What's So Special About Specialty Crops?

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We’re Fun!

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But seriously…

- Overview of fruits and vegetables in US agriculture and food industry today
  - Production, value, imports, consumption
- Some warning signs for the future
  - Labor, water, food safety misinformation, over-regulation
- Some reasons for optimism
  - Society is finally grasping the importance of fruits and vegetables to health
  - Industry innovation focused on consumer

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Who Is United Fresh?

- A business association representing the total produce industry supply chain
  - Growers, wholesalers, fresh processors, distributors, retailers, restaurants, service providers, allied associations
- 1,500 companies; 14,000 individuals
  - More than 100 commodity boards; local, regional, national, international associations
  - Members in every state, 25 countries
  - 300 volunteers on boards, councils

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Our Mission

1. Bringing members together to grow their businesses
2. Developing solutions and tools for companies to address complex issues
3. Providing training and education to enhance individuals' skills, leadership
4. Shaping government policy that affects our industry
5. Growing fresh produce consumption for long-term success

Now, On To That Industry Overview…

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U.S. Production – All Farms

- 2,109,303 farms
  - 1,551,654, 74% crop farms
- 914.5 million acres
  - 389.7 million acres, 43% cropland
  - 55.8 million irrigated acres (14.3%)
- $394.6 billion market value
  - $212.4 billion crops (53.8%)
  - $182.2 billion livestock (46.2%)
  - Up 33% from $297.2 billion in 2007

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U.S. Production – Specialty

- 230,755 farms (10.9%)
- 9.8 million acres (2.5% cropland)
  - 7.5 million irrigated acres (76.5%)
- $57.2 billion market value (14.5%)
  - 27% of all crop value*

❖ *Note: Specialty crops were 35% crop value in 2007*

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Ownership of F&V Farms*

Ownership	Number of Farms	Percent of Farms
Family	197,652	79.8%
Partnership	22,544	9.1%
Family Owned Corporation	21,110	8.5%
Cooperative	3,589	1.4%
Non-Family Corporation	2,877	1.2%

- *Note: 2007 Ag Census Data*

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Size of F&V Farms*

Acreage	Number of Farms	Percent of Farms	Market Value ($billions)	Percent of Market Value
<100	178,028	71.9%	$10.5	17.6%
100-1,000	54,866	22.1%	$20.9	34.9%
>1,000	14,878	6.0%	$28.4	47.5%

- *Note: 2007 Ag Census Data*

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Crop Comparison

Commodity	Market Value	Acreage
Corn	$67.2 billion	94.5 million
Soybean	$38.7 billion	76.1 million
Fruits, Berries, Tree Nuts	$25.9 billion	5.5 million
Vegetables, Melon, Potato	$16.9 billion	4.2 million
Wheat	$15.8 billion	49.0 million
Rice	$2.9 billion	2.7 million

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Crop Market Value Change

Commodity	2012 Value	2007 Value	Increase
Corn	$67.2 billion	$39.9 billion	68.4%
Soybean	$38.7 billion	$20.3 billion	90.6%
Fruits, Berries, Tree Nuts	$25.9 billion	$18.6 billion	39.2%
Vegetables, Melon, Potato	$16.9 billion	$14.7 billion	15.0%
Wheat	$15.8 billion	$10.8 billion	46.3%
Rice	$2.9 billion	$2.0 billion	45.0%

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US Fruit and Vegetable Sector

- Concentration to produce 50% sales
  - 4.9% vegetable farms
  - 3.0% fruit farms
- Concentration by region
  - Varies somewhat by commodity
  - There is a 500-pound gorilla (somewhere west of here)

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Fruits, Nuts and Berries

State	Market Value	Percent of US Market Value
California	$17.6 billion	67.9%
Washington	$2.9 billion	11.2%
Florida	$1.8 billion	6.9%
Oregon	$517 million	2.0%
New York	$308 million	1.2%
Top Five States	**$23.1 billion**	**89.2%**

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Vegetables, Melon, Potatoes

State	Market Value	Percent of US Market Value
California	$6.3 billion	37.5%
Florida	$1.3 billion	7.7%
Washington	$1.1 billion	6.5%
Idaho	$968 million	5.8%
Arizona	$764 million	4.5%
Top Five States	**$ 10.4 billion**	**62.0%**

3 CA Counties Exceed 47 States

	Fruits	Vegetables	Total
Fresno	$2.5 billion	$727 million	$3.2 billion
Kern	$2.5 billion	$415 million	$2.9 billion
Monterey	$1.1 billion	$1.7 billion	$2.8 billion

