

Making the Transition From Small Market to Commercial Growing with Angus Mellish (From Retail to Wholesale)

Angus Mellish (PEI) Veseys' Seed Manager and former vegetable horticulturalist. He has been working with Veseys' for the last 10 years. He also produces York Rutabega seed and operates a roadside stand.

As a seed manager and former vegetable horticulturalist, Angus Mellish has gleaned experience from producers to know what practices and skills lead to successful business growth at a mid-to-larger scale. Angus works with many commercial producers. He also does product development; on site trials, and then evaluates with farmers.

*Note: Veseys' was founded in 1939 and has been a certified handler of organic seeds since 2003.

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- Reasons to grow for wholesale (*see slide show for many notes*)
 - Exploit strengths
 - Cash Flow
 - Wholesale doesn't necessarily increase profits, but it can increase cash flow. That comes with it's own benefits: i.e. looks good to the bank
 - Better able to manage supply
 - Retail is easier to manage when you have a wholesale supply that you can send oversupply to
 - Able to Focus on one crop
 - Improved infrastructure
 - If you increase acreage for one large crop, infrastructure for the *other* crops you're growing will benefit.
 - Better able to utilize Labour
 - With more crops/work, you can justify/offer more consistent employment
 - Reduce turnover of workers
 - Specialization increases productivity
 - Bring your per unit cost of production down.
 - By utilizing wholesale market(s) you should be able to bring your retail profit margin up EVEN if you aren't making lots more dollars on the wholesale.
 - Formula: Increase wholesale and you will increase cashflow, which can increase efficiency efforts above, which can increase retail capacity.

Challenges

- Larger Capital investment
- Need for specialized machinery (field/packaging)
- Need for more land
- More work/labour and increased need for management skills
- More concentrated risk. Crop failure can hurt that much more AND your purchasers can be more of a risk.
- Need for specialized knowledge
 - must know crop.
 - Must focus on minimizing waste. Crop input and time input are very important.
- Organic growers must be pro-active; conventional farmers have *some* quick fixes to problems that will arise. Organic Farmers must be planning to deal with the problem *before* it happens.
- Larger Competition
 - Competition becomes farther away and bigger. That competition drives the price.

Keys to success

- Identify your market
 - Is there a market? What is the size? Who are your competitors? What is the market price/going to pay you?
 - Market is smaller for organic farmers. Maritime is a small market. You're already in a niche market with those two variables. Think seriously before you choose a niche product like heirloom tomatoes. Think about what's already being offered, and what will be purchased.
- Continuity of supply
 - Wholesale buyers want you to get them through the season, and can be hard on you when you don't
 - takes careful crop planning
 - Season extension may need to be considered
- Productivity
 - Successful producers are always looking to improve a little bit (labour, land, equipment)
 - Use everything to its potential
- Blending wholesale and retail is the "sweet spot"
 - Either a nice farm market/farmers market/CSA
 - About a 50/50 split between wholesale and retail.
 - Benefit is that when there's an oversupply in retail you know where to move it
 - If prices are low in wholesale, you can lean on retail
- You must know your cost of production. You must ask yourself, what does it cost to produce this?
 - This is a good investment of time. What does land, labour, input, time, etc cost?

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- Revisit a cost analysis regularly. Consider if you are making money. What can change?

- Identifying your Strength
 - Are you a seller or a grower?
 - Seller can go retail. They're great at the Farmers Market. They know names, they are in the community.
 - Growers are super at wholesale. They love being on the tractor, in the field, working as a farmer.
- What crop is the best fit?
 - Location, equipment, market. Where do you have an advantage?
 - What grows well in your area?
 - What will people buy in your area?
- Different types of wholesale
 - Collaborative/Comparative Advantage work
 - Work with other small market gardeners
 - talk with other growers. Comparative advantage with your neighbours. You don't like growing *this*, but grow *that* well. Well you supply your neighbour with *that*, and they provide you with *this*.
 - This is limited volume but high quality of product

 - Roadside Stands
 - Just a larger opportunity to the same idea above. Partner with other producers.

 - Small Retail
 - Local small coop stores
 - More volume; quality becomes a little bit about how the product looks and holds on the shelf, not just taste.
 - Less room for price negotiations than above, but still some.
 - Being local should still help you in places like local shops.

 - Wholesale brokers
 - The middleman
 - Unsure of how many are around for organic products
 - You become the price taker; this is where you "dump" your surplus. It's an avenue to move over supply

 - Large Chains
 - Large volume
 - Playing in the N. American market. If there is an oversupply of lettuce in California, it will affect your price
 - A lot of certification, food safety and traceability which is onerous
 - The producers who can play in this game are few and far between in the Maritime market.
 - Very little control

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- NB farmer was selling cabbage to national chain; planned his season. Stopped hearing from his buyer because his buyer went on vacation. Another buyer bought from another producer which meant that NB Farmer had
 - Talked about a farmer whose sweet corn cross polinated with ornamental corn; it was hard and tasteless, but held look, so they moved it to the wholesale market

- There are opportunities for wholesale organic growers. The market is growing, and there's not many in it yet.
- Adding some whole sale allows for room for investment. The risk is increased.

Questions:

- Q Do these lessons apply to scaling up seed production as well?
- A (hesitant) Yes. A lot apply. Need to still understand strengths and capacity for efficiency.

- Q What would you say the opportunities for people who want to scale up some?
- A What you should look at is what we are growing conventionally and figure out how we can compete with that? We grow cold crops now well, and while there are pest troubles with this. Look at what's being grown conventionally, consider how to compete with that.

- Q Where do you see the crop research being in 5 years?
- A I can't see it being more - it'll be more reliant on growers and associations, and private guys like Angus. Get your money's worth out of your suppliers.

- Q Is there any thought into shifting the market by changing the public's attitude (i.e. shifting from consumers buying from Sobeys and moving to farm gate).
- A There's lots of talk about buying local. More people are moving in that direction. Are people going to really shift away from going to Sobeys once a week? Sure a couple, but not en masse.

- Comment from participant: It'd be better to change people's ideas about what they'll buy IN Sobeys, than trying to get people to not shop at Sobeys. And this is going to happen only if people

- Q How ready do you think associations are to take on the research mandate and how do we better prepare them?
- A I think some are in a good place.

- Comment from participant: They need to continue to blend what other groups are learning and make sure folks are communicating developments despite not having big dollars.

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- A lot of the conventional meetings are still beneficial to attend despite not being exclusively organic.