Values-based food supply chains: Red Tomato

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This series of case studies examines values-based food supply chains—strategic business alliances formed between primarily midsized farms/ranches and their supply chain partners—to distribute significant volumes of high-quality, differentiated food products and share the rewards equitably. Farmers and ranchers function as strategic partners rather than easily replaced input suppliers. All participants in these business alliances recognize that creating maximum value for the product depends on significant interdependence, collaboration and mutual support. These supply chains attach importance to both the values embedded in the production of the food products AND the values that characterize the business relationships.²

Historical development through 2008

Introduction. Red Tomato <www.redtomato.org>³ is a dual-purpose organization that markets sustainably grown fruits and vegetables in the Northeast and consults on regional food system development across the country. It was founded as a nonprofit organization in 1996 by Michael Rozyne, one of the creators of the international fair trade company Equal Exchange <www.equalexchange.coop>. **Operations through 2007-08 are described on pages 1-12, followed by a case update describing operations in 2009-2011.**

Strategic and philosophical goals. Red Tomato's mission is "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" (See<www.redtomato.org/bigpicture. php>).

Organizational development. Red Tomato has gone through several stages of organizational development in the areas of sustainable food trading and food systems development consulting:

Sustainable food trading.

1997-1999: Red Tomato began working on a broad scale with a network of other East Coast, non-profit food-related organizations. These early collaborations resulted in Red Tomato pulling back to New England, emphasizing marketing, trading

³All websites referenced in this document were accessed on 9/4/12.



Red Tomato ... markets sustainably grown fruits and vegetables in the Northeast and consults on regional food system development across the country.



¹This is an updated version of this case study. The original version was published June 2009. ²Values-Based Food Supply Chains: Strategies for Agri-Food Enterprises-of-the-Middle explains the terminology and general characteristics of values-based food supply chains: <www.agofthemiddle.org>.

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Red Tomato selectively chooses the consulting jobs it engages, given its limited staffing and uneven demands on staff by season.

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and income generation. Red Tomato decided to develop its own distribution and logistical systems that would connect farmers and buyers.

1999-2002: Red Tomato sought to operate its entire food supply chain. It developed a full-blown, stand-alone food distribution system with trucks, drivers, docks and coolers that it shared with Equal Exchange. It became clear that this self-contained transportation and distribution system was too expensive to sustain and put the organizational focus in the wrong areas: "concrete and rubber versus farmers and products." However, Red Tomato established relationships with farmers and customers that provided the base for its next stage of development.

2003-2004: A bold choice was made to: a) sell trucks and coolers and retain relationships with customers and farmers; b) coordinate, not operate, the supply chain; and c) focus on Red Tomato's marketing and logistical orchestration competencies.

2005-2008: Red Tomato continued its development of a successful model to coordinate its supply chain that enabled it to: a) grow without being overwhelmed by expensive infrastructure and maintenance; b) focus on growers, products, customers, logistics, differentiation and branding; and c) emphasize Red Tomato's primary role as a "food de-commod-ifier" (Michael Rozyne, Director of Red Tomato, interview, 2/5/07). In 2006, Red Tomato joined with Equal Exchange and AgroFair, a European fair trade fruit company, to start Oké USA, a fair trade banana enterprise <www.okeusa.com>.

Food systems development consulting. Initiated in 2004, Red Tomato's consulting enterprise is designed to increase organizational income and "employ skilled people in the winter." Examples of this work include consulting on the creation of a public market in Portland, Maine, participating in the development of a domestic fair-trade association in the United States <www.thedfta.org>, developing fair trade markets for bananas in the United States and food system consulting in Illinois. Red Tomato selectively chooses the consulting jobs it engages, given its limited staffing and uneven demands on staff by season. While generally separate, the food trading and consulting (food systems development) enterprises may overlap. With opportunities to rapidly expand regional trading over the past several years, the role of consulting has diminished for the time being (Michael Rozyne, interview, 3/12/08).

Financial development. Red Tomato has three income streams: trading income, consulting fees, and gifts and grants (foundation and government grants, and gifts from individual donors). To cover

the costs of coordinating and administrating its trading business, Red Tomato charges 10 percent of the wholesale prices paid by customers in its food supply chains.⁴ Trading income in 2007 accounted for \$240,000 or 40 percent of Red Tomato's \$600,000 budget.

Red Tomato's 10-year financial goals are a self-supporting trading business and balanced income streams. It aims for 50 percent or more of its income from food trading (with growth in New York, New Jersey and Pennsylvania) plus consulting fees; and the remaining half from government and foundation grants, with a steadily increasing proportion from individual donors (Michael Rozyne, interview, 3/12/08).

Historical growth indicators. Red Tomato sales increased from \$0.5 million to \$2.475 million between 2003 and 2007. During this time, Red Tomato worked with approximately 35 farmers and the average volume purchased from each farmer rose significantly (Michael Rozyne, interview, 3/12/08).

Dynamics as of 2008

Creating and marketing differentiated (and higher value) food products.

Product differentiation and branding. In its 10 years of business development, Red Tomato has shifted from trading mainly organic vegetables to a high proportion of Integrated Pest Management (IPM)-grown fruit, primarily Eco Apples. For a description of Eco Apples and the IPM protocols for growing them, see the Red Tomato website <www.redtomato.org/ ecoapple.php>.

