



Mid-scale food value chains case study: Red Tomato

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Origins of Red Tomato

Michael Rozyne, one of the creators of the international fair trade company Equal Exchange, founded an organization called Red Tomato in 1996. The goals for Red Tomato were to develop a dual purpose non-profit to market sustainably grown fruits and vegetables in the Northeast, and provide nationwide consulting services for regional food system development. This research brief focuses on the first goal.

Red Tomato has defined its role as follows:
Connecting farmers and consumers through marketing, trade and education, and through a passionate belief that a family-farm, locally based, ecological, fair-trade food system is the way to a better world and a better tomato.

The Red Tomato that exists now grew out of unsuccessful attempts to operate on a broader geographic scale and create an alternative food supply chain. In 2003 the organization sold the trucks and coolers, and kept the relationships with the customers and farmers. In other words, Red Tomato became a supply chain coordinator rather than a supply chain operator.

Key characteristics

In the broadest sense, Red Tomato represents a major shift from thinking of food as a commodity to a model in which high-quality products earn suitable rewards. Red Tomato carries out marketing and distribution functions for 40 fruit and vegetable farmers, mostly in the northeastern U.S. As of 2011, more than 200 grocery stores and supermarkets carried Red Tomato products throughout New England and the mid-Atlantic. Red Tomato also receives income from food system consulting, gifts and grants.

From the perspective of the firm's retail business clients, Red Tomato creates value by providing the logistical support necessary for aggregation and distribution so that retailers can purchase a broad variety of products from a single source. The Red Tomato pricing philosophy was based on the fair trade model, which sets it apart from other distributors. Red Tomato refers to their pricing model as "dignity pricing." Prices are based on

a combination of production costs, experiences in the market and growers' sense of what's fair. Red Tomato traders ascertain the following price points from growers: a) the average price recently received for a given product; b) the price they want through the Red Tomato brokerage; and c) the lowest price they will accept with dignity. Supplied with this information, Red Tomato traders seek to get the highest reasonable price from a given buyer.

At Red Tomato and throughout the rapidly changing produce business, pricing decisions are made account by account, product by product and season by season. For example, prices for peaches in the Northeast vary according to the ripening schedules for New Jersey peaches for a given year. The length of pricing agreements varies between customers and products.

In addition to increased prices, Red Tomato offers growers access to new market channels and outlets for smalls or seconds. Red Tomato's mini-baskets of peaches enable the high-value sale of smaller peaches that can be the key to profitability for that crop. "Sometimes selling the lower or smaller grades is the best thing we can do for a grower," says Michael.

Strategic supply chain partners

Experience has taught Red Tomato that certain producer characteristics, including a combination of structural and personal attributes, fit well with its supply chains. These are sufficient product volume and variety, storage, refrigeration, packing and trucking capacity; geographical fit with logistical routes; economic match, where partners are neither



Red Tomato markets and distributes fruits and vegetables for 40 farmers.

Photo: D. Snelford

too large nor too small; and reliability, openness and ability to communicate. Red Tomato relies heavily on existing growers to recommend new ones.

For distribution services, Red Tomato relies on both its farmers and three independent trucking companies in the Northeast. Its aggregation and distribution strategies are complex. Red Tomato has developed business relationships with two regional food distribution companies that complement its values, scale and geographical focus. The New England-based Organic Renaissance Food Exchange plays an important role in delivering Red Tomato's early strawberries. Strategically located in central Pennsylvania, Sunrise Logistics has extended Red Tomato's supply chains across regions and is the primary distributor of its peaches and apples. Overnight pooling and cooling regularly occur at producers' farms, trucking firms' warehouses, and warehouses at the terminal New England Produce Market in Boston.

Red Tomato has formed retail partnerships with a wide range of businesses ranging from large retailers such as Whole Foods and Trader Joe's to smaller, independent companies. They have initiated business with Culinart, a small, privately owned company operating dining services in the Northeast, and the Bon Appetit Management Company, a national leader in the food service industry.

Opportunities and challenges

During the recession, consumers restricted their buying choices and sought lower prices rather than choosing the environmental and social values associated with Red Tomato products. In 2010 and 2011, some of its farmers accepted lower prices for peaches and apples in order to keep a significant amount of business. Increased retail competition is another source of price pressure for Red Tomato. It is addressing these pressures by reducing staff, forming new distribution partnerships to increase efficiencies, and better defining the Red Tomato brand to farmers, customers and funders.

Red Tomato restructured its website to better articulate its brand. The website highlights more than 50 fruits and vegetables traded by Red Tomato, along with partnering farmers and supermarkets. Red Tomato plans to reposition its brand by clarifying and simplifying the many messages and sub-brands that are currently part of the organization's

marketing efforts. The following elements are central to its brand story: fresh, flavorful food; support of farmers; fair and trustworthy business practices; connecting farmers, eaters and buyers; changing the food system for a better world; earth-friendly; and regional focus in the Northeast.

Packaging is a challenge for Red Tomato. Because farms pack their own products, the Red Tomato brand identity can be easily lost. To remedy this, Red Tomato's creative/packaging director is exploring collective sourcing of packaging materials. Red Tomato plans to further differentiate its products through expanding the number of products grown and sold under standards associated with low-chemical, integrated pest management farming practices. In addition, Red Tomato secured funding to help many of its farmers obtain certification under the USDA Good Agricultural Practices (GAP) program, which is increasingly required by wholesale customers.

Another differentiation of growing importance is domestic fair trade. Red Tomato is active in the emerging domestic fair trade movement and maintains close relationships with Oxfarm America, Equal Exchange and a national farm workers' advocacy organization to develop farm worker-friendly, fair trade practices. They are slowly working together to identify key issues on all sides, including wage rates and housing quality for farm workers, and the strategies to address them.

Red Tomato's move to a new headquarters in the Crystal Spring Earth Learning Center offers new possibilities for partnerships. This facility has the long-term potential to be a center for New England organizations working on behalf of regional food systems and environmental causes.

A longer version of this case study (and related research) is available at two locations:

<http://www.cias.wisc.edu/economics/case-studies-profile-mid-scale-food-enterprises/>

<http://www.agofthemiddle.org/>

The Red Tomato web site is:
<http://www.redtomato.org/>

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