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F&V Acreage

	Citrus	Non-Citrus	Fresh Veg	Tree Nuts
#1	Florida	California	California	California
#2	California	Washington	Florida	Texas
#3	Texas	Michigan	Idaho	Georgia
#4	Arizona	New York	Arizona	Oklahoma
#5	Louisiana	Oregon	Texas	New Mexico

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Berry Acreage

	Strawberry	Blueberry	Raspberry	Cranberry
#1	California	Michigan	Washington	Wisconsin
#2	Florida	Georgia	California	Massachusetts
#3	Oregon	New Jersey	Oregon	New Jersey
#4	Washington	Oregon	New York	Oregon
#5	Pennsylvania	Florida	Michigan	Washington

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Import Share of Consumption

	1980	1990	2000	2010
All fresh fruit	26.7%	34.9%	42.4%	48.8%
All fresh vegetables	8.0%	10.3%	13.2%	24.5%
Avocados	2.2%	13.2%	48.9%	79.7%
Grapes	13.6%	37.0%	45.2%	50.3%
Melon	10.3%	15.5%	25.1%	28.9%
Asparagus	10.8%	29.8%	59.0%	89.1%
Garlic	12.5%	17.4%	29.0%	59.5%
Tomatoes	22.3%	20.5%	30.0%	52.3%

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Source of Fruit Imports

	2012 Value	Percentage
Mexico	$2.9 billion	36.7%
Chile	$1.2 billion	15.7%
Guatemala	$847 million	10.9%
Costa Rica	$837 million	10.7%
Ecuador	$449 million	5.8%
Honduras	$258 million	3.3%
Columbia	$246 million	3.2%
Canada	$216 million	2.8%
Peru	$180 million	2.3%
Rest of World	$573 million	7.4%

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Source of Vegetable Imports

	2012 Value	Percentage
Mexico	$4.1 billion	68.7%
Canada	$1.0 billion	17.2%
Peru	$268 million	4.4%
China	$150 million	2.5%
Costa Rica	$83 million	1.4%
Guatemala	$76 million	1.3%
Rest of World	$257 million	4.4%

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Per Capita Consumption (Lbs)

	1980	1990	2000	2013	% Change
All Fresh Fruit	88.4	92.0	101.2	110.5	25.0%
All Fresh Vegetables	113.0	147.1	174.5	169.8	50.3%
Strawberries	2.0	3.2	4.9	7.9	295%
Avocados	2.1	1.4	2.2	5.5	162%
Grapes	3.9	7.8	7.4	7.8	100%
Broccoli	1.4	3.4	5.9	6.8	386%
Bell Pepper	2.9	5.9	8.2	10.3	255%
Tomatoes	12.8	15.5	19.0	19.6	53%

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Per Capita Consumption (Lbs)

	1980	1990	2000	2013	% Change
All Fresh Fruit	88.4	92.0	101.2	110.5	25.0%
All Fresh Vegetables	113.0	147.1	174.5	169.8	50.3%
Grapefruit	7.3	4.4	5.0	2.8	-62%
Peach/Nectarine	7.1	5.5	5.3	3.1	-56%
Oranges	14.3	12.4	11.7	10.5	-26%
Head Lettuce	25.6	27.8	23.5	12.5	-51%
Cabbage	8.0	8.3	8.9	7.1	-11%
Carrots	6.2	8.3	9.2	7.5	21%

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Fresh vs. Processed (Lbs)

	1980	1990	2000	2012	% Change
Fresh Fruit	106.5	117.0	128.8	131.0	23.0%
Processed Fruit	159.3	141.0	158.0	113.7	-28.6%
Fresh Vegetables	151.8	176.4	200.8	191.7	26.3%
Processed Vegetables	186.2	214.8	223.5	203.2	9.1%

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Fresh vs. Processed (Lbs)

	1980	1990	2000	2012
Fresh Fruit as Percentage of Total Fruit	40.0%	45.3%	44.9%	53.5%
Fresh Vegetables as Percentage of Total Vegetables	44.9%	45.1%	47.3%	48.5%

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Summary of Key Facts

- Specialty crops account for one-third of all crop value
  - Grown on only 1% of total cropland
  - 76% of fruit and veg land is irrigated, compared to 6% for all crops
  - Meaning F&V are high investment, high value
- 98% farms are family businesses or partnerships
- 94% farms under 1,000 acres