"We discovered that organic vegetable growers were better able" to build the infrastructure to direct wholesale their products on their own. The infrastructure associated with conventional fruit marketing in the region had eroded significantly ... Organic fruit is very difficult to grow in the Northeast to a supermarket standard and volume." (Michael Rozyne, interviews, 02/05/07 and 3/12/08).

Red Tomato differentiates—or "de-commodifies"—its products through:

High quality (freshness and flavor). High quality is associated with all the links in the supply chain, from production through packing, storage and transportation to markets. The Red Tomato website emphasizes the flavor of its fruit:

⁴Based on the quality of Red Tomato's trading services, it could legitimately explore increasing its commission rate to more than 10 percent.



Red Tomato has shifted from trading mainly organic vegetables to a high proportion of IPM-grown fruit, primarily **Eco Apples. It differentiaties itself from** others by carrying a wide variety of products.

"The number one reason to eat an eco apple is the exceptional flavor."

- *Red Tomato's brand and farmers' identities.* The Red Tomato brand and the identity of the growers it buys from are retained, in most cases, to the point of sale.
- *Environmentally friendly farming systems.* The majority of Red Tomato's fruit and vegetable products are ecologically grown, a category that includes organic production and advanced IPM <www.redtomato.org/wieco.php>.
- *Packaging.* Red Tomato successfully uses packaging to tell its own, and its growers', stories (see photo on page 5). Examples of Red Tomato packaging and labels can be seen on its website <www.redtomato.org/packaging.php>.
- *Fair trade.* "Fair trade is underdeveloped at Red Tomato. It's an area we'd like to develop in the next 10 years." (Michael Rozyne, interview, 9/23/08). Red Tomato is committed to progress in this area in 2009-2010. Communications manager Sue Futrell is active in the emerging domestic fair trade movement in the United States, which ensures that farm workers have fair wages and quality housing along with transportation expenses <www.thedfta.org>. Red Tomato is beginning discussions with the United Farm Workers and Oxfam America about practical ways to advance a farmworker agenda among its farmers.
- *Product variety, crop choice and grade in packing.* See the "Products" page of the Red Tomato website for a listing of the primary fruits and vegetables traded by Red Tomato <www.redtomato.org/products.php>.
- *Consolidation and aggregation.* Red Tomato consolidates small loads into larger, more efficient loads, enabling its customers to access dozens of farms' products through a single relationship, phone call, invoice and insurance policy (Michael Rozyne, interview, 2/5/07).

Standards and certification. Red Tomato has worked with the IPM Institute of North America, Inc. <www.ipminstitute.org> to develop standards and certification mechanisms for low-chemical apple production using integrated pest management. Red Tomato refers to this as advanced IPM. For Red Tomato's IPM practices, standards and certification protocols for apple production, see www.redtomato.org/ecoapple.php. The Eco Apple sub-brand belongs to Red Tomato and is used in association with the names of individual growers (Michael Rozyne, interview, 9/23/08).

The majority of Red Tomato's fruit and vegetable products are ecologically grown, a category that includes organic production and advanced IPM.

Red Tomato recognizes that it will soon be important for its farmer partners to be certified under the USDA's Good Agricultural Practices (GAP) program (Michael Rozyne, interview, 3/12/08). Food safety and traceability measures will be offered by Red Tomato starting in 2009 or 2010.

Identity preservation through the supply chain. Given Red Tomato's key role as a "food de-commodifier," it is very important that products sold through this business are clearly identified with Red Tomato's name and logo. This includes point-of-sale materials as well as the apple tote bags, peach baskets and packages in which its Eco Apples, peaches and romaine lettuce hearts are sold. Based on feedback from growers at the annual Eco Apple meeting in 2006, and from key customers such as Trader Joe's and Whole Foods, Red Tomato featured the identities of the farmers more prominently on the Eco Apple totes in 2007 and 2008 (Michael Rozyne, interview, 7/24/08).

Interaction and feedback from customers. "We usually hear when there's trouble with a product ... so no news is good news." (Michael Rozyne, interview, 2/9/07). Growers are primarily responsible for the maintenance of high quality in the Red Tomato model. New grower partners are screened carefully and typically come recommended by other growers. All complaints regarding the quality of Red Tomato products are dealt with quickly, and staff evaluate where in the supply chain the problem originated. "It's important to address problems quickly and honestly ... and it helps to be working with 'non-defensive' people." (Michael Rozyne, interview, 3/12/08). Red Tomato growers occasionally participate in outreach to customers and consumers.

Creating effective internal organizational forms.

A multi-purpose organization with non-profit and for-profit *functions.* See "Historical development," page 1, for the growth in Red Tomato's trading enterprises, its reduced emphasis on consulting and the addition of individual philanthropy to its non-profit funding streams.

Competent leadership and management. Red Tomato's organizational structure reflects its multiple functions. Overseeing both the trading and grants/gifts work are a Board of Trustees (a group of advisors, which includes one farmer) and two co-directors (Michael Rozyne and Betty MacKenzie).5 What's unique about Red Tomato's management is that both co-directors are active on the front line, leading different aspects of the trade work and interacting with customers and growers. Given the



The Eco Apple totes clearly identify the affiliation with Red Tomato and a participating farm.



⁵Organizational structure and staffing at Red Tomato have changed significantly since 2008. The business has moved from leadership by two co-directors to one director, Michael Rozyne. See the case update, page 12.

