

# fresh CUT

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## A Fresh-Cut Niche

### An Expanding Organic Market



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# A Fresh-Cut Niche

A.M.S. Exotic adds value to specialty produce

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After only two years in the retail market, A.M.S. Exotic has seen its fresh-cut Earth Exotics vegetables grow to about 60 percent of its business.

The company has been around for about 15 years, primarily in foodservice distribution and fruit exports, but in October 2004 it launched a line of fresh-cut specialty vegetables for the retail market. In 2006, the sales of A.M.S. Exotic fresh-cut products were up 217 percent over the previous year.

"I think that says a lot about the acceptance of the products," said Scott Lehmann, director of sales and marketing for the Los Angeles-based processor.

Lehmann, who joined the company three years ago after 17 years with Kroger, led the development of the production and marketing of the fresh-cut products. Each of the four owners helped in developing the products, with one being an expert in produce, one an expert in processing, one an expert in exporting and Lehmann the expert in sales and marketing.

During the development process, Lehmann looked at the data trends of what was selling in stores and did some nontraditional research as well: he would walk into a grocery store and talk to shoppers to get their honest opinions.

Based on the observations, A.M.S. Exotic decided to venture into the fresh-cut produce industry with a focus on specialty produce.

"When we got into retail, we took a good, hard look at the specialty market because that's what we've always been in," Lehmann said. "We think we can do things better in terms of specialty items that people really want."

The typical A.M.S. Exotic customer has a higher median income and frequents finer restaurants. There are regional differences in the customer base, Lehmann said. In the Southeast, the company moves a lot of okra, which doesn't sell as well on the West Coast.



A.M.S. Exotic is part of a larger distributor with offices in the United Kingdom, France and Spain. The company sells raw produce and fresh-cut products to Tesco, Wal-Mart and other supermarkets in Europe. Russia and Hong Kong are new markets that opened up this year for fresh-cut vegetables. In the United States, A.M.S. Exotic distributes fresh-cut retail products nationwide under its own label and handles the private labels for Whole Foods and Wegmans, a deal the company announced in January.

Lehmann said customers in the European market are more accepting of fresh-cut products, but North American processors are ahead in terms of technology. Focusing on convenience is key to gaining ground in both markets, he said.

"The produce industry has done a good job developing products, but it has not taken the next step in developing products that go beyond what has been traditional, pre-cut, packaged produce."

He feels A.M.S. Exotic has found products customers want – and customers seem to agree.

### EARTH EXOTICS

There are 19 products in the Earth Exotics line, with another in the works. It's expected to hit shelves in May or June. The fresh-cut line includes

asparagus tips, baby vegetable medley, yellow wax beans, baby zucchini squash, green and yellow summer squash, summer squash medley, sweet potatoes, trimmed snow peas, stringless snap peas, okra, red beets, peeled shallots, peeled garlic cloves, French green beans, mixed beans, butternut squash, Brussels sprouts and baby carrots.

The French green beans, also called haricot vert green beans, are longer and thinner than traditional string beans and are the best selling item in the line. They're common in foodservice, and Lehmann attributes their success to customers' eating-out habits.

"Anyone who frequents restaurants is familiar with haricot vert green beans," Lehmann said.

All of the vegetables in the Earth Exotics line are packaged in a clear bag that has a unique texture and is anti-fogging. The company developed the packaging in partnership with a French company because the technology was superior to that used by manufacturers in the United States, Lehmann said. The bags all have large windows, so the packaging looks cleaner and shoppers can see the produce, he said.

"We want to have the clearest possible bag we can get, so the consumers know what they're getting," Lehmann said.

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The bags don't use modified atmosphere and the vegetables aren't treated with shelf-life extenders, but the packaging was designed to provide the best environment possible. Lehmann said development of the bags took close to a year to get the oxygen transmission rates to a level where the vegetables could reach 14 days. That's helped reduce shrink by 30 percent to 40 percent at the retail level, Lehmann said. The packages are microwavable, but they also can be steamed and boiled.

One of the goals for the line is to make it as easy as possible for retailers to carry the products. Each item has a year-round supply and the price is fixed for the year. Promo prices are offered too, so retailers can advertise the product with a sale price. There are point-of-sale and point-of-purchase materials for the retailers to provide to shoppers that include recipes and information about the vegetables. A.M.S.

us to focus more on the quality of our product. Needless to say, we are very proud of these steps. We believe it is necessary to continue the innovation within this niche of a category that we've created for it to continue its strong growth."

### **NICHE MARKETING**

Filling niche markets with specialty produce items suits A.M.S. Exotic because it's a diverse company with diverse products, Lehmann said. The four owners of the privately held company are from Europe, Asia and North America, and there are 12 languages spoken among the employees.

The owners and employees watched the fresh-cut line grow, and Lehmann said they were proud of how well it has done. He credits the success to the diversity of the company, the fact that it's privately owned and the number of smart people working on the project.

"We watched it go from nothing to seeing it on the shelf. We feel like it's part of our family," Lehmann said.

Exotic also has merchandise trays that retailers can use to display the Earth Exotics line on the shelves.

In addition to the fresh line, A.M.S. Exotic has a line of 10 cooked vegetables that can be eaten hot or cold. The 8-ounce bag can be microwaved or boiled for about two minutes for eating hot. The cooked line includes baby carrots, diced potatoes, green kidney beans, lentils, diced red beets, red and white kidney beans, sliced potatoes, potato wedges and sweet corn.

### **FOOD SAFETY**

A.M.S. Exotic has a food safety advantage because the vegetables are usually cooked before they're eaten, adding a kill step that ready-to-eat bagged salads don't have. Not only does it add some safety to the product, it also allows consumers to use the vegetables in a number of ways, Lehmann said.

The company's commitment to safety includes HACCP and Good

The future of fresh-cut will be in specialty markets, Lehmann said. It will probably be smaller companies coming out with innovative products because the risk is too great for larger processors.

"We're getting to the point in the salad segment where the penetration is quite high. We're going to create our own niche," Lehmann said. "Companies have to be more innovative and look to products that wouldn't have made it a year ago."

The initial investment was high for the Earth Exotics line, but there was little doubt that the line would succeed.

"We didn't view it as a risk – it was more of an opportunity," Lehmann said.

Manufacturing Practices at its Los Angeles processing facility and Good Agricultural Practices at suppliers' fields.

"Some time ago, we recognized that our consumers not only wanted easy, convenient product, they wanted healthy, clean and safe foods," Lehmann said.

The raw produce comes from a specific group of growers. A.M.S. Exotic buys 100 percent of their yields, so the company is able to enforce stricter guidelines and check on the fields almost daily. A.M.S. Exotic employs two field technologists who monitor the condition and quality of growers' fields.

Once the raw product reaches the processing facility, it goes through a triple-wash and tunnel dryer. Lehmann said the "true" cleaning system ensures a healthy and safe product.

"Not only do we fully clean the product, we hand pack each and every bag that we ship," he said. "This allows

The company is researching an organic line, although it would offer more challenges. A set group of growers finding the acreage to grow organics may mean taking some away from conventional vegetables. The real issue will be getting year-round organic vegetables, he said. The seasonality of the produce will probably require some to be grown in greenhouses.