billion, according to market research firm IBISWorld. That's about \$1.3 million generated per minute.

It's easy, Walton learned, for farmers and new food companies to make mistakes and get hurt. But getting a product to market, if done right, can also be exciting.

## Getting started

When Walton started, she had no experience in commercial foods.

"It was a riot," Walton said. "I really didn't know what I was getting myself into."

To begin, she would need ingredients, processors, distributors and retail buyers. Game on.

In the "Getting Your Recipe to Market" class, co-run by Portland Community College's Small Business Development Center and Oregon State University's Food Innovation Center, Walton learned about product development, food science, packaging, distribution and marketing.

"It was all new to me," said Walton.

Sometimes, a new product begins with a startup. Other times, a food company simply adds a new product to its lineup. Occasionally, farmers take a product to market themselves.

The best way to get started, according to experts, is to "test the waters."

"I think a great place to start out and learn is through farmers markets," said Mike Seely, a Willamette Valley mint grower who sells value-added products such as mint patties and teas through thousands of national retail stores. "That's where we got started. You learn what works and what doesn't, what people like and don't."

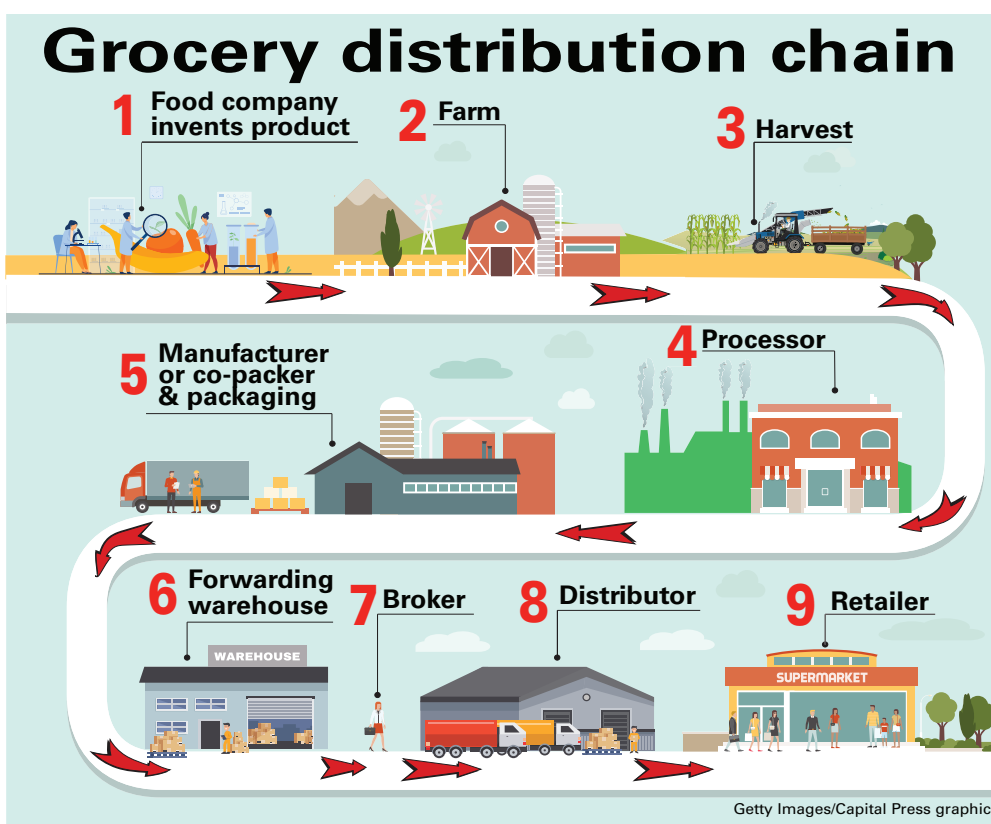
Erick Garman, trade development manager at the Oregon Department of Agriculture, said as farmers and food companies scale up, it's important to avoid common pitfalls.

Garman and his colleague, Lauren Gwin, associate director of Oregon State's Center for Small Farms and Community Food Systems, advise producers to:

- Do market research.
- Know each retailer's mission.
- Get to the decision-maker as soon as possible.
- Be able to explain their product in detail.
- Understand their category and competition.
- Make sure they're in compliance with food safety and labeling requirements.
- Have a clear sense of production costs and markups.
- Have a well-organized invoicing system.
- Be prepared to invest in new equipment and infrastructure.

