

Restaurant Interviews to Determine Demand for Baby Greens in Alaska

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This report analyzes market opportunities for baby greens in Alaska. Buyers were interviewed to determine the existing market for specialty greens. Characteristics of the potential market are also discussed using information gathered on visits to restaurants in major population centers and those that are accessible to local producers along the road system connecting Anchorage, Fairbanks, and the Kenai Peninsula.

During summer 2003, executive chefs of restaurants from Fairbanks to Homer, located along the Alaska highway system, were interviewed. Targeted were restaurants that appeared to cater to tourists. Restaurants where menus were likely to include baby greens were selected. Restaurants in the fast food sector and “roadhouse” type establishments with limited hamburger, grill, or deep-fryer menus were not included. The informal interviews were designed to gather information about salad ingredients, particularly baby greens. Twenty-two usable questionnaires were obtained from the interviews. To determine if there were trends based on restaurant size, responses were segregated into three classes based on restaurant seating capacity (less than 100 seats [8 respondents], 100 to 300 seats [7 respondents], and 300 seats or more [7 respondents]).

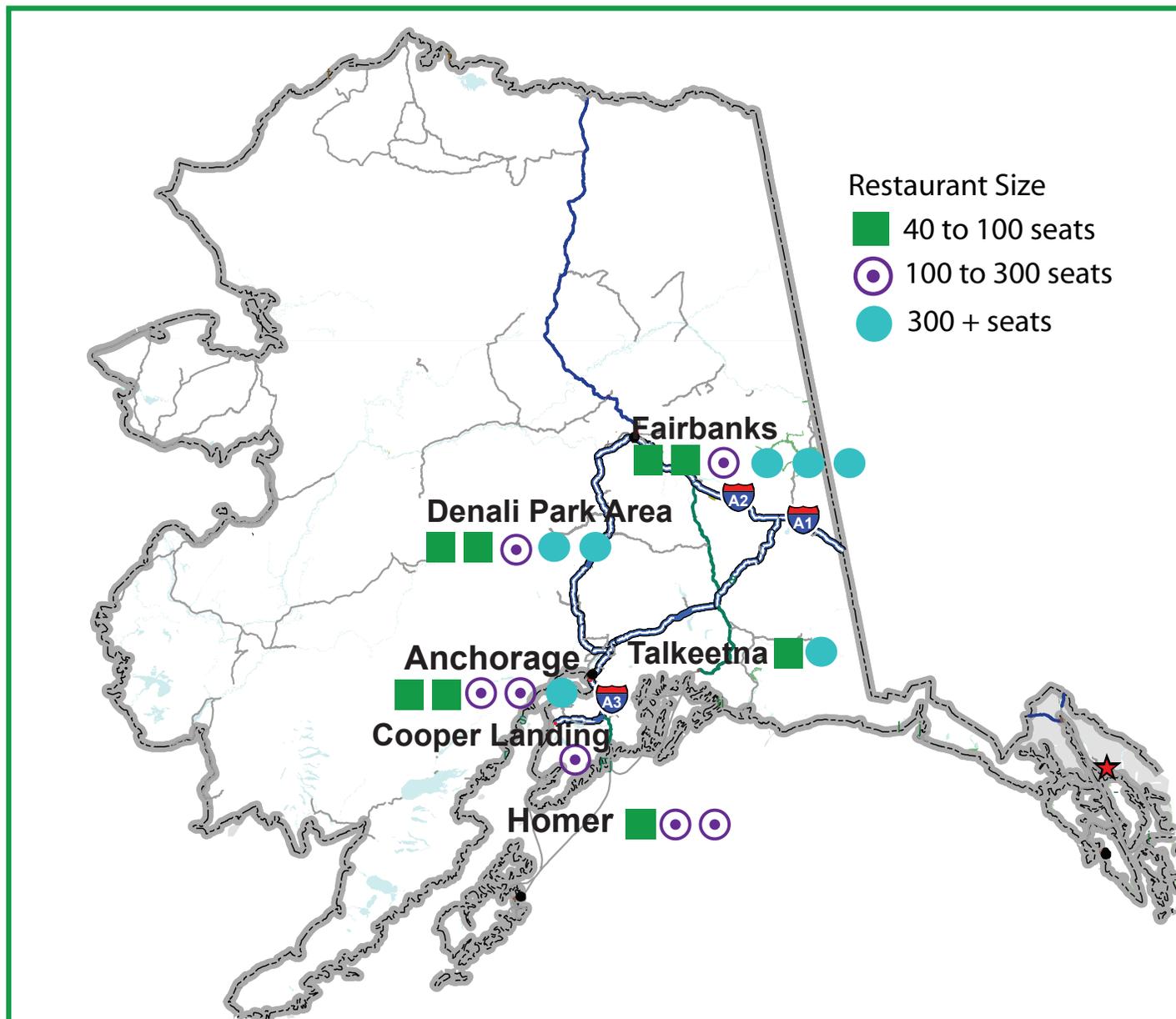
The executive chefs were asked to provide information about salad ingredients, suppliers, current baby greens use, and whether they would purchase Alaska-grown baby greens.

