



Advantage Shifts To Production

Word that C.H. Robinson has acquired Rosemont Farms and its sister company, Quality Logistics, could be easily seen as just another press release in the endless flow of acquisitions, mergers, spin-offs, etc., that constitute the bubbling cauldron of activity defining the produce industry.

Of course, in and of itself, such news would be inspiring. Andrew Schwartz, the third generation scion of a Brooklyn, NY, wholesaling family, quits the family business and seeks his fortune in Florida. He works a few places in the industry, does more than make a living, and with his friend, Frank Segui, and his father-in-law, Don Brodie, he launches Rosemont Farms to sell eastern vegetables. Before he hits 40 years of age, the company becomes not only a leader in the field, but a company that the NASDAQ-listed, Fortune 500 behemoth from Minnesota wants to own.

C.H. Robinson is unusual in the industry, as it has shown an uncanny ability to remake itself to stay in sync with where the industry is moving. When this author was a young buck cutting his eyeteeth on the business in the Hunts Point Market, C.H. Robinson had an office down the hall. It functioned as a broker, and the primary difference between C.H. Robinson and any other broker was simply that it had many offices around the country.

Yet in the ensuing decades, the produce operations of C.H. Robinson were transformed as it developed technology enabling it to serve as the “front-end” of a Wal-Mart supply chain that would forever transform the way produce procurement was done. With the development of the Corporate Procurement and Distribution Services (CPDS) Division, it built a model in produce where it did not own production — not unlike the model it developed in transportation where it is a leading, non-asset-based transportation company.

Yet industries evolve and the acquisition of Rosemont Farms, following up on its acquisition of FoodSource in 2005, is a clear sign the model is about to shift. Or perhaps swing is a better word, for the industry pendulum tends to move back and forth over generational periods to place primacy on production or on the buyer.

Back during those salad days this writer spent on Hunts Point, we functioned as an importer and exporter as well as a wholesaler. During most of that period, on our import deal especially, power in the industry went to the one who controlled the product.

We were among the first companies to import Dutch colored peppers. Supermarkets would call and beg for an allocation. My father pleaded with countless visitors to our offices to grow melons

in the Caribbean and Central America, for we could sell more than what we had. We put enormous efforts into securing Chilean supplies because, once again, we could sell all we could get.

We used to run networks of trucks from New York across the country, carrying Greek figs, Italian chestnuts, French Granny Smith apples, Belgian endive, Italian radicchio, plus many other items. The shocking thing is we used to sit with order cards on the desk for weeks as we had the orders, but we either didn't have product or we didn't have transport to get LTL shipments to the old Perry Meyers in Minnesota or Grant Hunt in California. The buyers complained, but they let us wait since they had no alternative.

Those days passed. Production rose in Chile and the Caribbean; transportation options proliferated. Soon, we were begging the

Chileans not to ship small plums and pleading with Caribbean melon producers to ensure perfect packing before they shipped. Oversupply was the word. Power in the industry shifted from the one that controlled the product to the one that controlled the purchase order.

It was in this environment that many firms thrived, none more so than C.H. Robinson, as somehow this giant, which didn't own a cucumber patch or an orange tree, took over whole categories for major retailers.

Yet, another change is now upon us and the pendulum of market power is moving back to the producer. So the acquisition of Rosemont Farms is best understood as a manifestation of C.H. Robinson's conviction that it needs to get closer to production. It needs to have the capacity to ensure it can always get product because, otherwise, having control of the PO won't mean much.

What is motivating this sea of change in the industry — this power shift? It is hard to say

but, perhaps, like Atlas holding up the world and then — in Ayn Rand's vision — shrugging, the producers of America's produce have been so beaten up by audits, food safety scares, traceability requirements and sustainability demands that they realize they can't do it alone anymore.

Perhaps our growers have simply realized they cannot carry all these burdens if they can't make a profit and so they are, increasingly, planting for pre-sold programs rather than speculating. But if they don't speculate, it means there will be no product around for buyers who are not on program, or what little product is available will cost a fortune.

C.H. Robinson is buying companies to gain more expertise in day-to-day produce procurement. It is upping the ante in the produce supply game. Others will also have to ante up, or many will fold. **pb**

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