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San Francisco Wholesale Markets

San Francisco Bay Area: Incredibly Diverse

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San Francisco is an ethnically diverse area, known nationally as a cutting-edge food city. The waves of immigrants and the environmentally conscious population have generated many of the food trends that have swept the country. From Asian and Hispanic themed cuisine to a robust organic movement, San Francisco is the incubator.

"San Francisco is the food mecca of the world," asserts Michael Janis, general manager of the San Francisco Wholesale Produce Market.

"We're the equivalent of the south of France — food is theater here," states Bill Wilkinson, owner of GreenLeaf Produce, San Francisco Wholesale Produce Market. "Asians came to this area, and Westerners adopted their cuisines. Restaurants had to change and adapt to cultural changes."

"Our customers are a cross-section of the community," explains Annette Lee, president, John Demartini Co., Inc., San Francisco Wholesale Produce Market. "They're mostly Asian, Latinos, Middle Easterners. Most are mom-and-pop stores, mostly convenience. They want oranges and apples, especially Middle Eastern people. The Koreans who buy on the market are all jobbers. They buy everything and are on the market every day," she adds.

Dennis Martin, owner-operator O. Lippi & Company, San Francisco Wholesale Produce Market, sees the growth of Filipino markets as a business opportunity. He says he "needs to send a knowledgeable Filipino salesperson out to talk with them to see if I can get something going."

Earl Herrick of Earl's Organic Produce, San Francisco Wholesale Produce Market, calls San Francisco a hub. "San Francisco has a history to it. There's ideological support [for organics]. We're close to the agricultural areas. The population is wealthy, better educated, traveled, exposed to more. You look at those demographics if you're going to open a store, and you'll see strong benefits."

According to Greg Holzman, president, Pacific Organic Produce, San Francisco, "We're tapping into the growing consumer awareness of organic products. Our goal is to allow consumers to support local growers and

small family farms. The consumer and the planet benefit." Ten percent of the company's dividends are returned to the organic community.

"Although we're not located there, we sell to some of the companies on the San Francisco market," says Pacific Organic's Amy Rosenoff. "We work with shippers throughout the country."

THE RETAIL SCENE

"San Francisco is San Francisco," says Leo Rolandelli, president, Jacobs, Malcolm & Burt (JMB), San Francisco Wholesale Produce Market. "There have been some changes, but, basically, the San Francisco terminal market supports the mom-and-pop type operations."

Lunardi's, Mollie Stone's Markets, Andronico's and Draeger's are major independent retailers considered doing an outstanding job with produce. Earl's Herrick sells to Mollie Stone's and Andronico's.

Jimmy Varellas, broker, Franzella Produce, Inc., Golden Gate Produce Terminal (known as South City Market), says he is "partial" to Draeger's, Lunardi's, Mollie Stone's and Andronico's.

"The high-end independents in the area are growing, and as they grow, it makes more sense to buy direct," notes Jack Pizza, Washington Vegetable Company, San Francisco Wholesale Produce Market. "We're a victim of their success."

Gilbert "Gib" Papazian, president, Lucky Strike Farms, Inc., South San Francisco, believes the independents, such as Lunardi's, Mollie Stone's, Draeger's and Sigona's, are coming back because of their flexibility.

"The smaller and medium-size chains understand the individual demographic of each store. They know who buys what and, just as importantly, when. A Hispanic store wants Roma tomatoes and that's it."

Papazian thinks the biggest mistake chains can make is to control buying and distribution vertically, especially from some far flung location. "They don't buy on the market. They end up cutting corners, paying more

for their items and it ends up a mess. If you take autonomy from individual stores, you lose contact with all the local suppliers where you get the best shake. Local buyers know the market in their areas best. They know what to buy for their customers. When you centralize in a different city and take away local autonomy, you run into trouble," he notes.

THE FOODSERVICE SCENE

Dan Avakian, public and vendor relations, VegiWorks, Inc., San Francisco Wholesale Produce Market, says his customers are mostly foodservice: restaurants and hotels. "They're smaller restaurants and retailers who prefer to come in to the market and pick up the produce."

San Francisco Wholesale Produce Market's Janis observes, "A lot of foodservice people come on the market every day. Some come to get a handle on what's going on, others rely on a company like GreenLeaf. It all depends on the dynamics of the restaurateur."

Foodservice is a natural fit for Paulo Ho, corporate treasurer of VegiWorks, because he used to be in the wine business and his brother was a caterer to movie makers. Another partner had retail experience as a manager for Cala Foods, a local area chain now part of Kroger.