Eight questions addressed these topics:

1. Do you buy salad mixes to serve to your customers?
2. Have you bought any Alaska-grown produce before?
3. Do you use baby greens?
4. What Characteristics are important to you when purchasing produce for salad? (e.g. durability, price, taste, convenience, appearance, freshness and reliability of supply)
5. How many pounds of baby greens do you use weekly in the summer season?
6. Would you pay a premium price for locally produced baby greens?
7. How many seats does your restaurant hold?
8. Which months of the year are you open?

These questions provided the basis for the analysis presented here.





Aggregate Restaurant Response

The restaurants in the study varied greatly in size, from a seating capacity of 40 to 2,300 for a banquet facility. The average seating capacity was 375 people. Thirteen of the twenty-two respondents reported being open all year; the remainder operate from May to September.

The first question inquired if the respondents were buying prepared, ready to serve salad mixes. Fifteen of the 22 respondents indicated yes, that they were buying salad greens in prepared and packaged form. Restaurants associated with major tour companies (like Princess, Gray Line, Holland America, etc.) appeared more likely to purchase salad mixes to reduce labor.

All major wholesale distributors in Alaska offer packaged prepared salad mixes. Major wholesalers mentioned by the chefs interviewed included SYSCO, Food Service of America (FSA), DiTomaso, and Charlie's Produce (Rogge) in Anchorage. Other

produce distributors mentioned were Quality Sales (Fairbanks), Ray's Produce (Wasilla), and Arctic Sun (Wasilla). Alaska's other produce distributors were not mentioned by this survey population.

The chefs reported buying from seven different outlets, and several said they bought from multiple suppliers, which illustrates the competitive nature of this sector. In Anchorage, Food Services of America supplied eight restaurants and SYSCO supplied six. Other wholesalers in Anchorage, Wasilla, and Fairbanks supplied under five each of the remaining restaurants.

Twelve respondents, approximately half of the total, indicated they had purchased Alaska-grown produce in the past. One respondent did not know where purchased produce originated and five answers suggested that Alaska-grown produce had not been purchased before. Five restaurant chefs left this question unanswered.

Survey Responses

Questions:

1. Do you buy salad mixes to serve to your customers?
2. Have you bought any Alaska grown produce before?
3. Do you use baby greens?
4. What characteristics are important to you when purchasing produce for salad? (e.g., durability, price, taste, convenience, appearance, freshness, and reliability of supply)
5. How many pounds of baby greens do you use weekly in the summer season?
6. Would you pay a premium price for locally produced baby greens?
7. How many seats does your restaurant hold?
8. Which months of the year are you open?

