

# Lettuce Grows Into a Processed Food

## Packaged salads are taking up more space in stores and changing the farming business

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SOLEDAD, Calif.—In a field near Salinas, two teams of workers move through the muddy rows behind harvesters on a recent morning, scooping up heads of lettuce, peeling off the bushy outer leaves and chopping off their stumpy bottoms.

Both are picking iceberg lettuce for their employer, Dole Fresh Vegetables Inc. But while one team is carefully selecting the most eye-pleasing specimens, the other is grabbing just about everything in sight, even the smaller or misshapen heads that years ago would have been left in the field.

It's these leftovers that customers will eventually pay double for, once they are washed, cut and sealed into plastic bags for sale in the produce aisle as salad. Even as head lettuce prices recently hit 12-year lows—the result of a flurry of new planting after the spring lettuce shortage—bagged salad prices didn't budge.

Salad prices have held relatively steady

for years, as companies such as **Dole Food Co.** and its chief competitor, Fresh Express, which together control about two-thirds of the \$1.6-billion bagged salad market, have determined how much consumers are willing to pay for convenience.

One of California's most volatile commodity crops is quickly turning into a consumer good whose consistency is as predictable and stable as floor wax or pretzels.

"We're no longer in the farming business," said Tom Loveless, a senior vice president with Fresh Express's parent, Dallas-based **Performance Food Group Co.** Now, he said, "we sell a branded line of products."

A decade after the first bagged salads began landing on supermarket shelves, these products use 40% of the lettuce grown in the Salinas Valley, the nation's largest lettuce-growing region.

At Dole, lettuce heads roll down an assembly line just like any other packaged food before they are cut to size, mixed with pre-measured spurts of other types of

greens and cabbage, washed and vacuum-packed. Some analysts contend that fresh fruits and vegetables shouldn't be processed, sealed up and turned into slickly marketed products, but others say consumers can't get enough. They want fresh foods but expect it to be as convenient, safe and predictable as anything they get out of a can or box.

Big agricultural businesses that used to

farm Monterey County's rich but expensive land now are processors, buying and maintaining expensive equipment and paying growers a set amount per season, per pound. In Dole's case, a million bags of salad leave its docks here every day, winding up in markets as far away as New York within five days of harvest.

It's a testament to how sophisticated the produce business has become and which direction some of California's agriculture industry could be headed as shippers of every commodity look for ways to cut, mix or otherwise enhance their crops to turn a higher profit.

In the Salinas Valley, the business system has evened out the financial roller coaster for many growers.

But the stability has its price. These contract growers don't gain from big price spikes, such as those that benefited lettuce growers in the Imperial Valley in March when cold weather drove prices to a 15-year high, said Gary Lucier, an economist with the U.S. Department of Agriculture's Economic Research Service.

"It kind of insulates you from both the good and the bad."

Some growers said they felt they had no choice but to turn to this type of contract production, unable to compete with the clout and marketing muscle of their larger competitors.

"As other companies started getting larger like Dole ... and gaining recognition all over the world, we found ourselves in a less-than-competitive situation," said Ross Merrill of 70-year-old Merrill Farms in Salinas, which sells all of its lettuce production to Dole. "We looked around and said, 'How can we survive going forward?' One way was growing for Dole."

The ability to turn a predictable profit has made his bankers happy, Merrill says, and it has allowed him to focus more on boosting yields, rather than worrying about the timing of his crop and the supply of lettuce headed to market.

But the concentration in the salad business also makes him a little nervous.

"I'd rather see [most of] the business in the hands of three to five people rather than two," primarily because it would provide other markets for his production if Dole or Fresh Express decides to

lower prices paid to growers.

Initially a hard sell, bagged salads have become a favorite of supermarket retailers. The product is more lucrative than head lettuce, requires less labor to maintain on the shelves and can be kept on the shelf longer, thanks to its special packaging.

Because consumers who buy bagged salad expect to pay more for the convenience, manufacturers and retail chains don't feel the same pressure to discount the items as they do bulk produce.

At Colton-based Stater Bros. Markets there are 40 types of bagged salad on the shelf and 135 types of bagged cut-up produce products overall.

"It's convenient," said Jack Brown, Stater Bros. chairman and chief executive. "It's good for smaller households."

### Paying for Convenience

And unlike a head of lettuce, which can sit in consumers' crispers for six days and lose freshness, Brown says, a bagged salad can sit for a couple of weeks.

Shoppers routinely pay double for that kind of convenience. Dole officials say most shoppers don't look to see how the price of bagged salad relates to that of bulk lettuce.

Dole's bagged iceberg typically sells for about \$1.50 to \$2 for a one-pound bag. But its focus these days is mostly on the exotic leaf lettuce blends, which retail closer to \$3, sometimes for as little as a 5-ounce bag.

Dole and Fresh Express officials won't say how profitable the bagged salad business is or how much they spend on marketing. But competitors and government officials say they profit enough to aggressively market their lines, giving away cases of free products to stores and paying slotting fees to supermarkets to help their salads get the best real estate in the produce aisle.