
SNAPSHOT SERIES: TRANSITIONING TO VALUE ADDED ENTERPRISES

TOIGO ORCHARDS - SHIPPENSBERG, PA

Salsas, Sauces, Fruit Butters, Jams and Juices

 WALLACE CENTER
WINROCK INTERNATIONAL

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The Wallace Center supports entrepreneurs and communities as they build a new, 21st century food system that is healthier for people, the environment, and the economy. The Center builds and strengthens links in the emerging chain of businesses and civic efforts focused on making good food – healthy, green, fair, affordable food – an everyday reality in every community. Winrock International is a nonprofit organization that works with people in the United States and around the world to increase economic opportunity, sustain natural resources, and protect the environment, implementing projects in more than 65 countries across the globe.


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The Snapshot Series examines how traditionally direct marketing farmers are using value added enterprises to supplement and expand their agri-businesses, reaching new markets and consumers through the development of new products. This effort was funded in partnership with the Risk Management Agency as part of a multi-year initiative to develop and distribute risk mitigation resources for the direct marketing community.

More information on the series can be found online at www.wallacecenter.org.

AT A GLANCE: TOIGO ORCHARDS

Toigo Orchards is a 450 acre farm that sits in the fertile Cumberland Valley of south central Pennsylvania, in the rural town of Shippensburg. The Orchard grows various tree fruits, such as cherries, apricots, peaches, nectarines, plums, pears, and apples, along with berries and melons, and vegetables such as corn and tomatoes. Their value added product line includes apple butter, pear butter, tomato pasta sauces, apple sauce, salsas, honey, canned peaches in bourbon, bloody mary mix, apple cider, jams, and horseradish mustard with honey.

BACKGROUND

Toigo Orchards is a 450 acre farm that sits in the fertile Cumberland Valley of south central Pennsylvania, in the rural town of Shippensburg. Dating back to the 1700s, the farm was 253 acres when purchased by husband and wife Mary and Gino Toigo in the 1960s, and reached its present size when the Toigos acquired neighboring land in 1985. During its early years, Toigo Orchards grew four varieties of apples, three varieties of peaches and a berry variety. Today, Toigo Orchards has 350 acres of various tree fruits, such as cherries, apricots, peaches, nectarines, plums, pears, and apples, along with berries and melons, and vegetables such as corn and tomatoes. Rare fruits that have been forgotten by the American public, such as quince, are also available at Toigo Orchards. Of their crops, apples – they grow dozens of varieties – predominate. Toigo Orchards also keeps its own honeybees for pollination and honey production.

South central Pennsylvania is home to farms and rural communities, and was relatively undeveloped until about nine years ago. Since then, south central Pennsylvania has seen rapid development and housing units encroaching on farmland, with farmland being lost at the rate of about 10% per year. Eldest son and Toigo Orchards manager, Mark Toigo, says that the biggest shame of such rapid development has been the loss of premium farmland which, once lost to development, is irretrievable.

Mark Toigo got his start in the farm business during the tough economic times of the 1980s. Returning to Pennsylvania after graduating from college in Florida, Mark worked on the family farm while job searching. At the time Mark began his work on the farm, farmers markets were still in their infancy. When Mark discovered a farmers market in Alexandria, Virginia in 1986, he tried his hand at direct marketing with a truckload of strawberries. The strawberries sold out within 90 minutes. Mark remembers thinking that he'd hit the jackpot. At the time, organic foods were not readily accessible at most chain grocery stores. "I realized that people were starving for quality food," he recalls. Four years after returning home, Mark still hadn't found a job, and with his family selling more and more crops through direct-marketing channels, Mark realized where his future career would be – at Toigo Orchards.

Growing more than 20 different items, Toigo Orchards has “seamless year-round production,” with a production staff of about 10 to 15, along with extra helpers during the harvest months. The farm has between 10 and 35 retail staff, depending on the season, and additional part-time helpers during the farmers market season. Among the seasonal staff are student interns from Europe who are recruited by different agencies. Mark says that the lack of interest in farming among U.S. college students prompted Toigo Orchards to seek help elsewhere; European college students not only have an interest in farming, but an interest in American culture.

Everything at Toigo Orchards is hand harvested, an arduous but necessary process that ensures quality. The farm also uses a greenhouse, organic production methods such as Integrated Pest Management (IPM), and underground drip irrigation. Mark says that they learned about sustainable and organic practices with the help of farming magazines, since they didn't know of anyone else practicing at the time. IPM production methods were first used in the greenhouse, about 15 years ago. Although tomatoes and most vegetables can be grown organically on the farm, Mark says that the same is not true for fruit trees. Despite the use of sustainable and organic farming methods, the farm is not certified organic because of the need to occasionally spray fruit trees, which are susceptible to the many diseases and fungi that exist in the wet growing conditions of the Mid-Atlantic. Mark notes that even nearby Pennsylvania State University has yet to come up with completely organic fruit production in its research. However, he says that the farm's fruit can be eaten, “right from the tree without a problem.” In the future, Toigo hopes to use organic fungicides, which are currently under development.