Part I. All Restaurants

1.	15 yes, 7 no
2.	12 yes, 5 no, 1 don't know
3.	12 yes, 9 no
4.	Durability 4 Price 11 Taste 5 Convenience 2 Appearance 6 Freshness 14 Reliability of supply
5.	64, 30, 77, 75, 84, 40, 60, 160, 45, A Lot $635/9=70.55$
6.	12 yes, 2 no, 7 maybe
7.	300, 70, 268, 100, 450, 200, 45, 190, 40, 250, 524, 100, 260, 200, 85, 2300, 500, 100, 290
8.	13 year round, 9 summer only

Part II. Small Restaurants

1.	4 yes, 4 no
2.	5 yes, 2 no
3.	4 yes, 3 no
4.	Durability 0 Price 3 Taste 1 Convenience 0 Appearance 2 Freshness 5 Reliability of supply 3
5.	84, 30, 45, 64, don't know - 2 Total $223/4 = 55.75$ Average
6.	4 yes, 2 no, 2 maybe
7.	40, 45, 55, 65, 70, 85, 100, 100
8.	5 year round, 3 summer only

The question and replies often stimulated conversations about experiences dealing with farmers and the restaurants' working relationships with established suppliers. Several negative comments were made concerning buying directly from Alaska producers. The consensus was that distribution through established wholesalers is preferred and desired by executive chefs in Alaska restaurants.

Twelve chefs stated they use baby greens in salads or in menu items. Only nine of these gave the amount of greens they used per week. During the summer season, per-week use varied from 20 to 160 pounds of salad greens identified as "baby greens" with an average of 72.7 pounds per response for these 9 restaurants. For these restaurants, the total estimated amount per week is close to 700 pounds. Many chefs were unable or unwilling to estimate how many baby greens they used, resulting in the low response rate to this question.

Several chefs stated that they would be willing to pay a premium price for locally produced baby greens. However, there was no indication what that premium price was. Twelve respondents indicated they would pay more for local produce, seven qualified the answer with "maybe" they would pay more and two restaurants would not buy Alaska- grown baby greens at a higher price. The positive answers were substantiated with statements concerning measures such as quality, freshness, and availability to justify paying a higher local price. The average wholesale price at the time of the study (from a cooperating restaurant in Fairbanks) was \$2.70 per pound for bagged Spring Green Mix. There was no price associated with "premium."

Part III. Median Restaurants (>100 and <300 seats)

1.	4 yes, 3 no
2.	5 yes, don't know - 1
3.	5 yes, 2 no
4.	Durability 2 Price 4 Taste 4 Convenience 1 Appearance 4 (1 stressed cleanliness) Freshness 5 Reliability of supply 3
5.	75, 40, 60, 20
6.	4 yes, maybe 3
7.	190, 200, 200, 250, 260, 268, 290
8.	3 year round, 3 summer only, no answer - 1

Part IV. Large Restaurants (300 or more seats)

1.	5 yes, 2 no
2.	1 yes, 2 no, not aware it was available - 2
3.	
4.	Durability 1 Price 2 Taste 1 Convenience 1 Appearance 1 Freshness 4 Reliability of supply 1
5.	70, 77, 160, "a lot"
6.	5 yes, 1 no, maybe - 1
7.	300, 430, 400, 450, 524, 500, 2300
8.	4 year round, 2 summer only, no answer - 1

Summary

The majority of the restaurants in this study were currently buying prepared and packaged salad ingredients. Fifteen out of 22 executive chefs (over 70%) who worked for surveyed restaurants associated with the tourist industry purchased bagged salad ingredients, including baby greens ("spring mix" and "mescaline mix"). Restaurants bought both bagged salad mixes and ingredients that needed preparation before being served. All Princess hotels surveyed bought bagged salad mixes (four locations). Other restaurants associated with large tour groups (in Fairbanks, Talkeetna, and Denali National Park) also relied on salad mixes for the obvious benefits of time and lower kitchen labor requirements.

Several of the interviewed chefs had purchased Alaska produce in the past. Average weekly use in summer of produce self-identified as baby greens averages 73 pounds per week for the nine restaurants that reported weekly consumption. Quality, freshness, and availability of baby greens were identified as factors that would influence whether or not a premium over the current wholesale price would be paid for Alaska-grown produce.

The volume of greens used by the types of restaurants included in the survey only during the summer growing (and tourist) season should provide a strong incentive to Alaska producers to explore buyers' needs, including packaging.

Small restaurants

The small restaurants with less than 100 seats were represented with eight responses in the survey. Average size was a seating capacity of 70 with a range from 40 to 100. Restaurants in this size class were distributed throughout the state in locations from Fairbanks to Homer. Five out of eight of the establishments stated that they were open year around.