Robert Andrighetto, president, of Market Produce Sales on the South City Market, says, "Chefs typically rely on dealer/wholesalers like GreenLeaf. Chefs are not going into the market

HOW TO SUCCEED IN BUSINESS

Bill Wilkinson, owner of GreenLeaf Produce, San Francisco Wholesale Produce Market, has a formula for success: "Be as good as you can in as many things as you can. It's better to be above average in many things rather than superior in one thing."

Gilbert "Gib" Papazian, president, Lucky Strike Farms, Inc., South San Francisco, takes a different view. "Our success stems from 'sticking to our knitting.' We handle vegetables and melons and that's it. We don't get scattered."

According to Jack Pizza, Washington Vegetable Company, San Francisco Wholesale Produce Market, success comes from treating customers fairly and paying suppliers on time. "My father had a motto — 'You pay your bills even when you're dead.'"

Steven Hurwitz, owner, Bay Area Herbs & Specialties, South City Market, thinks success comes from promoting the whole product category. "What defines you is your specialty. You have to have the gamut in your specialty to succeed," he explains.

Steve Chen, Ray Mah and Joe Thomas left their former businesses in August 2005 to form Fresh Green, Inc. on the San Francisco Wholesale Produce Market. "We didn't have enough customers individually," explains Chen. "We deal with whatever sells on the street. Our customers are a combination of small restaurants and stores."

"It wasn't economical to do it on our own," he notes. "But [joining forces] doesn't make it easier. It creates more headaches, more work. It's a big project. We have a long way to go to reach our projections. It took a lot of time and patience to make this move. We wanted to be sure we could get along."

Steve Barranti, manager, George L. Burger Co., LLC, San Francisco Wholesale Produce Market, asks, "What's most important in the produce business?" Then he answers his own question. "Relationships," he asserts. "People will stay with you if you give them good service." **pb**

themselves so much. GreenLeaf will invite chefs in for cooking demonstrations and let them try different foods."

According to David Camarda, North Bay Produce Co., San Francisco Wholesale Produce Market, "In the Bay Area there are a lot of high-end restaurants with a lot of high-end products avail-

able to them. Even if the produce is expensive, they will order it. There's a lot of variety in the San Francisco market. People in the Bay Area know good food. They're spoiled."

Speaking for the foodservice side, David Sperber, chef/owner, Town's End Restaurant & Bakery, San Francisco, says, "Most of the people who



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walk the market are grocery stores and specialty retailers, not so many chefs. I have a separate niche with the vendors."

Sperber buys every day from the San Francisco Wholesale Produce Market. He focuses on organic produce and buys from Earl's Organics and three or four other vendors. He also deals directly with growers but mostly he buys on the wholesale market, as he has done for 20 years.

"I have a wonderful relationship with these folks," Sperber says, adding that he pays his bills regularly and that helps. "The combination of business relationships and friendship is a good thing." Sperber believes certain vendors have slightly higher quality and price is also important. He says the produce he is buying is good for him. "If I don't like what I get, there's never a doubt that the vendors will work it out for me."

VegiWorks' Avakian thinks Bay Area consumers are very aware of the benefits of eating a substantial amount of fruits and vegetables. "As a consequence, there are a lot of small, independent markets — Hispanic, Asian — as well as high-end specialty markets.

"Before, restaurants were playing it safe, trying to appeal to everyone. Now, restaurants want more esoteric products to set them apart. People are dining out more and are willing to pay more for it," Avakian maintains.

WHOLESALE MARKET CHALLENGES

VegiWorks' Avakian claims his company has

a problem with the "order smart" computer program that restaurants were using.

"If a restaurant had several different vendors, the program set them up to buy the lowest price. This doesn't work for produce. In the last couple of years, our company lost business because of that," according to Avakian. "We've had to train the chef or purchaser on yield. For example, a case of spinach costs \$10 or \$11. With the \$11 case you get more yield. The program was impersonal, strictly by the numbers. Now, many restaurants are backing off. They're realizing they get what they pay for."

For Lippi's Martin, "The costs of health and welfare are killing us and everyone else. Workman's Compensation keeps saying the rates are coming down, but that hasn't happened." Still, he adds, "I believe healthcare is a basic dignity."

According to Dru Americh, controller, Automataum Produce Co., a San Francisco Wholesale Produce Market fresh-cut house, "There are a lot of food safety issues. We had to put in a new floor and sprinklers. Our machines have to be cleaned for one hour every day to avoid bacteria on the fruit. Today there are so many rules and regulations, which means added expense.

"Price and quality of the merchandise are the biggest challenge," she adds. "We're not cheap, but the quality is there."

