SUMMER SUMMIT

RESILIENCE. RETURN. REIMAGINATION.

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CONTRACT GROWING

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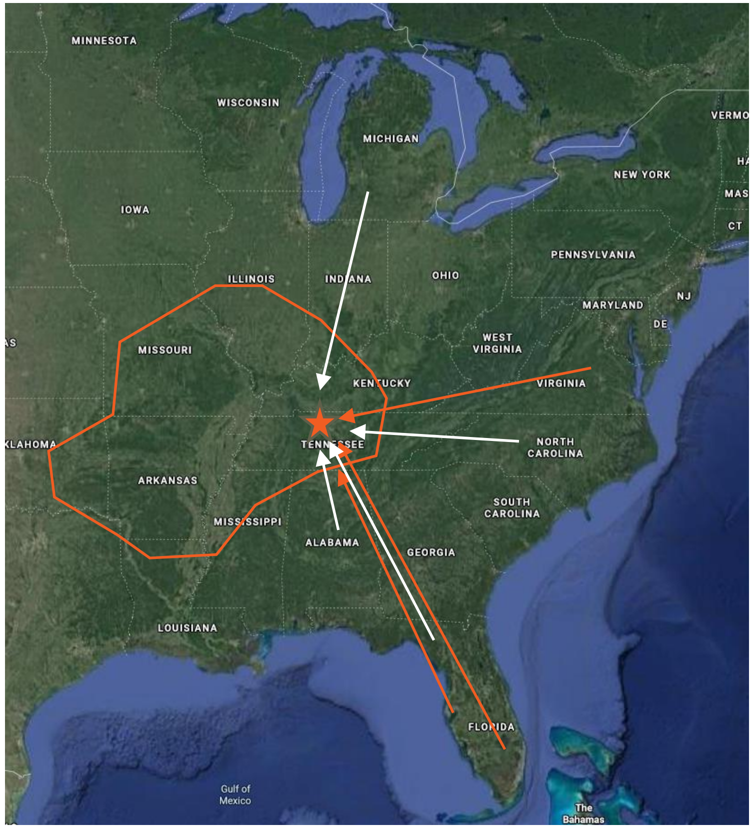
THINKING STRATEGICALLY ABOUT CONTRACT GROWING

WHY CONTRACT GROWING

- Seasonality
- Space
- Labor Demand/Capacity
- Risk Mitigation

WHY CONTRACT GROWING

- Seasonality
  - Crop-specific, competitive advantages, cost pressures
  - Understand your internal costs – should you grow it or buy it in and turn the margin?
  - Do you have empty production space when other parts of the country are selling?



WHY CONTRACT GROWING

- Space
  - 5% same store comp increase every year – are you building?
  - Crop time – can you afford long crops taking up space?
  - Building for new business – how confident are you in long-term customer commitments?

WHY CONTRACT GROWING

- Labor Demand/Capacity
  - Loads arrive in the morning and ship out same day
  - Allows for shipping capacity increase with minimal labor investment
  - What is more expensive and harder to increase, your space or your people?

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WHY CONTRACT GROWING

- Risk Mitigation
  - Spreads risk of crop delay/failure among multiple growing locations
  - Much more expensive to build/add new production space – understand your ROI/ROE, confidently analyze CAPEX decisions
  - For big box/supermarket growers, supplementing internal production during advertised specials

SUCCESSFUL EXECUTION

- Choosing the right partner
  - Relationship and reputation are key
  - Focus on your partner(s)' strengths
  - Visit their facility, ask for references
  - Each year, spend 10-15% of your off-site visits looking for potential new partners
  - Start small with new growers – set the relationship up for success

SUCCESSFUL EXECUTION

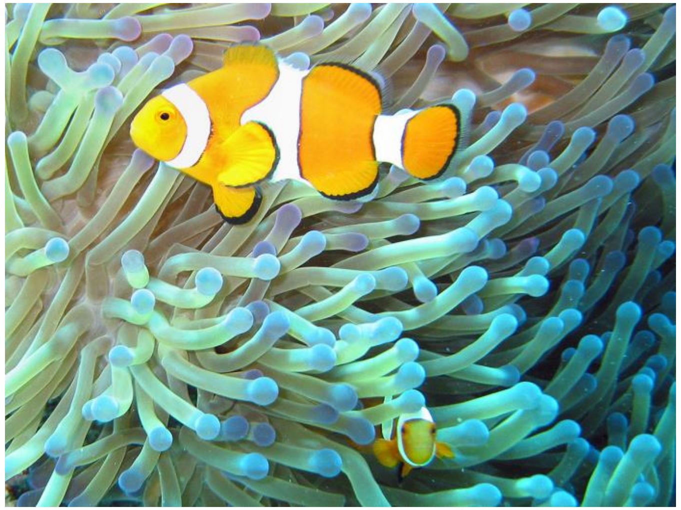
- Set for success
  - If you are a larger grower, leverage your buying power to negotiate raw materials pricing – we order tags, plastic, etc. for our partners
  - For each grower, we allocate 2 loads of carts and one trailer – you must invest in the infrastructure capacity
  - Commit to doing the work to make it work!

SUCCESSFUL EXECUTION

- In Season Management
  - If possible, visit bi-weekly to walk crop(s)
  - Set clear expectations and rules (SOPs)
    - Pictures 2 weeks out
    - Availability 1 week out
  - Designate a single point of contact internally
    - Provide consistent feedback on spec, stage, mix, etc. – be sure there is an experienced person in charge of QC prior to shipping orders to customers
    - Communication is key!

GENERAL GUIDELINES

- Relationship should be symbiotic – everyone can and should make money
  - Purchase price should be 25-30% below selling price to your end customer
  - When possible, pay the freight, buy the plastic, tags, etc.
  - If selling, you must accurately and completely understand your internal costs



RESPONSES TO QUESTIONS

- What does the contract look like?
- Risk of dealing with excess product – what if we can't sell it/don't need it?
- How much insurance product to grow?
- How do you pursue a contract grower?
- Specs, quality, timing, crop failure – several questions on this topic.
- Pricing – how to know what to charge?