Half of the chefs in the small restaurant category bought salad mixes and the remaining four prepared salads in-house. The salad ingredients originated from both local farm sources and statewide distribution companies. The average use for restaurants reporting quantities was 55.8 pounds per week of produce identified as baby greens. If available, four of these restaurants said they would buy locally grown baby greens, two qualified the answer with "maybe" they would and two restaurants were not interested in using local produce. For those interested in Alaska-grown produce, five said that freshness was an important reason for purchasing local salad greens. Three respondents said that other important criteria in deciding on local baby greens were price and supplier reliability. Appearance and taste were each given one response.

Small restaurants located in Anchorage were the least likely to buy Alaska-grown produce. The reverse was true in areas outside Anchorage, including Fairbanks. The small restaurants outside of Anchorage enthusiastically supported locally grown

produce and often are avid users of Alaska produce in their menus. In general, the further from Anchorage, the more likely a small restaurant was to buy, often directly from the producer, and to have a favorable impression of Alaska-grown produce and Alaska producers. While Anchorage restaurants in this size class indicated that they would not even consider purchasing Alaska-grown produce, well-established and longstanding relationships with reliable produce suppliers and distributors were identified by them as critical. Past relationships with Alaska farmers were cited by one executive chef as influencing their decision not to buy Alaska produce.

Medium sized restaurants

Restaurants in the medium sized group had a seating capacity from 190 to 290 (not including banquet facilities) with the average at 237 seats. These restaurants represent various locations from Fairbanks to Homer. Over half of the restaurants are open year round.

Four of the seven chefs in medium-sized restaurants indicated buying fresh-cut, ready made salad mixes. The chefs not buying the packaged salads prepared their own ingredients, although at least one used salad mixes to complement the salads prepared in the restaurant. Nearly all chefs at restaurants in this class said they had bought Alaska-grown ingredients in the past. One chef at a major branded tourist establishment did not know the source of the salad ingredients, other than the distributor. Five respondents in this group indicated having baby greens on their menus. Four restaurants provided information on the amount of baby greens used, which averaged 48.5 pounds per week.

Although the geographic distribution was similar to the smaller restaurants, a larger proportion of medium sized restaurants used Alaska-grown ingredients (71%), compared to the small sized eating places (50%). For the medium sized restaurants, the bias of Anchorage establishments against Alaska-grown produce was not evident. The average weekly amount of baby greens used per establishment was slightly lower in this group of restaurants despite the higher average number of available seats, but more . restaurants in the class used baby greens, resulting in a higher average use of Alaska-grown produce.

All chefs agreed they would pay, or “maybe” pay, a premium price for Alaska-grown baby greens. None of them completely ruled out paying more for locally produced greens. Chefs in this size class appeared to be less inclined to criticize Alaska-grown produce. Included in this group were several franchise tourist restaurants that are aligned with and serve large tour businesses. Although these medium sized restaurants relied on mainstream produce wholesalers, their chefs indicated a willingness to use Alaska-grown produce, including baby greens. The requirement that Alaska-grown produce be competitive in price and quality was emphasized by several establishments.

Large restaurants

The large restaurants with more than 300 seats were mostly franchise restaurants of tour companies and several large hotels in Anchorage and Fairbanks. The number of seats available in these restaurants ranged from 300 to 2,300, including banquet type settings. Four restaurants were open year round and two were open from May through September. Despite similarities in clientele and operations, the answers from these larger restaurants were diverse.

The larger establishments generally relied more on prepared salad mixes than the smaller sized restaurants. Five of the seven restaurants in the large size group stated they buy ready-to-use salad ingredients. Only one respondent had used Alaska-grown salad greens in the past, although several stated they did not know the origin of their salad ingredients. Two restaurants did not use Alaska-grown produce and one was unaware that local produce is available as an option to fill the restaurant’s need for salad ingredients.

The most important quality characteristics of salad greens in the large restaurant group were freshness (four responses) and price (two responses). Three restaurants provided information on quantity of baby greens used, which ranged from 70 to 160 pounds per week. Another responded that “a lot” of baby greens are used every week. Five restaurants said they would consider paying a premium price, one was uncertain and the seventh respondent said that they would not consider paying more for locally produced baby greens. The restaurant not willing to pay a higher price stated their reason was the result of past negative experiences dealing with the “attitudes” of the Alaska farmers.

