RESEARCH PERSPECTIVE

Sustainability Means "Transportation" for California's Flower Farms

BY KASEY CRONQUIST, IOM, CEO/AMBASSADOR, CALIFORNIA CUT FLOWER COMMISSION

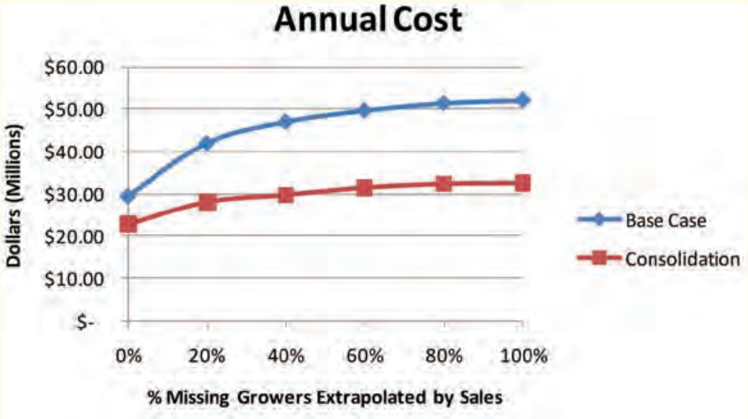
A recent study by the University of Southern California commissioned by the California Cut Flower Commission (CCFC) has shown that a model of cooperating California's flower freight can help to reduce landed cost pricing out of California. Currently, California's flower farms' transportation challenges are related to the Freight-On-Board (FOB) origin pricing, competitive pressures from flowers imported from South America and competition within California for outbound trucks from California. Established in 2008, the CCFC's Transportation Committee has been working to address these challenges to provide greater nationwide access of their flowers to more people in more places across the country.

Customer Feedback: We're Still Listening

Previous market research reports by Prince & Prince Inc., dating back to early 2000, revealed customers of California's flowers found low shipping volumes, quality controls and costs as underlying problems and points of concern for buyers faced with decisions between California or Miami. In addition, California's FOB origin pricing required their customers to be responsible for organizing their own transportation for their shipments out of California. An astute wholesaler interview by Prince & Prince in the 2000 study articulated the problem saying:

> *"...an individual wholesaler does not have a lot of clout with the trucking companies. The volume of boxes received by any one wholesaler is usually small compared to the volume of boxes from the growers. Thus, the grower has the clout with the trucking companies...All-inclusive pricing would make it easier for the wholesaler to make purchasing decisions for California product. But it would also get the grower involved in the freight side of the business — getting the grower involved in the responsibility and liability of the efficient freight transport — and drive that efficiency upward."*

While many transportation improvements for California Grown Flowers have been made during the past 10 years, the underlying issue posed by the wholesaler in 2000 has remained. With 250 California flower farms, 700 wholesalers nationwide and three primary trucking companies to work with, competition for shipments hasn't necessarily built the most efficient transportation model. In fact, competition appears to have actually driven costs up instead of down. As import market share and shipment volumes from South America have continued to grow over the past 20 years, high costs associated with California's transportation into key markets have been a barrier to growth.



California's agriculture production represents the No. 1 state in cash farm receipts in 2009. Producing far more than it consumes causes competition for outbound trucks to be fierce in California. Florida, on the other hand, offers far more competitive rates for outbound shipments. With Miami representing the primary port of entry for the majority of flowers sold in the United States, this becomes a compounding competitive challenge for our California flower farmers.

Cooperation Shouldn't Be "Freight"-ening

To try and tackle these challenges facing the future success of its farms, the CCFC's Transportation Committee has commissioned two studies to look at how to best address California's transportation challenges. Both studies have since supported the suggestion offered by the wholesaler interviewed by Prince & Prince in 2000 and have found that consolidation of freight volume by cooperating farms will drive the improved efficiencies and lower costs. The first study conducted by Tom French with the Supply Chain Coach, a Dublin, CA-based company that helps create and improve supply chain solutions, found by coordinating shipments through a point of consolidation, shipping costs were reduced between 13 - 58 percent. The recent release of the study by Daniel Epstein, in the Department of Engineering at the University of Southern California, found consolidation of California's floral freight volumes provided for 22-34 percent in transportation-related cost savings.

California's flower farms will now be taking a good hard look at how to best implement these recommendations of consolidation provided by the Supply Chain Coach and University of Southern California. Providing customers with the best quality product at the best possible price has always been a necessary virtue for California to maintain its competitive advantage over cheaper imports. A cooperative shipping network for California will allow our farms to ship more full truckloads and eliminate the duplicity and partial loads that currently drive up costs. A more efficient transportation system for California will allow California to offer FOB destination pricing, better compete with imports in important markets and achieve better negotiated trucking rates than any one grower or wholesaler.