Experience has taught Red Tomato that certain producer characteristics, including a combination of structural and personal attributes, fit well with its supply chains.

importance of effective supply chain logistics, Red Tomato's fulltime director of operations is pivotal. Individual traders have operational responsibilities for specific product lines. A full– time development director and a development assistant staff the grants/gifts side of the business.⁶

Two professional consultants manage design and communications for Red Tomato. In 2007 and 2008, considerable time went into planning and developing a more sophisticated web presence for communicating Red Tomato's story. Launched in early March of 2009, the Red Tomato website is continually updated (Michael Rozyne, interviews, 3/12/08 and 3/6/09).

Selecting markets and strategic partners.

Farmer 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 *farm enterprise capacity*, or sufficient product volume and variety, storage, refrigeration, packing and trucking capacity; *location*, or geographical fit with logistical routes; *economic match*, where partners are neither too large nor too small: "We matter to them and they matter to us"; and *temperament*, marked by reliability, openness and ability to communicate: " ... no defensiveness allowed" (Michael Rozyne, interview, 2/9/07). For a list of Red Tomato farmer partners, see www. redtomato.org/farms.php. A 2005 survey of its farmers indicated positive attitudes toward Red Tomato.

Given the importance of product quality and a supply chain structure in which quality control rests primarily with growers, Red Tomato carefully selects its farmer partners through a screening process that draws heavily on the recommendations of existing Red Tomato farmers.

Processing and distribution partners. For distribution of its products, Red Tomato relies on its farmers. It also has contracts with three key independent trucking companies operating in the Northeast. Rates are negotiated and confirmed via hand-shake agreements. "There is a large, almost unsettling, dependence of Red Tomato on these three regional trucking outfits. So far, so good." (Michael Rozyne, interview, 10/10/08).

Retail and food service partners. Red Tomato has learned through experience that, like farmer characteristics, certain buyer characteristics fit well with its values-based approach. These qualities include both structural and personal attributes: *economic match*—"Is Red Tomato important to you? Do your customers want our stuff?"; *logistical match*—such as volume, scale, schedules and connections; and *commitment to long-term*

⁶Red Tomato has reduced the size of its development staff since 2008.

business relationships—"Start with a two- to three- year trial, but be open to an indefinite commitment." (Michael Rozyne, interview, 2/9/07).

Red Tomato's retail and food system partners represent a range of businesses. For a list of these partners, see www.redtomato. org/markets.php.

Packaging partners. Given the importance of product differentiation through packaging, Red Tomato has initiated a new strategic partnership that will focus on the range of special packaging that it employs. Red Tomato is interested in new packaging types and designs that would more prominently feature growers' identities. Red Tomato's design consultant is leading this work. The design consultant will not only look at innovative packaging design, but will also work with farmer partners to develop effective packaging logistics at growers' packing sites (Michael Rozyne, interview, 3/12/08).

Strategic partnerships replace capital and expertise. See "Historical development," page 2, for a powerful example of replacing investments in concrete and rubber with strategic distribution partnerships. Red Tomato's strategic partnerships in packaging and information technology are further examples of acquiring expertise and capacity through connections with other businesses and consultants.

Developing effective supply chain logistics.

Production. Red Tomato consults with African-American farmers in the Southeast to help them develop high-quality watermelons and other products that can be sold in that region. Product packaging often has production consequences. The repackaging of romaine hearts, for instance, requires different growing practices and an earlier harvest than romaine lettuce. Red Tomato's basket of mixed variety heirloom tomatoes lets growers mix and match varieties as they ripen.⁷ Post-harvest produce handling is a critical part of quality maintenance. All of Red Tomato's growers have the capacity to maintain postharvest cold chains. For the importance of high-quality products, see "Product differentiation," page 3. For an analysis of Red Tomato's preferred farmer attributes, see "Farmer partners," page 6.

Aggregation and distribution. Red Tomato creates value through product aggregation. "Red Tomato's ability to consolidate a variety of products so buyers need only one contact is very valuable to them." (Michael Rozyne, interview, 2/9/07). Red Tomato's aggregation and distribution strategies are complex and

⁷Red Tomato's special packaging for heirloom tomatoes amounts to differentiation within a differentiated product.



Red Tomato selects its farmer partners carefully based on recommendations of current participating farmers.

increasingly sophisticated. The turnaround time for most orders is two to four days. The logistics behind any given order of Eco Apples, peaches, lettuce or heirloom tomatoes depend on the customer's location, the producers' locations, the length of the haul, the availability of the producers' own trucks, and/or the availability and rates of contract trucking firms (Angel Mendez, Director of Operations, interview, 7/24/08).

Increasingly, larger Red Tomato farms are using their own straight trucks for shorter hauls. Longer hauls are predominately made by one of three regional trucking firms, or one of the larger apple orchards whose distribution schedule fits well with Red Tomato's needs (so rates are lower). Larger and longer hauls are done in semi-trailers. Aggregation points vary between orders. Overnight pooling and cooling regularly occur at producers' farms, trucking firms' warehouses, and warehouses at the terminal New England Produce Market in Boston. Trader Joe's, a primary Red Tomato retail partner, submits purchase orders for apples seven days a week, 364 days a year. To fulfill these orders, Eco Apples are banked in a trucking partner's coolers in the Boston terminal market for daily delivery. Heirloom tomatoes are delivered to Trader Joe's eastern warehouse directly from a large berry and tomato farm, using the farmer's truck.