Gwin advises producers to keep some of their business in direct-to-consumer and foodservice.

"It diversifies your risk," she said.



Lynne Barra, owner of Paradigm Foodworks Inc., a food manufacturer, said she's seen many farms and food businesses fail because they weren't prepared.

"If you go from the kiddie pool into the deep water, you gotta have deep pockets," she said.

## In search of the perfect cucumber

With the new business started, it was pickle time.

First, Walton would need cucumbers — and a lot of them. But where to find them?

In her class, Walton asked Sarah Masoni, a leader in Oregon State's Food Innovation Center, if she knew any growers. Masoni suggested Bob Egger, co-owner of Delta Farms, a division of Sauvie Island's famous Pumpkin Patch, and Anthony Fazio, owner of Fazio Farms in Portland.

Walton met the farmers and decided to buy cucumbers from both, along with dill and other produce for pickling such as green beans.

"Word-of-mouth" recommendations are key, so industry experts recommend farmers introduce themselves to many processors, manufacturers, distributors and retailers.

Working with farms proved to be a steep learning curve for Walton.

"I learned to expect the unexpected," she said.

Her first year, Walton ordered thousands of pounds of green beans. She was surprised to find some were wonky shapes that couldn't fit inside pickling jars.

"I didn't even think about green beans not being straight," she said.

She learned in the future to order 10% extra.

Working with the farms, Walton said, was also a joy.

"The farmers have absolutely amazed me," she said. "They work their buns off."

Egger said he sells about half his produce in the farm's own market and half wholesale. His No. 1 customer is Albertsons grocery stores.

Egger said when Walton approached him looking for a supplier, he was grateful for the opportunity. But pickle production, he said, is challenging.

A cucumber destined for the pickle market must be hand-picked at precisely the right size.

Hand picking is hard labor, said Egger. He said he pays his employees \$16 per hour "to hand harvest tiny little pickles."

"How long can hand harvesting pickles go on?" said Egger. "People don't realize how expensive and labor-intensive this crop is. Pickles are about the hardest thing to do wholesale."

## Where the ingredients go

Now that Walton had the ingredients, it was time to make pickles. The problem: Her

kitchen couldn't process thousands of pounds of cucumbers, nor was it licensed. She needed to find a contract packer, also known as a co-packer — a food manufacturing company.

Food startups and farmers often begin by working with co-packers, and if the startup grows into a major food brand, its owners may invest in building processing and manufacturing plants.

Typically, one more step comes before the co-packer: the processor. A processor prepares raw ingredients for manufacturing by blending, grinding, freezing, roasting, pureeing or peeling.

A co-packer then takes the processed ingredients and uses them in recipes to make products.

Between each facility, a sequence occurs: load, ship, receive. This may happen under the umbrella of one company, or each hauler and contractor may be separate.

Walton's first co-packer was Dundee Fruit Co. in McMinnville. After harvest, about 25 Dundee Fruit Co. employees would pack Walton's pickles — up to 3,000 jars per day.

"It was really cool," said Walton.

When ownership changed, Walton shifted to a smaller Portland co-packer called Three Little Figs.

The company produces artisan jams, many using a fig base, under its Three Little Figs brand name, and does co-packing for other companies on the side, a common setup. Liz Cowan, the owner, worked as a fashion stylist for 15 years before opening the company to pursue her first love — food.

Oregon and Washington combined have more than 100 co-packing operations, according to the Oregon Department of Agriculture.

"It's a fascinating line of work," said Lynne Barra, owner of Paradigm Foodworks Inc., a co-packer and manufacturer in Lake Oswego.

Barra, formerly a math teacher, got into the food world when dabbling with chocolate-making. She has this sign hanging in her office: "Forget love! I'd rather fall in chocolate."

Today, about 25% of her production is proprietary and 75% is co-packing. She works directly with some farmers, but mostly buys ingredients through processing plants.

According to Jill Beaman, a Portland-based business adviser to food entrepreneurs, some co-packers source ingredients for a food

company, while others expect the company to find its own ingredients.

