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COLORADO VEGETABLE SURVEY RESULTS: WHAT WE'VE LEARNED FROM OTHERS

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- Vegetable "quality" followed by "price" are most important to produce distributors and restaurants.
- Growing location was important to 50% of the restaurant managers surveyed.
- Only 24% of the restaurants are currently using Colorado-grown vegetables.

In April, 2002, we wrote the first of a four-part series of reports that deal with small agricultural producers attempting to find niche markets for locally grown products. In the first issue, we provided the results from a consumer vegetable survey conducted during the summer of 2001 at different grocery stores in several towns in Colorado. In this issue, we will report the results from several focus groups and phone surveys conducted with wholesalers/distributors, brokers, restaurant managers, and other food service industry components such as casinos, government institutions, grocery stores, and larger corporations throughout the state. Information about these buyers was considered to be very important, as these groups represented the growers' primary buyer should the producers decide to sell in retail outlets, in addition to going after the direct market sales such as local farmers' markets.

DISTRIBUTOR SURVEY

In telephone surveys with ten different distributors and brokers who service the Colorado area, as well as national markets, some interesting points were found.

- The distributors included in this survey resell vegetables to major restaurant chains and grocery stores throughout the Colorado region as well as nationally.
- Overall, less than 10% of the distributors' business is represented in Colorado, with the exception of Yancy's (90%) and Shamrock Food Company (50%).
- Vegetables make up on average 20% of their total volume distributed, with little or no organic vegetables in the mix.
- When asked how the company made its purchasing decision, the number one answer was "quality" followed by "price." Past track record, time of year and long-term relationships were also factors in the purchasing decision.
- Regarding long-term contracts: some long-term contracts (negotiated annually) were in place (2 to 3 year contracts), but distributors most did not depend on long-term contracts. Those contracts in place had criteria for volume and/or grade.

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- The top five most important factors in selecting fresh vegetables were:
 - ◊ Quality (freshness)
 - ◊ Price
 - ◊ Availability
 - ◊ Consistency
 - ◊ Variety
- When asked if the growing location was an important tool in selecting vegetables, the distributors said “yes it could be.” The Salinas Valley in California, which was considered an important for its production of fresh vegetables; and Idaho, which was cited for its russet potatoes, were the two examples that were mentioned most frequently. The growing location was important to distributors because of the better name association and the customer loyalty exhibited to the location where the product is grown.
- Colorado did not fair well with the distributors with respect to overall vegetable purchases from Colorado nor their opinion of Colorado vegetables relative to other areas such as California or Florida. The most frequent reason that distributors did not rely more heavily on Colorado vegetables was because of the limited growing season. Their opinions regarding the Colorado vegetables ranged from “still a bit behind California” to Colorado is “making great strides” to Colorado does a “really good job on most items.”
- Distributors would be motivated to increase their purchases of vegetables from Colorado if
 - ◊ There was a greater consumer demand for Colorado vegetables,
 - ◊ If the customer dictated the need for higher quality vegetables and if Colorado producers could deliver it,
 - ◊ If the customer requested Colorado-grown vegetables,
 - ◊ If the vegetables fit a niche market that consumers demanded, and
 - ◊ If the prices were competitive with vegetables produced in locations.
- When asked what could make their relationship with Colorado vegetables growers better, the distributors were quick to state that the relationship was, in fact, good. They cited that only a longer growing season, less weather problems, and more variety could make it better.
- Most distribution locations have the flexibility to make decisions on products carried, however, nearly half of the distributors surveyed have cen-

tral offices that make the purchase decisions—some of which are located outside of the state.

- The consequences for (or concerns of) these distributors from switching from large growers or distributors to local produce suppliers are listed below:
 - ◊ Not as much product or selection available
 - ◊ Can not meet growing needs (ability to provide large volumes)
 - ◊ Do not want to jeopardize relationships with larger growers
 - ◊ Matching quality
 - ◊ Ability to meet standards

FOOD SERVICE INDUSTRY SURVEY

Two separate surveys were conducted in the food service industry. The first survey concentrated on locally owned and national chains along the Front Range, and the second survey concentrated on major, national chains (not necessarily in Colorado) and single locations that use tremendous volumes of vegetables on a daily basis.

RESTAURANTS IN COLORADO

This survey included five, national/regional chains and five, local restaurants located from Fort Collins to Colorado Springs.