According to Angel Mendez, the greatest logistical challenges occur when direct deliveries of strawberries and Romaine lettuce hearts are made to thirteen separate Whole Foods Markets at the beginning of the trading season, because the paperwork and order fulfillment is complicated; and when orders result in less than full loads (22 to 24 pallets for semitrailers, and 10 to 12 pallets for straight trucks). Trucking rates balloon in these situations and can become prohibitive (Angel Mendez, interview, 7/24/08). "In 2008, Red Tomato's smaller loads were more efficient than in previous years … because we worked harder on it, paid closer attention." (Michael Rozyne, interview, 10/10/08).

Accounting. Red Tomato's director of operations, who is supervised by the financial manager, handles accounting for the business. The complex, variable and shifting nature of Red Tomato's trading deals necessitate the participation of the director of operations in the first layers of a transaction's paperwork, including invoicing and making sure that farmers are paid (Angel Mendez, interview, 7/24/08).

Logistical coordination. Coordination is carried out through close communication between Red Tomato's co- directors and the director of operations. Each of Red Tomato's traders provides input through weekly trade circle meetings (Michael Rozyne, interview, 3/12/08).

Achieving economic sustainability.

Pricing philosophy. Red Tomato operates under a "dignity pricing" model that combines growers' perceptions of their own production costs, their experiences in the market and their sense of what's fair. It works like this: Red Tomato traders ascertain from growers the following price points: 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. Using this information, Red Tomato traders seek to get the highest reasonable price from a given buyer.

"We can usually get between the average and desired price ... and we will never sell below the dignity price without first getting a grower's permission ... Sometimes, it's actually an okay deal to go below the dignity price when the corresponding volume is large, and provides security and predictability." (Michael Rozyne, interviews, 2/9/07 and 10/10/08).

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. "Establishing a set price across the season works for some buyers for some products and not for others ... We can set a price at the start ... and adjust later in the season." (Michael Rozyne, interview, 2/9/07).

In addition to higher prices, Red Tomato's supply chain operation can offer growers other significant economic rewards. These include access to new market channels and outlets for smalls or seconds. For example, Red Tomato's mini-baskets for 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." (Michael Rozyne, interviews, 2/9/07 and 10/10/08).

Red Tomato establishes agreements through verbal understandings and handshake agreements based on trust. "Both the growers and the buyers trust us...and we trust them." (Michael Rozyne, interview, 3/12/08).8

Mixed income streams. For a description of Red Tomato's three income streams and future goals, see "Historical development," starting on page 1.



Pricing decisions are made account by account, product by product, and season by season.

⁸See Values-Based Food Supply Chains: Strategies for Agri-Food Enterprises-of-the-Middle <www. agofthemiddle.org> for the importance of trust between strategic partners in highly functioning supply chains.

Communication about sustainable economics will take place through Red Tomato's web presence and direct engagement of fair trade issues with buyers and distributors in the Northeast's agri-food systems.

Communicating sustainable economics in the marketplace. Red Tomato communicates sustainable economics through trading and deal making. For example, during negotiations with a major buyer of heirloom tomatoes in the winter of 2007-2008, Red Tomato communicated the importance of higher prices for growers' economic sustainability. Red Tomato successfully negotiated an agreement to downsize the heirloom tomato package but maintain its retail price, resulting in higher prices for growers (Michael Rozyne, interview, 3/12/08). Communication about sustainable economics will take place through Red Tomato's web presence and direct engagement of fair trade issues with buyers and distributors in the Northeast's agri-food systems.

Acquiring technical support. Red Tomato received technical support from the IPM Institute of North America, Inc. <www. ipminstitute.org> to develop the standards and certification protocols for the Eco Apple program. With information technology professionals, Red Tomato is exploring the development of electronic systems that will: I) reach consumers, while shopping, with videos, slide shows and messages from growers; 2) coordinate internal organizational practices, and 3) effectively reach critical external partners and audiences including farmers, buyers, consumers, funders and the media (Michael Rozyne, interview, 9/23/08).⁹

Future dynamics, as envisioned in 2008

Internal organizational issues. Recently completed staffing changes include promoting the deputy director to a co-director; adding traders in growth regions (Pennsylvania and the Southeast); and hiring development staff to focus on individual philanthropists. Red Tomato's web presence will enhance its capacity to communicate its values, stories and services, and provide the foundation for developing web-based food commerce. The year-long website redesign project was led by Red Tomato's communication consultant and designer, and a web consultant (Michael Rozyne, interview, 3/12/08). Now underway is a strategic engagement of relevant fair trade issues as emerging dimensions for differentiation.

"Initial evidence indicates that Northeast fruit and vegetable growers offer better labor and pay conditions for farm workers than other areas of the country...We'd like to see if we can build upon that." (Michael Rozyne, interview, 9/23/08).

Issues with supply chain partners. Over the next several years, Red Tomato will develop a set of tiered relationships with both growers and customers. At the base, a core group of growers and

⁹See "Strengthening communication with consumers," p. 15.

a parallel group of core customers will be *full strategic partners*. "There will be mutual business dependency with these partners and they will have a significant say in how Red Tomato operates." (Michael Rozyne, interview, 3/12/08). Core growers will possess the attributes described on the Red Tomato website <www.redtomato. org/growthenetwork.php>. Red Tomato is currently exploring ways to structure these deeper business relationships (Michael Rozyne, interview, 9/23/08).