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Summary of Key Facts

- F&V production very concentrated
  - 3-5% of farms account for 50% production
- California dominant player in fruit and nuts (68%); vegetables (37%)
  - Growth coming in different areas, but will take awhile to have significant impact
- Imports play increasingly major role in U.S. consumption
  - Fruit 49%; Vegetables 25%
  - Mexico dominant player

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Summary of Key Facts

- 30-year per capita consumption
  - Fruit up 25%; Vegetables up 50%
  - Meat & Poultry up 4%; Seafood up 22%
- Within F&V, different commodities are winners and losers
  - Grapefruit, head lettuce down >50%
  - Strawberries, broccoli up >300%
- Fresh F&V taking increasing percentage from processed

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So Where Do We Go From Here?

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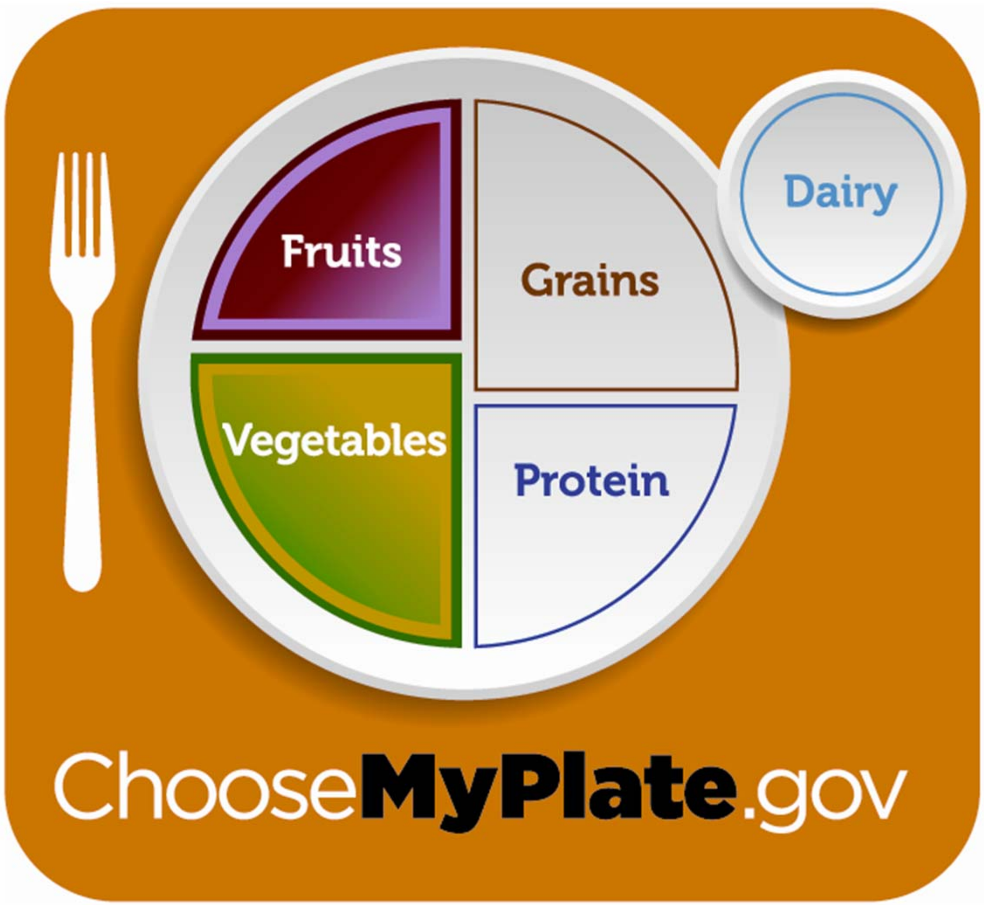
Make Half Your Plate F&V!



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What would half a plate mean?

- Americans consume less than half of the recommended levels of F&V
- If you could snap your fingers
  - Save tens of billions in healthcare costs
  - Cut the childhood obesity epidemic, early onset of diabetes and other illnesses
  - Reduce chronic diseases such as cancer, heart disease, hypertension
- Can we truly double consumption?