Several comments offered by respondents in this size class were related to concerns for reliable local produce availability and delivery. Most of these restaurants would prefer to purchase Alaska-grown produce through existing relationships with distributors or wholesalers using well-established transport and delivery methods. On the other hand, the largest consumer of Alaska-grown baby greens and other salad ingredients was included in this group of restaurants. Much of their produce is acquired through the Anchorage Farmers Market and one wholesaler specializing in Alaska-grown produce. Thus, for this group of restaurants, it is difficult to draw conclusions or predict acceptability of Alaska-grown greens based on location, size, or other easily identifiable factors.

Discussion

As previous studies of Alaska-grown marketing efforts indicated (Aadland 2003, Lewis and Geier, 2001; Northern Econ 2004), the largest buyers of produce in Alaska state that they are usually willing to buy Alaska-grown produce although not directly from the farmers. A well-established system for buying produce, such as the existing wholesale network, is the preferred method of purchase.

To be competitive in the substantial restaurant market that serves tourists, Alaska-grown produce should be marketed and promoted through established distribution systems, or otherwise provided in an acceptable manner.

Alternatives to established suppliers do exist, such as farmers markets, progressive contract marketers, and individual farmer efforts, which some of the surveyed chefs indicated they were using. However, large restaurants serving tourists and other substantial groups generally obtain their produce through established major wholesale suppliers.

The distribution system is a critical missing link for many Alaska farm products, including baby greens. In a recent informal conversation with a local producer who formerly supplied baby greens to local restaurants, he said that even at \$10 per pound, it is not worth delivering baby greens to individual restaurants because the quantity demanded by restaurants did not make operations profitable when costs of delivery, billing, and other activities are added to production costs.

For the restaurants, there do not appear to be any size-related purchasing characteristics identifiable with any certainty. Despite segmenting the responses by seating capacity, no generalizations about market behavior with respect to purchasing salad ingredients or baby greens were evident. Other ways to segment the market were also not readily evident, except those that would compromise confidentiality of the survey respondents. The sample size was not large enough to draw reliable conclusions when the population was segmented. Consideration of the seasonality of restaurants did not yield easily identifiable generalizations. This means that any marketing effort targeted at the tourist restaurant market probably should not exclude any premium restaurants that appear to cater to tourists, whether they serve large structured tour groups, or independent travelers.

Efficient and convenient packaging may be an important yet unexplored way for Alaska-grown baby greens to enter the market. Bagged salad greens are convenient and efficient, considerably reducing kitchen labor requirements. About 70% of the surveyed restaurants reported using bagged salad ingredients. Clearly the survey population, including large restaurants, will continue to prefer bagged salad ingredients bought through wholesale suppliers. Tour companies with large seasonal market shares will continue to look for labor reduction opportunities and produce that is versatile, and easy to use in menu items. To be competitive in this market, Alaska producers have to provide the quality, quantity, packaging, and processing the food service industry demands, or settle for a very limited market share.

Because two years have passed between the surveys and writing this report, a quick walk through local supermarkets in Fairbanks (July 10, 2005) yielded the following observations. The current retail price for a bag of "Spring mix" (\$2.48, July 6, 2005 Sam's Club in Fairbanks) was about 10% lower than the restaurant wholesale price two years before (\$2.70 from Sam's Club pull sheet, acquired from Chena Hot Springs resort). The price of greens in the other two major supermarket chains on July 6 2005, Fred Meyer (two stores) and Safeway (two stores), for a 5oz bag, yielded prices (regular) from \$3.29 to \$3.79. Sale price was \$2 for a 5oz bag at Safeway.



In all stores in 2005, the shelf space allocated to bagged salad greens compared to unbagged salad produce was significantly larger. No unbagged baby greens were for sale in any of the establishments checked. Two conclusions may be drawn. First, the price for bagged baby greens in the retail market appears to be dropping. Second, the bulk of the retail market in at least Fairbanks, Alaska is clearly tilting towards bagged salad mixes.