Over the next several years, Red Tomato will seek to initiate trade and develop strategic partnerships with supermarket chains in the Northeast that were previously too large for logistical compatibility. Increased trade with food service companies is more problematic for Red Tomato (Michael Rozyne, interview, 3/12/08). Relationships with distribution and trucking partners are not in need of change in the Northeast, although new distribution partnerships will need to be developed in Pennsylvania, New York and New Jersey.

Economics and efficiencies. Red Tomato will gain efficiencies in its business and logistical systems by focusing on the following supply chain points (ranked for gain potential): 1) its traders' knowledge and skills; 2) improvements in information technology and integrated systems across the organization; 3) growers' competencies; and 4) distribution and trucking. Red Tomato is addressing growers' concerns about the cost of food safety compliance with the USDA's Good Agricultural Practices (GAP) program by finding efficient, cost-effective ways to meet GAP requirements (Michael Rozyne, interview, 3/12/08).

Strategies for increasing markets and growth of Red Tomato.

While developing strategic trading relationships with large supermarket chains, Red Tomato plans to expand geographically, with a focus on states in the southern Northeast (Pennsylvania, New York and New Jersey). It is also expanding into the Southeast (Georgia) in connection with the watermelon project involving African-American farmers and the Federation of Southern Cooperatives. Red Tomato is exploring the establishment of year-round, or closeto-year-round, fruit and vegetable supply chains in the Northeast that will involve strategic partnerships outside of this region for off-season purchases (Michael Rozyne, interview, 9/23/09). Red Tomato cannot maintain the nearly 500 percent annual growth rate it has experienced over the past five years and would prefer more moderate growth (Michael Rozyne, interview, 3/12/08).

A mature Red Tomato: What does Red Tomato want to look like when it grows up? Red Tomato staff members are beginning to engage issues of organizational maturity, recognizing the need to strike a balance between their impact on food systems and quality of work life, which it has identified as an important value. Red Tomato hasn't defined a "right size" in terms of its sales volume, staff size or number of growers. (Michael Rozyne, interview, 9/23/08).



While Red Tomato will continue to operate in its original territory in the New England states, it plans to expand geographically in the Northeast and Southeast. Ward's Berry Farm is located in Massachusetts.

Positioning values-based food supply chains in a troubled (and contracting) economy.



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"This troubled economy demonstrates well that the marketplace, left to its own devices, is not likely to manage or correct negative externalities that threaten the future of the supply chain itself, or that threaten the public and the earth. Sustainable value chains of the future must account for and manage both kinds of negative externalities: the ones that affect the players within the value chain, such as farmworkers, employees and consumers, and the negative externalities that affect the general public and the earth, such as pollution, soil erosion, lost farmland, poverty and hunger. Maybe the language of 'self-regulation' would speak to people at this moment. If business runs amok, then the rest of us will pay for the bad goods, for the waste, through taxes, lower quality of life, lower quality of products, over the long-term. One way or the other, we're going to pay." (Michael Rozyne, 10/13/08).

Case update

Important developments at Red Tomato during 2008-2011:

- The number of fruit and vegetable farmers working with the organization remained stable at around 40. These included 20-25 core growers who specialize in key Red Tomato products like apples, berries, tomatoes, Romaine lettuce and stone fruit (peaches, pears and apricots).
- By 2011, more than 200 grocery stores and supermarkets carried Red Tomato products. With assistance from new logistics and distribution partners, this increase occurred in New England as well as in the mid Atlantic states of New Jersey, Maryland and Pennsylvania.
- Annual total sales fluctuated between \$2.4 and \$3.1 million, with sales highest in 2008 and lowest in 2009 and 2010. Reasons for the drop included the recession, increased price competition and hail damage to the apple crop. Sales in 2011 rebounded to \$2.63 million, and projections for 2012 were \$2.85 million.
- Red Tomato's annual budget shrank from \$1.1 million in the earlier years to \$625,000 in 2011. Economic necessity as well as a commitment to increase productivity per employee motivated Red Tomato to reduce their budget and staff. The goal for 2012 is for income from trading to account for 40 to 50 percent of Red Tomato's total income, with the balance to come from gifts, grants and consulting.
- Red Tomato moved from leadership by two co-directors to one director, Michael Rozyne, the organization's founder.

 In late 2011, Red Tomato moved into a new office location with the long-term potential to house not only Red Tomato but also other New England organizations working on behalf of regional food systems and environmental causes (Michael Rozyne, interview, 1/13/12)

Red Tomato addressed the following opportunities, challenges and actions in 2008-2011:

Adapting and protecting values-based supply chain pricing principles: The recession and increased price competition in the supermarket sector. As Red Tomato's executive director described it, "The recession made a difficult job more difficult. Red Tomato's differentiations matter less in depressed markets." (Michael Rozyne, interview, 7/30/10). In other words, during a downturn when consumers restrict their buying choices, price differentiation becomes more important than environmental and social values associated with Red Tomato products like Eco Apples. Beginning in 2008 and continuing to the present, supermarket customers have expected Red Tomato to lower prices or at least keep them level. Negotiations with long-term customers in 2010 and 2011 resulted in Red Tomato farmers agreeing to lower prices for peaches and apples in order to keep a significant amount of business (Michael Rozyne, interview, 8/19/11).

