

New York

Know Your Market

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THE PACKER

Distributors hit hard by economic recession

By Doug Ohlemeier
Eastern Editor

NEW YORK — The year 2008 wasn't good for those who sell produce. In the city that never sleeps, produce distribution has come to a noticeable slowdown, even as 2009 moves toward spring.

While some distributors on the Hunts Point Terminal Market remain optimistic and report steady sales, many said they have noticed that sales have definitely slowed.

Distributors said it's harder to sell and distribute produce in times full of unprecedented financial and economic uncertainty.

"Business is down," said Rene Gosselin, operations manager for Coosemans New York Inc. "Things are down. It's tougher times now."

Wholesalers said the economic collapse has been affecting more people across the board and in a stronger way than in past recessions.

Financial meltdown

Roni Okun, owner of Morris Okun Inc., said New York has been especially hard hit and continues to reel from the financial crises that characterized the fall of 2008.

The evaporation of money for businesses has clipped demand.

"The money isn't out there," she said. "The average company that requires financing can't get financing. Wall Street is a disaster and is very weak. The entertainment business is off. Restaurants are off. We are indicative of the times."

The slowing extends outward to New York's suburbs.

That slowdown has taken a bite out of suburban foodservice dis-

tributors' sales to restaurants.

"When you talk with all of them as a group, the restaurants can be off as much as 15% to 20% in sales compared to last year," said Joel Panagakos, executive vice president of J. Kings Foodservice Professionals Inc., Holtsville. "That relates to 15% to 20% fewer purchases."

One way foodservice distributors such as J. Kings have dealt with such a blow in sales is to encourage restaurants to eliminate a vegetable from the menu or to add a less costly item to make a reduction in costs possible, Panagakos said.

Rise of slow-pays

As if slowing sales weren't enough, distributors are having to keep a watchful eye on their customers' payment practices.

A&J Produce Corp.'s sales staff is becoming more aware of how much credit the distributor provides its customers, said Jeff Young, a buyer.

"It's one area that we're red-flagging now," he said. "With the credit crisis and the subprime mortgage crisis, a lot are struggling just to keep up with their bills."

"I can see more attention being drawn to accounts receivables, who we're selling to and how many days out we are. This was always important. Now, it's of paramount importance."

Many distributors don't expect boom times to return any time soon.

Nick Pacia, co-owner and vice president of A.J. Trucco Inc., said he expects a difficult first part of 2009 for produce sales.

"From what I understand, the food industry is sheltered from a

recession," he said. "Because this is unusual, with the economic slowdown, at one point the produce industry will feel it."

Pacia said that up until November, sales were similar to past years. Sales during the first weeks of December, however, were slower than usual, he said.

Ira Nathel, president and vegetable buyer of Nathel & Nathel Inc., isn't optimistic for any quick economic fix.

"I think the economy will get rougher here," he said. "It will get rougher because a lot of people didn't get bonuses this year from their Wall Street companies."

"It will be tight on money the next year or two. They may have jobs, but they won't receive as much pay."

That, Nathel said, should help improve retail produce sales.

Matthew

D'Arrigo, market co-chairman and vice president of D'Arrigo Bros. Co. of New York Inc., said the produce terminal has weathered many economic slowdowns in the past.

"We are not linked to the economy," he said. "We are linked to supply and demand. The produce industry and the terminal market business are fairly resistant to bad economic times. Eating fruits and vegetables is a necessity, not a luxury or a choice."

D'Arrigo said he thinks growers are more susceptible than produce wholesalers to economy-related turmoil.



D'Arrigo