JMB's Rolandelli says, "The challenge is to find your own niche. Merchants can't handle tons of items. Do a good job on what you do

and deliver that message to the customer. If everyone is a specialist, there's a good opportunity for everyone to be profitable."

Earl's Herrick says the biggest challenge is when "your clients outgrow you. You need to continually define and add value to what you do." Herrick looks at different labels and chooses the best quality, goes to in-store demonstrations and on farm tours to identify the best organic produce. "I am continually redefining how to keep customers in my bay."

For GreenLeaf's Wilkinson, "The challenge of the future is to be as efficient as possible. Our mission is to serve our customers well, treat employees with dignity and make a profit so we can continue to do business."

Washington's Pizza says day-to-day competition issues are a challenge. "Maintaining relationships with suppliers, keeping them strong. Also, it's a challenge to adapt to the way business is evolving. On the ethnic side, it's a different product mix because culturally they use different items. That kind of customer is more price conscious and can deal with a lesser grade of product. It's a challenge to keep the right product mix for our customers."

Pat Murphy, general partner, Cooseman's San Francisco, Inc., San Francisco Wholesale Produce Market, says, "Finding new items to bring in is a challenge. But my biggest challenge is getting young people involved in the business."

According to Burger's Barranti, "Sometimes



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it's hard to collect money. There are so many people in my credit box." But on the whole, "Everything's pretty good." He thinks it is best for retailers to remain with the same suppliers. "They usually let you know about price increases ahead of time and give you other product alerts. They treat you right so you stick with them."

Peter Carcione, Carcione's Fresh Produce Company, Inc., South City Market, cites a different challenge. "It's very difficult to get the right people for the market's crazy hours. The produce business is a wonderful business except for the wholesale side. We're making people very healthy — except for the people around here. They get only four to five hours' sleep."

"It's not necessary for these hours anywhere in the United States. If store managers knew that we opened up at 6:00 AM instead of 2:00 AM, they might walk the market and get involved," he says.

Johnny Calleja, sales, J.C. Cheyne & Co., South City Market, says the biggest problem he faces is competing with Restaurant Depot's one-stop shopping. "Sysco requires every stop be \$500 or more, so more people are now going to Restaurant Depot. They're buying on price, not quality. Costco isn't so much a factor any more as far as restaurants are concerned. Restaurant Depot is killing Costco's business."

"Restaurant Depot doesn't carry credit. You have to pay at the time with cash or a credit card. Also, you're expected to tip the people who load the produce in your truck, then you have to carry

WILL THE WHOLESALE MARKETS REMAIN VIABLE?

What will happen after 2013 when the San Francisco Wholesale Produce Market leases are up? The land is owned by the city of San Francisco. The South City Market is privately owned. Negotiations with the city are going on, but the merchants are unsure what will happen. Rumors say the area is being considered for a ballpark or urban development opportunity.

Leo Rolandelli, president, Jacobs, Malcolm & Burtt, San Francisco Wholesale Produce Market, is president of The San Francisco Produce Association, which is "working with the city. It's close to putting something together for young people, people who are interested in staying in business here."

Bill Wilkinson, owner of GreenLeaf Produce, San Francisco Wholesale Produce Market, is completing his term as chairman of the board of the San Francisco Chamber of Commerce, and he is also optimistic. "The city is committed to rebuilding the market."

Jack Pizza, Washington Vegetable Company, San Francisco Wholesale Produce Market echoes Wilkinson's optimism. "The city has told us in no uncertain terms that they want the market to stay. They don't want to lose the economic vitality."

"The market is of great economic value to the area," says Dennis Martin, owner-operator O. Lippi & Company, San Francisco Wholesale Produce Market. "It's vital, viable. Consider just the amount of food and fuel that's purchased. The market is the largest employer of blue collar workers in San Francisco, and they all get healthcare."

pb

the produce into your establishment and put it away," Calleja points out. "People who shop there don't figure in the service and delivery."

Steven Hurwitz, owner, Bay Area Herbs & Specialties, South City Market, notes, "There's a lot of inflation in the economy." His costs, grower costs and vendor costs are all going up. "These costs are difficult to pass on to consumers but, at some point, we'll have to do this. We have to operate efficiently. We have to move more volume without adding overhead."

According to Market Produce's Andrighetto, "The independents that use the produce terminals will always be around. The challenge is having product to help the independent operators fight the big chains. The chains are one-stop, they have good pricing on staples and it's easier when you're on the go." One of his strategies to help independents is to bring in different labels for stores that need to differentiate themselves from the chains. "This is where the produce terminal has its future," he believes.

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