Summary statistics from July 10, 2005 Supermarket walkthrough

	Shelf space	Price per oz. Baby Greens
Fred Meyer Salad ingredients (leafy)		
	Bagged 18ft x 3 shelves = 54 shelf ft.	\$0.66
	Unbagged 15ft x 1 shelf = 15 shelf ft.	
Safeway Salad ingredients (leafy)		
	Bagged 12ft x 5 shelves = 60 shelf ft.	\$0.76 reg, \$0.40 sale
	Unbagged 11ft x 1 shelf = 11 shelf ft.	
Sam's Club Salad ingredients		
(including carrots, peppers, and other miscellaneous non-leafy vegetables) are all bagged and ready to use. (Comment: Sam's Club specifically supplies restaurants and often produce bag size is not comparable to other stores).		
Bagged Baby Greens	36 to 40 foot standup cooler	\$0.155

In the restaurant survey, awareness and use of Alaska-grown produce varied. The bias exhibited by the smaller Anchorage restaurants against Alaska-grown produce may be related to the well-established nature of these restaurants and their long and well-developed working relationships with produce distributors. Along with worries about supply interruptions, a large factor influencing the decision to not buy locally grown salad greens was dealing with the so called "Alaska farmer attitude" that can be paraphrased as "Alaska-grown produce should be higher priced than imported produce just because it is grown here—regardless of its quality or whether it meets consumer demands"

and the perception that "business interactions with Alaska farmers have not always been positive."

Several respondents did have favorable and reliable relationships with local growers. These were more likely to be at quality conscious restaurants that seemed to aim for a distinguished reputation, and the chefs appeared to be younger.

Growers and suppliers with well-developed connections to restaurants are often smaller producers who try to minimize chemical fertilizer and pesticide use. They are also producers that specialize in high-value crops. They interact directly and can grow to the buyer's specifications.

It is the author's opinion that chefs at restaurants primarily catering to tourists are generally interested in offering and serving high-quality salads. Those who would pay higher prices for locally grown baby greens would expect fresher and higher quality produce with long shelf life that could help boost the restaurant's reputation and provide marketing advantages. The overwhelming opinion of executive chefs was that they wished to receive the Alaska-grown produce through their existing wholesale supplier(s).

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About the Agricultural and Forestry Experiment Station

The federal Hatch Act of 1887 authorized establishment of agricultural experiment stations in the U.S. and its territories to provide science-based research information to farmers. There are agricultural experiment stations in each of the 50 states, Puerto Rico, and Guam. All but one are part of the land-grant college system. The Morrill Act established the land-grant colleges in 1862. While the experiment stations perform agricultural research, the land-grant colleges provide education in the science and economics of agriculture.

The Alaska Agricultural Experiment Station was not originally part of the Alaska land-grant college system. In 1898, the station was established in Sitka, also the site of Alaska's first experiment farm. Subsequent branches were opened at Kodiak, Kenai, Rampart, Copper Center, Fairbanks, and Matanuska. The latter two remain as the Fairbanks Experiment Farm and the Matanuska Experiment Farm. The USDA established the Fairbanks experiment station in 1906 on a site that in 1915 provided land for a college. The land transfer and money to establish the Alaska Agricultural College and School of Mines was approved by the U.S. Congress in 1915. Two years later the Alaska Territorial Legislature added funding, and in 1922, when the first building was constructed, the college opened its doors to students. The first student graduated in 1923. In 1931, the experiment station was transferred from federal ownership to the college, and in 1935 the college was renamed the University of Alaska. When campuses were opened at other locations, the Fairbanks campus became the University of Alaska Fairbanks.

Early experiment station researchers developed adapted cultivars of grains, grasses, potatoes, and berries, and introduced many vegetable cultivars appropriate to Alaska. Animal and poultry management was also important. This work continues, as does research in soils and revegetation, forest ecology and management, and rural and economic development. As the state faces new challenges in agriculture and resource management, the Agricultural and Forestry Experiment Station continues to bring state-of-the-art research information to the people of Alaska.



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Agricultural and Forestry Experiment Station

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