In addition to farmers markets, where 5% of Toigo Orchards' fresh produce is sold, about 95% of their fresh produce is sold to institutions, such as schools and prisons, processors, and wholesalers. The 5% that is direct-marketed at farmers markets represents about 70% of the farm's revenue, which Mark believes demonstrates the disparity of agricultural commodity pricing—if it weren't for farmers markets, they would not have survived as a family farm. However, direct marketing at farmers markets presents the challenge of maintaining consistent cash flow, as many have short seasons of four to five months, from July to October or November.

VALUE ADDING

Toigo Orchards began marketing value-added products in 1999, starting with apple butter and honey. The value-added business essentially grew out of necessity. When farmers markets weren't in season, value-added products allowed Toigo Orchards to sustain themselves. And when the farm had excess harvests of certain crops, value-added became a way to prevent waste. For example, in the late 1990s when they grew more heirloom tomatoes than they could sell, tomato sauce was born; they sold it on-farm, at Italian specialty food stores, and at mom and pop grocery stores. Mark says that now, with farmers market customers becoming increasingly sophisticated, fresh fruit with even minor blemishes will be turned into value-added products. As the farm deals mostly in fresh fruits and vegetables, only about 3% of what's harvested is used to make value-added products. Toigo Orchards' value-added product line includes apple butter, pear butter, tomato pasta sauces, apple sauce, salsas, honey, canned peaches in bourbon, bloody mary mix, apple cider, jams, and horseradish mustard with honey. Mark says that, as much as possible, Toigo Orchards aims to make their products sugar free and all natural.

“It's a business 101 climate. You're not getting into super-dollars with this kind of work. If you can balance a checkbook, you can do it.” - Mark Toigo

Toigo Orchards initially attempted to process value-added products on the farm. But they quickly realized the benefits of contracting with professional processors—both from a resource perspective and a food safety perspective. Not having had experience

with food production, Mark was concerned with creating a good—and safe—product for public consumption. Deciding to focus on what they did best, growing quality specialty crops, Mark contracted with four different processors: one for mustard, one for pasta sauces, another for bourbon peaches, and a fourth for cider. The challenging part of working with the processors has been getting the harvest to them at the right time and working with their busy schedules, as they process for several other growers.

Mark chose the value-added products he would make based on what he liked and advice from chef friends. He's learned that it's important to consider that people often shop out of habit for what they know and to understand "what's currently in people's [grocery] carts." Salsa, for example, is an item that is generally popular among consumers, and tomato-based pasta sauce is a "core item", a product that people purchase on a regular basis. Mark cautions that product decisions should be based on what people really need and want, "not whatever product you like, or what's most convenient," and that customers themselves are a great source of guidance and information. He also suggests that farmers focus on products they know and understand culturally. For example, being located in Pennsylvania, Toigo Orchards makes a Pennsylvania Dutch style apple butter.

Over the years, Toigo Orchards has developed and sampled many products, discontinuing some, like pickled watermelon rind, that didn't do so well. They've learned that one of the best places to test market products is at farmers markets, because you have, "smart, food-loving people." Customer input has always been important at Toigo Orchards. Despite the risks of having a value-added business, "especially if you don't have the cash flow or well-defined market," Mark enjoys the value-added part of his business.

THE FIRST YEAR

Entirely self-financed, the value-added business, according to Mark, was a "work in progress"; it took several years to locate processors for the products and to recoup costs. And since people generally have their preferences for certain brands and foods, it took a while to build brand familiarity with customers. After about three years of selling only at farmers markets, Toigo Orchards products began to gain recognition and to develop a customer base. However, as Mark points out, success depends on a lot of factors. For Toigo Orchards, actively marketing products to retail stores helped them begin to build a customer base within three years.

MARKETING

With a background in business, direct marketing came easily for Mark. But he believes that anyone can handle the business side of direct marketing: "It's a business 101 climate. You're not getting into super-dollars with this kind of work. If you can balance a checkbook, you can do it."

The majority of Toigo Orchards' value-added products go to brokers and high-end natural grocers in the Mid-Atlantic. Products are also sold on the farm, at farmers markets and to restaurants. Online sales through their website makes up the smallest portion of their sales. A "whole job in itself," online sales is managed by a full-time staff person.