According to Red Tomato's leadership, these price pressures are due not only to the recession but also to increased retail competition in the U.S. economy. Supermarket chains increasingly compete on price and territory. An example affecting Red Tomato involves a move into New England by Wegmans, an upscale regional supermarket chain headquartered in New York <www.wegmans.com> (Michael Rozyne, interview, 8/19/11).

Strategically strengthening relationships and forging new partnerships. Red Tomato has maintained strong relationships with long-term customers. These partner companies were all involved in the price discounts noted above. According to Red Tomato staff, the produce sector is the most volatile and fastest changing in the food industry, leading to more short-term and fewer collaborative business relationships (Michael Rozyne, interview, 8/19/11). Personnel fluctuations can be particularly challenging to business partnerships. As Michael said:

"It's easy to derail supply chain relationships with changes in personnel, particularly in top leadership. Values-based supply chains are not set in stone but are constantly vibrating. They are not permanent security blankets, but need continual tending." (Michael Rozyne, interview, 7/30/10). During 2008-2011, Red Tomato began experimenting with the following kinds of partnerships:

Distribution partnerships. Red Tomato has developed business relationships with two regional food distribution companies that complement their values, scale and geographical focus. The Organic Renaissance Food Exchange (ORFoodEx) is the younger and smaller company <www.orfoodex.com>. Founded in 2009, it supports the organic and natural foods community in New England by providing distribution and supply chain services that have been out of reach because of geography, scale, cost and other obstacles. The Food Exchange plays an important role in delivering Red Tomato's early strawberries (Michael Rozyne, interview, 8/19/11).

Sunrise Logistics <www.sunriselogisticsinc.com> is the older and larger distribution partner. With a warehouse and distribution center in central Pennsylvania near the Turnpike, Sunrise Logistics is strategically located to receive, consolidate and store/cross-dock products for distribution in the Northeast and mid-Atlantic states. Sunrise Logistics has played an important role in providing the logistical support for strengthening and lengthening Red Tomato's supply chains across regions. For example, Sunrise has provided the capacity to network tomato farmers in New Jersey, Pennsylvania, New York, Massachusetts and Connecticut. This helps extend Red Tomato's tomato season from 2-4 weeks to 15-18 weeks. The longer season starts in New Jersey, moves to New England and then moves back to New Jersey and Pennsylvania. Sunrise Logistics is also a primary distributor of Red Tomato's peaches and apples (Michael Rozyne, interview, 8/19/11).

Domestic fair trade partnerships. Red Tomato maintains a close relationship with Oxfam America <www.oxfamamerica.org>, Equal Exchange <www.equalexchange.coop> and a national farm workers advocacy organization to develop farm worker-friendly, fair trade practices. Conversations with farm workers and Red Tomato farmers help to identify key issues on all sides and strategies for addressing them. Among the issues are wage rates, payment of workers' seasonal transportation expenses to and from the farms, quality of farm workers' housing and the future of the H-2A government guest worker program.¹⁰ Given these sensitive topics, the conversations need to go slowly and build trust while still moving things ahead programmatically. As one person involved in this dialogue notes, "The slower we go, the faster we get there." (Michael Rozyne, interview, 7/30/10). Red Tomato's interest in these matters is guided by a growing

¹⁰The H-2A temporary agricultural program allows agricultural employers who anticipate a shortage of domestic workers to bring nonimmigrant foreign workers to the U.S. to perform agricultural labor or services of a temporary or seasonal nature. See <www.foreignlaborcert.doleta.gov/h-2a.cfm for more information on H-2A.

market salience for domestic fair trade products and because "it's the right thing to do." (Michael Rozyne, interview, 8/19/11).

Food service partnerships. Finally, Red Tomato has begun exploring relationships with the food service sector in the Northeast. More specifically, they've initiated business with Culinart <www.culinart.com>, a small, privately owned company operating dining services for corporate, educational and cultural institutions in the Northeast. They're also partnering with the Bon Appetit Management Company <www. bamco.com>, a national leader in the food service industry. These new business opportunities were assisted by one of Red Tomato's long-term partners, the food distribution company Dole & Bailey <www.doleandbailey.com>.

Strengthening communication with consumers: Brand articulation and electronic information. Red Tomato has strengthened communication with consumers on several fronts. During 2009-2010, the enterprise's marketing director led an organization-wide effort to tighten Red Tomato's brand articulation. The following elements emerged as central to the 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. This brand articulation effort suggested that the primary audiences for the Red Tomato brand are trade buyers and farmers. Consumers ranked third, followed by funders, the alternative food system network and the general public.

The brand articulation effort led to restructuring Red Tomato's website <redtomato.org>. Reflecting important brand dimensions, the restructured website is organized around the following categories:

Fresh produce. This section lists more than 50 fruits and vegetables traded by Red Tomato, names more than 40 farmers represented by Red Tomato and identifies many of the supermarkets in the Northeast where consumers can buy their products.

Fresh thinking. This section describes Red Tomato's food system consulting services. It also shares conceptual ideas and values important to Red Tomato's operations and brand identity, including: 1) regional food systems that go beyond local supply chains, 2) eco foods that are based on low-chemical farming systems and 3) domestic fair trade that focuses on equitable rewards for farmers and farm workers.