- The national chains averaged 3% of their total business in Colorado.
- For all restaurants, traditional vegetables make up on average about 41% of their total “foodstuff” orders with organic vegetables making up about 5%. Even though the percentage of organic vegetables used in the ten restaurants is low, two of the restaurants used 15% and 33% organic vegetables, respectively.
- Fresh vegetables most often purchased by Colorado establishments included:

Vegetable	Percent Purchased by Restaurant
Carrots, celery, lettuce, mushrooms, and green and red peppers	100%
Cucumbers and spinach	80%
Winter squash	70%
Broccoli and summer squash	50%
Sweet corn, cabbage, tomatoes, and Beets	20% or less

- Processed vegetables most often purchased by the restaurants surveyed along the Front Range are shown below broken down by type:

Type of Process	Percent Purchased
Frozen vegetables	80%
Canned vegetables	60%
Pre-packaged	30%
Variety mixes	20%

- Processed vegetables are purchased far less frequently than fresh. In fact, most of the restaurants polled purchased little or no processed vegetables; however, the most frequently purchased processed vegetables are noted below:

Processed Vegetables Purchased	Percent Purchased
Lettuce	40%
Broccoli, carrots, and spinach	30%
Celery, sweet corn, peas or green beans	20%
Green or red peppers, mushrooms and summer squash	20%
Cucumbers and winter squash	None

- Purchasing for national chains is traditionally performed in a centralized location.
- When asked whether or not vegetables were purchased through long-term contracts, 70% said no, however, Colorado-based restaurants tended to use more long-term contracts than most.
- Examining the purchasing criteria (volume, price and grade), the listing by priority of these three categories were primarily grade, price and volume while the criteria for changing current sources were price and availability.
- The criteria for selecting a new provider are:
 - Service, follow-up, price, quality, number of deliveries, volume, and grade.
- When asked for the most important factors in selection of fresh or processed vegetables, the top five answers were:

Importance Factors	Percent of Restaurants Polled
Quality	100%
Price, Consistency, Availability	80%
Appearance	30%
Colorado Grown, Variety, Storability	20%
Organic, service, volume	10%

- When selecting vegetables, 80% of the Restaurant managers surveyed stated that they had used “Colorado-grown.” The percent of “Colorado-Grown” vegetables purchased by the restaurant managers ranged anywhere from 2% to 99% with an overall average of 24%. Growing location was important to five out of the ten restaurant managers surveyed, with three managers stating that they had no preference and the other two stating they had a location preference only some of the time.
- When asked their opinion of Colorado vegetables compared to other states, such as California or Florida the managers listed the following:
 - “It depends on the item, Colorado potatoes are very good as well as fruits.”
 - When it is available, I will always buy Colorado.”
 - “Lack of year around supply.”
 - “When in season they [Colorado Grown] are the best.”
 - Varies from season to season, Colorado corn and peaches are great.”
 - “Great.”
 - “No real opinion.”
 - “Is good.”
- The only consequences mentioned for the restaurants to switch vegetable providers were a decrease in consistency, availability (non-growing seasons), possible supply problems, and service.

SINGLE FOOD SERVICE LOCATIONS SURVEY – NATIONALLY

A second food service survey concentrated on single high-volume locations such as very large hotels,

resorts, casinos, and educational institutions. The results from these establishments did not vary greatly from the surveys discussed immediately above. However, there were some departures that are worth noting.

- With single large volume locations, the contact is often the chef or the food and beverage manager versus the purchasing manager.
- The criteria for evaluating a new provider included the price, availability, delivery and inventory; however, samples were another criteria cited as an evaluative tool.
- Growing location was not important to these large, single location food service operators. What was important, however, were consistency, quality, freshness, service, availability and price. Price ranked lower with these single location large establishments than with the national and local restaurants.
- Purchasing decisions were split between centralized purchasing and decentralized purchasing.
- Colorado resorts, casinos, and educational institutions are all interested in Colorado-grown vegetables.

CONCLUSIONS

Currently 50% of the national and local restaurants surveyed cited growing location as an important factor, however, only about 24% are selecting “Colorado-grown” vegetables (when in season). This would suggest the need for a branding strategy for Colorado vegetables. (The growing location of the vegetables is less of an issue with the high-volume, single location establishments.)

Based on our discussions with various restaurants, hotels, casinos and education institutions, it would appear “Colorado-Grown” vegetables could compete with vegetables already grown. However, Colorado producers face a shorter growing season than competing locations- making it difficult for Colorado to provide a year-round supply of produce.

The vegetable growers in Colorado have a challenge ahead if they want to compete on a regional or national level. The growers will need to work within some integrated structure to determine what vegetables will be grown on what amount of acreage for a specific market. Generating the demand in that market for Colorado-grown vegetables will then require establishing a “Colorado-grown” image and branding strategy—where “Colorado-Grown” becomes synonymous with high quality.