How a co-packer gets paid also varies. Some co-packers buy a recipe or inventory outright, while others charge for services.

## Stored away

Most co-packers don't have sufficient warehouses or coolers. That means once a product is made, it's out the door and on to a forwarding warehouse.

"Farmers and food companies need to have a forwarding warehouse strategy set up," said John Henry Wells, founding director of Oregon State's Food Innovation Center. "When the co-packer calls and says your product is done, that's it. When it's ready, it's ready."

The forwarding warehouse may be a third party or within a distribution center.

This is where a broker, an optional role, is introduced.

"The broker is the agent," said Wells of the Food Innovation Center. "It's a little like Hollywood, the concept of a movie agent getting gigs for an actor."

The broker's role is to, as the name implies, broker a deal between the food company and retailer. On average, brokers take a 5% to 7% commission.

"If you're not great at selling, you need somebody to pitch you," said Seely, the mint grower.

Beaman, the adviser, encourages startups and farmers early on to be their own brokers. It becomes worthwhile to secure a broker when expanding into broader markets.

Seely said he thinks it's wise to have product in at least 100 stores before securing a broker because brokers aren't cheap. One, he said, asked him for a \$4,000-per-month minimum fee.

"I politely declined," he said.

## Inside the warehouse

Walton's pickles were now ready for distribution. Walton had set up a relationship in advance with KeHE, a wholesale food distributor.

Some major retailers run their own distribution centers, while others contract with a third party. According to Garman, of the state Department of Agriculture, small and independent retailers occasionally accept delivery directly from a producer.

Across the industry, there isn't agreement about whether a producer should first approach a distributor or

retailer to pitch a product.

"It's a chicken and the egg thing," said Seely. "Stores don't want you unless you have a distributor, and a distributor doesn't want you unless you have stores. It's tough to get started. But once you do, the ball really gets rolling."

Beaman said she thinks the retailer is usually the best first point of contact.

"I think it helps if you have a retailer asking for you," she said.

However, Beaman said, producers often jump into major distribution chains before they're ready.

"You get flattered by a distributor or grocery store wooing you," she said.

Gwin, of the Center for Small Farms and Community Food Systems, encourages growers to focus on regional, independent grocery stores.

Experts say some national distributors are notorious for hidden fees and confounding contracts.

"You've got really good distributors and brokers out there that want you to succeed. And then you've got really bad ones," said one farmer, who spoke on condition of anonymity.

Supply chains are becoming more consolidated. Some growers now work through cooperatives and food hubs. Others have taken various supply chain roles upon themselves.

The Seely family, for example, created their own line of mint candies. They got licensed to do processing themselves, but they outsource for photography, graphic design and packaging.

Walton, the pickle maker, said she avoided distribution-related headaches by staying regional, in chains such as Market of Choice. As

she has moved toward retirement — Walton is now 70 — she has scaled back and now only supplies one chain, New Seasons Markets in Portland.

## Duker's Dills go to market

This spring, Walton got the call from a New Seasons buyer asking for pickles again.

It was an easy yes. But when Walton first started in retail, she had many factors to consider. What was the competition like? Who was the target consumer? What product categories were oversaturated? What was the ideal jar size?

According to Beaman, one of the most common mistakes producers make is choosing the wrong container. If the jar is too tall for the main shelf, it will go on the top rack, where shoppers won't see it.

Traditionally, many chain stores have also charged "slotting fees" — a base fee a food company must pay for just the shelf space a product sits on.

One farmer who did not wish to be identified said a small chain store once asked him for \$10,000 in slotting fees.

But slotting fees are disappearing in many markets.

"Slotting fees are a little bit out of vogue right now," said Wells.

After the pickles' long journey to market, Walton had to face the final, and most important, test. Would anyone buy her pickles?

Walton ran in-store demos, retailers shared marketing responsibilities — and the product line was a hit. A decade later, Walton's pickles have been featured in publications and reviews statewide.

"Who knew?" said Walton. "It's been quite an experience."

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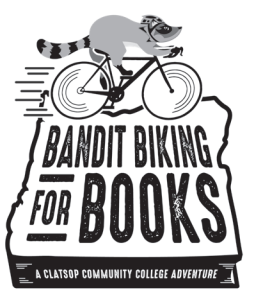
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