Fresh people. This section provides Red Tomato's organizational history and identifies key staff persons, the board of trustees and a network of scientists who work with Red Tomato's staff and farmers to advance eco farming and food systems.



Reflecting important brand dimensions, the restructured website is organized around the following categories: fresh produce, fresh thinking and fresh people.

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An IPM meeting for growers drew a lot of interest.

Red Tomato's senior staff continues to seek funding for another electronic communication strategy. Tentatively named "Story Hub," the idea is to replace in-store printed point-of-sale materials with food and farming information on smart phones or other hand-held, web-based devices. Interacting with QR codes on selected food items, Story Hub is designed to provide consumers with up-to-date information while they are purchasing food.

Finally, building on the brand articulation work done in 2009-2010, Red Tomato will reposition its brand in 2012 by clarifying and simplifying the many messages and sub-brands that are currently part of the organization's marketing efforts (Michael Rozyne, interview, 1/13/12).

Developing additional differentiations: Expanding eco foods, exploring fair trade and promoting GAP certification. As revealed in the brand articulation exercise, Red Tomato continues to differentiate itself and its products on such dimensions as food quality (freshness and flavor), farmers' identities, local and regional commitments, fair business practices and environmentally friendly farming systems. The organization is currently developing additional differentiations.

Based on the success of its Eco Apple program <redtomato.org/ ecoapple.php>, Red Tomato is expanding the number of products grown and sold under standards associated with low-chemical, integrated pest management (IPM) farming systems <redtomato.org/ wieco.php>. They are initially focused on developing and applying protocols for stone fruit (peaches, nectarines, apricots and plums). An Eco Peach program, featuring fruit from three family orchards in Connecticut, entered the market in August of 2011 <redtomato.org/ ecopeach.php>. Red Tomato afforded long-time customer and business partner Whole Foods with an exclusive marketing position for Eco Peaches for the 2011 season. Red Tomato plans to create similar eco programs for blueberries, strawberries and tomatoes (Michael Rozyne, interview, 8/19/11).

Red Tomato continues to use "dignity deal" pricing (see "Pricing philosophy," page 9). This pricing strategy means that Red Tomato staff can negotiate with customers knowing the full story on farm economics <redtomato.org/fairtrade.php>. The "dignity deal" approach guarantees that farmers are involved in pricing conversations and are the final decision-makers regarding prices.

Red Tomato's commitments to fair business and social justice have motivated their continued support for domestic fair trade (see "Fair trade," page 4, and the website for the Domestic Fair Trade Association, <www.thedfta.org>). Red Tomato is involved in a project on several farms to identify and address domestic fair trade issues. Red Tomato leadership hopes that the project will discover approaches relevant to domestic fair trade efforts across the country (Michael Rozyne, interview, 8/19/11).

Finally, Red Tomato secured funding to help many of its farmers obtain certification under the USDA's Good Agricultural Practices (GAP) program. According to Red Tomato's staff, this is important because Red Tomato's wholesale customers are increasingly requiring GAP certification (Michael Rozyne, interview, 8/19/11).

Achieving greater efficiencies: Reaping the rewards of improved distribution partnerships. Efficiency gains for Red Tomato over the past several years have come primarily as a result of new business partnerships with the two food distribution companies described above. Organic Renaissance Food Exchange and Sunrise Logistics are efficient, well-managed companies that complement Red Tomato's values, scale and geographical focus. Sunrise Logistics has been particularly helpful in supporting Red Tomato's expansion into the mid Atlantic as well as providing logistical capacity to better integrate mid Atlantic business with Red Tomato's traditional business in the New England region (Michael Rozyne, interview, 8/19/11).

Efficiency gains have enabled Red Tomato to effectively conduct its trading with two fewer staff persons. The current trading team at Red Tomato is composed of a full-time trader, a full-time operations manager, plus one-half of the executive director's time and support from Red Tomato's two marketing team members. (For short biographies of Red Tomato's current staff members, see <redtomato.org/ourteam.php>.)

Packaging continues to be a challenge for Red Tomato as they attempt to achieve greater efficiencies. 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 (Michael Rozyne, interview, 8/19/11).

Addressing organizational maturation and positioning: Red Tomato's five-year plan and new headquarters. In 2009 and 2010, Red Tomato conducted strategic planning to develop a shared understanding of organizational priorities and strategies through 2015. Guided by a professional facilitator and involving Red Tomato's staff and board members, the planning exercise focused on dimensions and growth strategies that would best serve Red Tomato's core purpose: *Creating opportunities for our region's farmers to become primary suppliers of a sustainable regional food system.*

The plan develops objectives and strategies associated with the following organizational goals:

Farmer differentiation. Red Tomato farmers are well differentiated in the marketplace, aligned with the Red Tomato brand



Efficiency gains for Red Tomato over the past several years have come primarily as a result of new business partnerships with two food distribution companies.



and highly invested in their relationship with Red Tomato. Their products reflect a commitment to sustainability and food that is fresh, flavorful, healthy, abundant and widely available. Red Tomato's definition of sustainability is a broad one that includes ecological, social and economic dimensions: stewardship of the earth; fair, safe treatment of farmers and farm workers; wide access to affordable, healthy food and the financial well-being of both Red Tomato and the farms in its network.

