

Alsum Produce

Location: Friesland, Wisconsin

Business structure: Family owned, independent business

Product offerings: Complete produce line available in a three-state region (WI, IA, IL); potatoes and onions available across the eastern half of the United States.

Services: Grower, packer and shipper of potatoes; onion repacker; marketing and distribution.

Suppliers: Regional and national growers ranging in size, volume and certification, as well as some wholesale distributors. Alsum works with 300-400 suppliers, 60 of whom are in Wisconsin.

Customers: Alsum has two distinct customer bases: 1) Regional independent grocers, grocery chains, state institutions and school systems in Wisconsin and northern Illinois; 2) Grocers and food service distributors in the eastern United States.

Years in operation: 36

Grower requirements: Liability and product insurance. Organic certification is required for Alsum to pack organic product.

of employees: 130 full-time employees: 28 office staff ; 63 grading and packing; 6 maintenance; 27 truck drivers; 6 truck mechanics. 20 additional employees are hired for the harvest season.

Pricing: Prices are established according to the informal local market. Alsum has begun to lock in some prices in advance, but trends suggest that both growers and distributors prefer the open market.

Website: www.alsum.com



Alsum Produce is a family-owned and operated commodity farming operation and produce distributor. It has two distinct product lines and geographic markets: first, the Alsum line of onions and potatoes, which are sold across the eastern half of the United States, and second, a full line of regionally and nationally sourced fruit and vegetables that it supplies to regional grocery stores and institutions. Alsum administers all of its packing and shipping from its Friesland headquarters in central Wisconsin. Diverse markets and sourcing strategies enable Alsum to effectively distribute its own products while increasing regional growers' access to conventional local and national wholesale markets.

Founded as a family-run truck farming and repack operation in 1973, Alsum has since transformed itself into a national produce distributor and growing, packing and shipping firm. In spite of its growth, Alsum Produce remains family owned and operated and has retained many relationships with growers from its early years.

Seeking to overcome challenges associated with seasonality and leverage the optimal potato growing conditions of Wisconsin's Central Sands region, Alsum Produce developed a two-pronged distribution strategy. Approximately 85 percent of Alsum's sales are generated from its line of potatoes and onions, which it distributes to grocery retail chains in the eastern half of the United States. Alsum grows a significant proportion of its potatoes and repacks onions; these

commodities are also supplied by other farms. The remaining 15 percent of its sales result from its complete line of fruits and vegetables aggregated from regional growers and national wholesale suppliers. This produce is distributed to grocery retailers, state institutions and school systems within 200 miles of its Friesland, Wisconsin headquarters (this includes parts of Illinois, Iowa and Michigan). While Alsum's growers are expected to carry their own liability and product insurance, Alsum Produce does not have minimum volume requirements. As a result, its producers range from local Amish growers managing two acres of potatoes to operations with upwards of a thousand acres in production.

Alsum Produce operates out of a 140,000 square foot production and warehouse facility twenty-four hours

a day, six days a week. The company runs over 20 delivery routes in Wisconsin, Illinois and northern Iowa, with deliveries as far as Toronto, Boston, Miami and Tampa. During the growing season, producers usually receive order notice one or two days in advance. Produce deliveries arrive at the production facility three to four times per week and are shipped out immediately. In the summer, some products such as sweet corn are received six days a week.

Alsum manages all of its incoming deliveries and outgoing produce distribution as well as sales, packaging and marketing. Through vertical integration, Alsum has been able to construct a seamless supply chain and provide packing services and supplemental markets for regional growers. By establishing two distinct but complementary product lines and geographic markets, Alsum has built an ample wholesale market for its own commodity crops while maximizing its packing and distribution infrastructure by supplying regional institutions.

Challenges

Stated demand versus actual demand for local product. As a distributor to conventional retailers and institutions, Alsum Produce CEO Larry Alsum perceives the demand for local food differently than those working in smaller-scale, specialty and local food distribution. Alsum acknowledges the growing stated demand for local product but questions whether this will translate into actual demand—he still sees price and quality as the primary drivers for consumers at point of sale. Further, despite the recent surge of interest in local product, Alsum points to the reality that many consumers are eating less fresh produce due to changing preferences, convenience, lack of culinary skills and cost. This creates both an opportunity and a challenge to inform and provide.

Seasonality. Alsum identifies seasonality as another significant barrier to the expansion of the local foods market. Some of Alsum Produce's agreements with local growers are only one or two months long, requiring fill-in from the rest of the country for more than ten months of the year. Alsum cites a need to better match the reality with the market, highlighting the advantage of the company's staple crops, potatoes and onions, which can be sold locally throughout the year.

Local product differentiation and cost of specialized packaging for smaller growers. While signs and packaging are crucial to product differentiation, they can be a double-edged sword for growers serving the wholesale market. At farmers' markets, costly packaging is not required and growers earn higher prices per unit. In contrast, growers serving the

wholesale market gross a much smaller return per unit and therefore need effective packaging in order to differentiate their product and receive a premium for it. Alsum says that specialized packaging costs 20 to 50 percent more than generic packaging, and this cost is passed on to the growers. As a result, many smaller growers do not differentiate their products in a market seemingly flooded with labels and certifications claiming social, ecological and local production. There is already undifferentiated local product in conventional grocery retailers throughout the Midwest.

Cost-prohibitive food safety and post-harvest handling certification. Consistent with industry trends, Alsum Produce is moving toward requiring all of its growers to meet Good Agricultural Practices (GAP) standards. However, the administrative component of GAP certification is onerous and time-consuming. Such certification presents an even greater challenge to smaller, short-staffed farms with less capital and infrastructure. The absence of an industry-wide food safety certification requires that suppliers working with various wholesale buyers pursue and pay for multiple certifications.

Lessons

To succeed in the conventional retail market, local product must be cost- and quality-competitive with conventional products. Despite real trends in increased local food consumption, cost, quality and appearance are still significant factors at the point of sale, particularly in conventional retail markets.

Development of cost-effective, user-friendly packaging and signage for local wholesale growers and conventional retailers could help local products gain traction in the mainstream market. A variety of local branding campaigns have already been championed by public and non-profit agencies as well as individual grocery retailers. While savvy branding need not be costly, the variety of local brands may confuse consumers, reducing brand recognition and price premiums.

Multi-source and -scale product aggregation combined with vertical integration enabled Alsum to develop two distinct product lines and geographic markets. This diversification improves the overall stability of Alsum's market and opens supplemental markets to regional growers at diverse production scales. It also maximizes Alsum's distribution infrastructure by using it to process local product and to store, pack and transport wholesale fruit and vegetables for retail and institutional buyers.