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Warning Signs

- Labor availability
- Water availability
- Misinformation on food safety
- Over-regulation
- Farm romanticism to a fault

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Labor Availability

- Labor availability
  - Most fruit and vegetable operations are highly labor-intensive
  - American citizens will not pick the crops
    - It doesn't matter what pay is offered
    - Immigrants harvest crops worldwide
  - Labor crisis is growing, and threatens existence of much US F&V production

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Immigration Policy

- An immigrant workforce
  - About 1.4 million full-time ag workers
  - Estimated that over 1 million are undocumented aliens; >75% of our workforce
  - And, we're even losing those workers
    - To other industries
    - To demographics and enforcement
  - With no replenishment of workers
    - Border is closed
    - Mexico's improving economic trends

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Needed Immigration Reform

- Adjustment to legal status for ag workers presently here
  - Come out of the shadows and legal limbo
- New agricultural guest worker program for future flow
  - Opportunity for foreign workers to come to US for work, get paid, and return home
  - All under supervision of USDA
  - Safeguards for workers and employers
  - Canadian model works well

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Water Availability

- Will defer this topic to A.G. and Dave!

Food Safety Misinformation

- Fresh produce is extraordinarily safe
  - Over 1 billion servings a day, without incident
  - Five commodities linked to 90% all outbreaks
    - Even those are rare
- But, we grow produce outside in nature, not in manufacturing plants
  - Cannot control every possible risk
  - No “kill step” that cooks produce
- Public perception still expects zero risk

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Over-Regulation

- Food Safety Modernization Act
  - Will final rules support safety and build consumer confidence, or drive people out of business?
- EPA seeming indifference to farming as a valued U.S. industry
- Business regulation at federal, state and local levels
  - From farm to table, regulators are adding costs and inefficiency at every level

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Farm Romanticism

- Idyllic longing for romantic view of farming can potentially be detrimental
  - Rejection of technology
    - Organic is a fine choice, but safe crop protection tools shouldn't be feared
    - Biotechnology may offer key solutions in health and sustainability
  - Diversion of limited resources
    - Government support of small farms, farmers' markets with little real impact on feeding the country

Reasons for Optimism

- Childhood obesity crisis has galvanized understanding of health consequences
- New product development is competing for consumer preference
- Innovation at every level of industry
- Focus on changing the world for the next generation

Childhood Obesity Crisis

- Obesity has been increasing to epidemic proportions over the past 25 years
- Today's children may be the first generation with a shorter life expectancy than their parents
- Health care costs related to obesity top $150 billion every year
- Increasing produce consumption is no longer a business goal; it's survival
  - For kids, economy, and us

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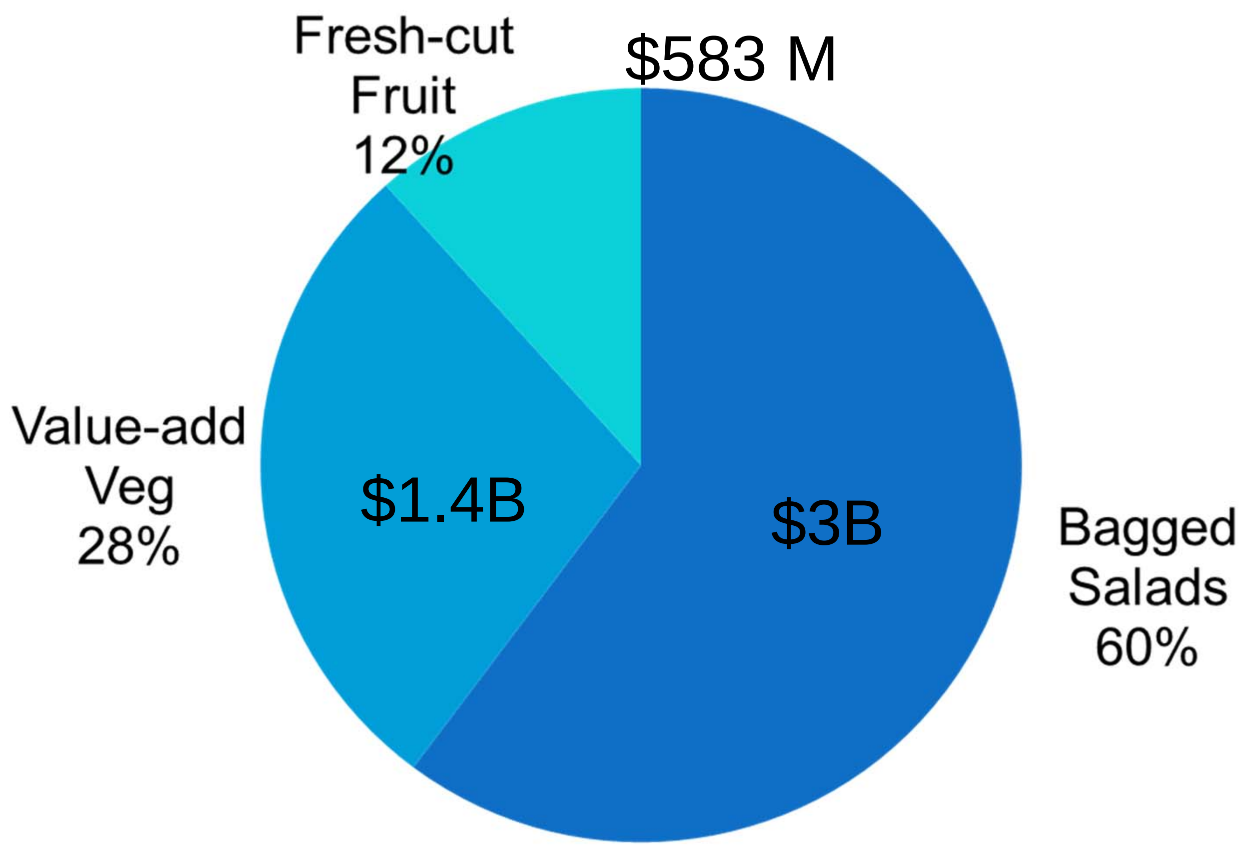
New Product Development