Trade growth. Red Tomato has established a year-round presence in the marketplace, broadened product lines, expanded consumer access to their products and achieved continued, steady growth in annual sales. Such growth features a business model that balances supply from Red Tomato's current farmer network, new account development, new product development and new grower recruitment. The growth of Red Tomato will also involve new and more cost-efficient supply chain logistics, developing products that enable a year-round presence in the marketplace, and ensuring customer diversification and new accounts, including mainstream markets. Developing new accounts with large, mainstream supermarkets is currently a challenge for Red Tomato, given that the organization's executive director is the only person on the trade team with sufficient experience and skills to effectively negotiate bigger deals (Michael Rozyne, interview, 8/19/11).

Knowledge sharing. Red Tomato is highly visible and respected by traders, farmers and others in the sustainable food movement as a leader in the marketing and distribution of local, regional and sustainable food. Red Tomato seeks influence and impact far beyond the size of its produce market share. To this end, the organization shares its expertise and thinking via writing, the web, presentations and audio/visual media. Particularly important is communicating through the recently restructured Red Tomato website, featuring a wide range of information clusters. Additionally, the organization plans to provide information and strategic presence at conferences and meetings. Red Tomato also consults with other organizations on a fee-for-service basis when such opportunities offer mutual learning, increase opportunities for the region's farmers and help Red Tomato test theories and ideas.

Organizational effectiveness. Red Tomato realizes organizational goals through the development of robust and finely tuned systems, structures and internal processes. Committed to a continuous improvement business model, Red Tomato will develop ongoing planning and evaluation processes as well as sound financial systems that ensure long-term organizational health. In addition to growing revenues, Red Tomato will seek to grow and diversify its funding from grants and donations. Red Tomato's success is strongly related to developing effective and efficient structures and processes, both with its supply chain partners and its internal operations. Their success also depends on the ability to nurture an organizational culture and policies that allow Red Tomato's staff to perform with excellence.

Red Tomato's move to Plainville, Massachusetts, in 2011 should also increase their effectiveness. The new headquarters is located within the Crystal Spring Earth Learning Center, an environmental/ spiritual education center founded by a group of Dominican sisters <www.crystalspring.org>. The new location boasts beautiful rural views and a healthy garden, and has the long-term potential to be a center for other New England organizations working on behalf of regional food systems and environmental causes.

As Red Tomato enters 2012, morale is high and the enterprise appears poised to achieve progress on many of the goals designated in their five-year plan.

Policy note

Both Red Tomato and its farmers have made use of various federal and state programs over the years (Michael Rozyne, interview, 3/I/II). USDA Sustainable Agriculture Research and Education (SARE) grants were helpful in launching the business. In 2005, Red Tomato received an NRCS Conservation Innovation Grant to incorporate more conservation practices on farms.

Red Tomato farmers make good use of the NRCS Environmental Quality Incentives Program (EQIP). Many Red Tomato farmers participate in farmers' markets, but Michael is not sure if they use federal farmers' market programs. Farm Credit, especially Pioneer Farm Credit in New England, is a key financier of Red Tomato farms. Several Red Tomato farmers have successfully competed for USDA Value-Added Producer Grants. Another farm completed solar installation with a federal energy grant. Most farmers purchase federal crop insurance, an essential program for them.

Farmland preservation is the most important state program for Red Tomato. Massachusetts has been engaged in farmland preservation for a long time. Connecticut enacted land-use tax legislation about 10 years ago that has been beneficial for many farmers. Red Tomato itself has helped farmers deal with food safety requirements, including Good Agricultural Practices (GAP) certification, but not many other state or local programs have helped. The most vexing policy issue has been the lack of support for Integrated Pest Management (IPM) at federal and state levels. With a decrease in funding and attention to this issue, growers have fewer options for help. While the farm to school movement has gained momentum in Massachusetts, the distribution bottlenecks which affect almost all farm to school programs around the country still prove to be obstacles.

Red Tomato does not engage in policy activity because they feel that it is a heavy opportunity cost and time loss. They would like to see more support for these policies: 1) specialty crop innovations and research at the federal level as state support wanes and 2) building regional food systems, especially addressing the distribution bottleneck at the center of the system. Michael does have serious questions about how small and midsized growers are going to meet more stringent food safety standards imposed by governments and retailers.

Credits

Angel Mendez and Michael Rozyne provided the interviews upon which the original case study, the update and policy note were based. The policy note was authored by Kate Clancy, University of Minnesota Institute for Sustainable Agriculture.

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Organizations involved with this report:

The National Initiative on Agriculture of the Middle is concerned with a disappearing sector of midscale farms/ranches and related agrifood enterprises that are unable to successfully market bulk commodities or sell food directly to consumers. See www.agofthemiddle.org. The initiative has three areas of emphasis: new business and marketing strategies; public policy changes; and research and education support.

The Center for Integrated Agricultural Systems (CIAS) is a research center for sustainable agriculture in the College of Agricultural and Life Sciences, University of Wisconsin-Madison. CIAS fosters multidisciplinary inquiry and supports a range of research, curriculum and program development projects. It brings together university faculty, farmers, policy makers and others to study relationships between farming practices, farm profitability, the environment and rural vitality. For more information, visit www.cias.wisc.edu or call 608-262-5200.

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