The CCFC is an organization funded by cut flower and greens farmers to do for all of them what none of them could do alone. The Commission is uniquely focused on our farms and helping them survive and thrive while ensuring consumers in the United States have quick and affordable access to the freshest, highest quality flower possible.The Commission focuses on four main areas to improve the vitality of the California cut flower and greens industry: Transportation, Public Relations, Governmental Affairs and Grower Research and Economic Development.

Reduced Transportation Costs Are First Step To National Marketing

BY JIM PREVOR, EDITOR-IN-CHIEF, PRODUCE BUSINESS

Some ideas make so much sense that it is impossible to argue against them. Should California shippers attempt to negotiate collectively? Should the trade investigate the possibility of pooling shipments to generate full loads? Should producers be involved in efforts to reduce freight costs and to offer simplified pricing to buyers – the answers are yes, yes and yes!

These are all intelligent efforts to drive costs out of the system and simplify the decision to purchase flowers from California. This is imperative. It is a positive effort, but the world is a competitive place, always demanding that we do more and provide better value and a stronger sales proposition.

High U.S. wages, tough environmental standards, developing concerns about sustainability – all these trends and more tend to make it expensive to grow in the United States, and California is no exception. Efforts such as those described in the study by the California Cut Flower Commission are thus not so much the solution as the ante required to compete at all. If we become lazy about costs… if we fail to innovate to bring costs down… we will certainly suffer.

Same thing with quality. An area such as California can only thrive by producing the best. So quality and cost-reduction require continual vigilance. Yet still more is required, and we would suggest some research efforts be focused on the locally grown movement and tying it in with branding.

One of the things that our own focus group series has indicated is that nationalism can be a powerful force for locally grown. It turns out that many consumers, who advocate for locally grown, don't share the locavore notions of wanting everything to come from within 50 miles or 100 miles or some other arbitrary distance. Many seem to view local in an almost tribal manner, as a way of supporting their "team" – and that "team" can be a county, a state or a country.

Another key issue in local is that consumers want to perceive that things are grown in the "right" place, that the growers are authentic, with a history that gives a legitimate claim to the attention of consumers.

The California Cut Flower Commission is aware of all this, of course, and it fills its web site with "Meet the Families behind the Flowers" promotions and similar efforts.

This is smart. Organizations such as the California Avocado Commission, with its "Hand Grown in California" slogan and prominent profiling of authentic California avocado growers in its marketing, has brilliantly developed a strategy to take a commodity grown in California and make it seem local and authentic to consumers all across the country.

Getting consumers to recognize California as an authentic growing region of flowers may be a formidable obstacle to effective marketing. Of course, necessity is the mother of invention, and the need to brand goes hand in hand with the opportunity to market. We would raise two questions:

First, is "California Grown" the right brand? The "California Grown" license plate logo is useful, but one wonders if it provides the optimal tool for this job. It may be very effective within California because consumers in-state feel affiliation with California. Perhaps, though, a "USA Grown" program would have more appeal to consumers across the country.

When one goes to the *CaliforniaGrown.org* website, one gets appeals such as this:

You can do your part to help the state's economy by looking for California grown products when you shop! From grocery stores and farmer's markets to lumber yards and wine shops there are a variety of retail outlets that carry California grown products…

Many retailers in the state show their support for the "California Grown" campaign by placing the familiar blue license plate logo in their weekly ads near products that are locally grown. In addition, some retailers are taking the same idea further by placing signage in their stores to promote their California grown products. Make sure to look for the logo and signage where you shop and remember to "Be Californian, Buy California Grown!"

This may be an effective pitch, but it hardly seems designed to persuade people in Boston that they should buy flowers from California rather than Colombia.

A national marketing agreement or marketing order may be difficult to put together, and California growers might recoil from the thought of promoting a few flowers that are not California-grown, but they should study it because with 90% domestic market share, the growers in California might make more money with a more effective national pitch.

The second issue, once the brand is set, is how to use it. The key may be driving it at store level. How about a rack or cooler that exclusively sells "USA Grown" flowers? Then they could be more easily advertised, promoted and highlighted.

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The California Cut Flower Commission deserves kudos for launching this transportation initiative to reduce costs. As the industry becomes more price-competitive, it opens up opportunities to compete more aggressively. Let us try to dream big and take advantage of the opportunity presented.