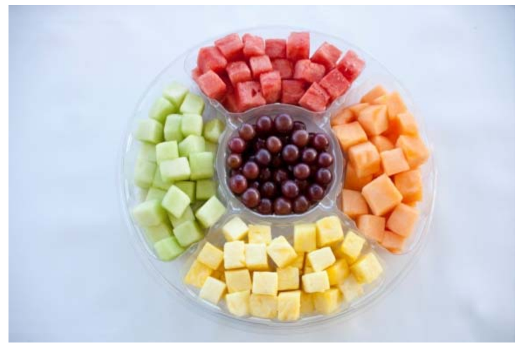
- Growth in consumption will come from new products, not commodity yields
  - New varieties with enhanced attributes, quality, taste, nutrition
  - Fresh-cut, convenience, value-added
  - Bagged salads, baby carrots, sliced apples transformed these commodities

Value-Added Convenience



Source: Perishables Group Nielsen 52 weeks ending July 13, 2013

Convenient Preparations



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New Snack Options

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Innovative Grab 'n Go Items

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Traditional Salads Reinvented

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Revolution in Gourmet Salads

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Opportunities Ahead

- Fresh convenience is driving the market
  - Supermarket retail
  - Convenience channel, small footprint stores
  - Drug stores and unusual food channels
- Health and wellness snacking needs
  - School foodservice and vending
  - Institutional settings from hospitals and universities to corporate business settings

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Industry Innovation

- Production
  - New seed/tree varieties for health, taste, sustainability
  - Mechanization and labor saving tools
  - Protected agriculture; greenhouse, etc.
- Distribution
  - Freshness is most critical element in delivering positive eating experience
  - Quality control/cold chain is the key

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Changing the Way Kids Eat

- Increasing produce consumption requires policy and environmental change
  - We can't just work to change one person's eating habits; we must change millions
  - Increasing access, availability of high-quality, great-tasting fresh fruits and vegetables
  - Schools have become a primary intervention point to change lifestyle
- Kids will ***choose*** fresh produce with early access and exposure

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Who says kids don't like produce?

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Enhancing School Foods Today

- Child nutrition law passed in 2012
  - School foods should meet the Dietary Guidelines for Americans
- USDA now working to implement changes
  - New school breakfast and lunch rules
    - 1/2 cup of fruit or veg in meals
    - Variety of products through the week
  - New school snack and vending standards
    - Perfect for fresh produce snacks

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Change Is Not Always Easy

- Some want to roll back standards
  - Complaining about costs, plate waste, falling student participation
  - They say even 1/2 cup is too much
- Health community strongly committed
  - PTA, Heart, Diabetes, Pediatrics, etc.
  - Mission Readiness - Retreat Is Not an Option
- United Fresh is leading efforts to help schools be successful, not quit trying

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Our End Goal?

- We intend to double produce consumption by the next generation!
  - A transformational opportunity for schools
  - Salad bars are now seen as the best way for schools to increase consumption
  - We've donated 4,000 models of excellence

LET'S MOVE
Salad Bars to Schools

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Take a look!

Thank you for the opportunity!

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