

Wescott Agri Products

Location: Elgin, Minnesota

Business structure: Privately held company

Product offerings: Tree fruit. Wescott grows product and sources regional varieties in season. In order to meet year-round customer demand, they also source from national and international suppliers.

Services: Production assistance, washing, packing, marketing, aggregation and distribution.

Suppliers: 25 regional producers growing 30 apple varieties, with additional growers in Washington State and the Southern Hemisphere.

Customers: 105 customers in a five-state region (WI, MN, IA, ND, SD). Their customer base is about 70 percent retail buyers and 30 percent distributors.

Years in operation: Wescott has grown fruit for over 30 years. It has run a pack house for over 20 years.

Grower requirements: Wescott has GAP transitional certification and follows wholesale packing standards. It works with growers to institute sustainable production practices. All production locations are inspected by third-party certifiers.

of employees: 35: 1 CFO; 4 administrative staff; 1 operations manager; 4 account managers; 4 warehouse/distribution staff; 15 packers; 5 drivers; 1 production supervisor.

Pricing: Prices are set according to market conditions. Strong relationships and trust between the company and its growers are critical. Wescott enters into season-long contracts with specific retailers and offers transactional pricing for other customers. Some contracts are for volume commitments only, with prices fluctuating with the market, while other contracts are for price and volume commitments.

Website: www.wescottorchard.com



Wescott Agri Products is an Elgin, Minnesota-based grower and distributor specializing in wholesale tree fruits. By drawing its product from regional, national and international suppliers ranging in size and experience, Wescott is able to provide its wholesale grocery customers with a stable and consistent year-round supply, while still creating space in the market for new growers and seasonally available local product. Wescott offers its growers marketing services and expanded outlets for seconds. By providing its growers with technical support and other resources, Wescott is better able to control and ensure its product quality.

As a grower and distributor, Wescott Agri Products represents a consolidation and distribution model that supports regional growers of diverse sizes and experience levels while also guaranteeing a stable, year-round supply of fresh product for its large retail and wholesale customers. Wescott sources from orchards ranging in size from approximately 15 to 200 acres. Its product represents anywhere from 30 to 100 percent of its suppliers' sales.

In return for a marketing fee, Wescott provides its growers with on-site technical support, harvest and production planning, sales and marketing services, storage, packaging, transportation and other logistical support. Product is either picked up

at farms by Wescott for a nominal charge or delivered by growers to a central packing facility. There, it is aggregated under the Mississippi Valley Fruit Company label or custom packed under private labels. Wescott has its own fleet of 48-foot trucks and distributes directly to grocery retailers and distributors throughout the Upper Midwest. Although product is not identified by farm of origin, Wescott has full track and trace capabilities and meets standard wholesale food safety requirements.

In addition to providing production, packing, and distribution services, Wescott has explored value-added processing opportunities to help its growers capture a greater return on

lower grade product. In exchange for Wescott's service and assistance, its growers are expected to meet the company's growing and packing requirements. Wescott has found a correlation between its investment and involvement in production and consistent product quality.

Wescott's success is attributable, in part, to its scale, diverse sourcing and commitment to its relationships with growers. With growers located across the globe as well as in the Upper Midwest, Wescott avoids the seasonality barriers and reduces the weather-related risks associated with sourcing exclusively local product. Its partnerships with growers at all scales of production ensure an ample, stable supply, enabling Wescott to engage small and start-up operations that may initially have small or inconsistent harvests. As the demand for local product grows, Wescott has begun to help local growers establish new apple orchards with regional varieties. Wescott meets wholesale and large-scale retail demands while helping to sustain and grow regional, small and mid-scale orchards.

Challenges

Seasonality. Due to the Upper Midwest's short growing season, Wescott's ability to meet the demand for fresh, local product is limited. As a result, the company has acquired orchards and forged partnerships with skilled growers in Washington, Nova Scotia, Ontario, South America and New Zealand to maintain a constant supply of fresh product for its customers.

Regional growing conditions can make it difficult to compete with national and international product.

The midwestern apple industry's primary competitor is Washington State. Although Wescott's local growers are located in some of the best growing regions in the upper Mississippi River Valley, it is difficult to grow apples in this humid climate. The wet weather tends to lead to more pests, which impact crop production, yields and quality. This comparative disadvantage is heightened in organic production. Product differentiation through the expansion of unique regional varieties and strategic merchandising are critical to maintaining competitiveness.

Mitigating the lower value of seconds. First-quality Haralson apples will sell for \$1.69/lb. on the retail shelf, but offer a mere \$0.05/lb. return if they have any blemishes and are sold for juice production. This represents a significant loss for growers and underscores the need for seconds markets that can offer growers a higher return (see Wescott's solution to this challenge, under "Lessons").

Cultivating the next generation of growers. Many of Wescott's orchardists are close to retirement, yet few new growers are entering the industry. Fruit crop management is intensive and requires years of knowledge and training. Furthermore, reestablishing orchards is costly and can take a long time. Wescott is presently exploring new management and ownership strategies to preserve existing orchards and attract and train new growers.

Lessons

Meeting conventional wholesale growing, post-harvest handling and pack size standards opens regional wholesale markets to local growers. Regional distributors with proven track records, reliable traceability and uniform production and post-harvest handling standards are well positioned to enter the growing wholesale market for local and regional product. While wholesale customers want local product, food safety, freshness and appearance continue to be driving priorities.

Partnerships with local specialty processors create markets for seconds. Wescott's recent partnership with a specialty retailer interested in producing locally sourced apple pies has helped create a new use, and increased demand, for local, high-quality seconds. This type of innovation and partnership between regional distributors and processors capitalizes on the growing demand for local and specialty products while developing a vital alternative market for blemished product.

Consumer education and place-appropriate growing standards are necessary for a competitive local market.

Demand for local product must also be paired with an understanding of the particular assets and limitations of regional growing conditions. In the case of midwestern apples, there is a need for greater consumer education and acceptance of IPM as a regional alternative to organic production. Production and merchandising that differentiates regional and heirloom varieties may help local producers overcome national and international competition.

Marketing and on-site technical assistance benefit both growers and distributors. The services and training Wescott provides for its growers are mutually beneficial, improving grower capacity along with product quality and consistency. Strong, long-standing relationships between growers and distributors produce better products.