The first step, says Mark, is to, "get it into a person's head that you make a good product," either by allowing them to experience the product or through advertising. For Toigo Orchards, marketing involves sampling and giving away product, along with getting out and talking about their products and processes. They also advertise in local, food-centered magazines like Edible Chesapeake; advertising through national magazines like Food and Wine and Gourmet didn't receive a lot of response. Coverage by food writers and columnists has also provided Toigo Orchards with some free publicity.

Value-added sales go up during the slower farmers market season (between late fall and early spring), when it's most needed to maintain cash flow. Toigo's bestseller is its pasta sauce, and most sales of their value-added products happen at retail stores such as Whole Foods.

Toigo Orchards initially attempted to process value-added products on the farm. But they quickly realized the benefits of contracting with professional processors, and decided focus on what they did best: growing quality specialty crops.

Chefs and restaurants became customers of Toigo Orchards early on, when farmers markets were few and typically weekend-only options, and Toigo Orchards needed more consistent revenue streams. Twenty years ago, Mark filled up a truck with fresh produce and started knocking on doors at restaurants asking what they wanted. While some chefs didn't know what to do with the offer, others were excited about the prospect of fresh, high quality, locally sourced fruits and vegetables. A few chefs have also used their value added products, such as canned bourbon peaches.

Mark soon began deliveries of products from Toigo and other local producers to renowned chefs like Bobby Kennedy, Ris Lacoste, Jeff Buben, and Brian McBride. Chefs valued the high quality ingredients, particularly at a time when “everything else was cello-packed and over-wrapped.” Believing that “good cooking is about good sourcing,” Mark helped differentiate them from other chefs who were buying from generic sources. And in turn, chefs, “the new rock stars of the food scene,” brought attention to local farms. But as Toigo Orchards works with more and more farmers markets, supplying restaurants and chefs has become increasingly difficult.

Beyond chefs, Toigo Orchards' value-added customers are mostly from large metropolitan areas in the Mid-Atlantic. Their products also find their way, via online sales and customers, to other parts of the United States and overseas, as far away as Iraq.

GROWTH AND RECOGNITION

From its one farmers market stop in Alexandria, VA in the 1980s, Toigo Orchards now makes rounds to 12 markets scattered in the Washington, D.C. metro area and New York City. Although the bulk of the farmers markets are seasonal and dwindle with the coming of winter, four in the D.C. metro area—Arlington, Takoma, Dupont Circle, and Falls Church—are year-round.

In order to plan and organize for the multiple farmers markets, Toigo Orchard built a staging area in 1990. The facility consists of a temperature-controlled “curing” room, a refrigerated storage room, and a third, larger room for storing and sorting fruits. Toigo Orchards self-financed the staging facility because it was unable to get the support of banks and other traditional lenders.

Toigo Orchards first began selling value-added products to D.C.-area specialty stores in 2005. Today their products can be found in over 25 specialty stores throughout the Mid-Atlantic and beyond. Mark credits this in part to their persistence—Toigo continues the arduous process of pursuing retail outlets through trade shows and buyers' shows

ADVICE

Mark says that, whatever business or market you want to be in, absorb as much as you can about that business or market – whether it's the grocery business or farmers markets. Persistence and patience are also key—hearing “no” will always be part of the process.

Developing a strong customer base requires giving away lots of product, and always being open to developing new product lines—Mark always has two or three new potential products in mind or under development, such as new varieties of apples or other crops. New products help Toigo stay ahead of the competition.

Finally, with so many projects and facets of the business to manage—farming, value-added processing, and marketing, to name a few—Mark emphasizes that outsourcing of certain tasks is critical. “If you're going to be your own accountant or bookkeeper, you're wasting time, 'cause you need to spend time working with your product and your customers.”

LOOKING TO THE FUTURE AND MEASURING SUCCESS

Mark doesn't plan to make any big changes in the near future; things on the farm "move deliberately slowly." "We're farm first, retail second," he adds. He anticipates that, at some point, they'll have a larger storage room for apples in their staging area, more varieties of apples and peaches, and that they may add a couple of new farmers markets to their current schedule or add a few restaurants to their growing list of customers. Toigo Orchards is also considering expanding to a new city.

For now, Mark is conducting a greenhouse experiment to determine whether they can grow strawberries during the winter. He'd like to find a way to use the greenhouse in the winter, when it typically lies dormant following the tomato harvest, and he's optimistic that his experiments will soon bear fruit.

Toigo Orchards also plans to continue its involvement with local community groups, making donations of its fresh produce to fundraisers for nonprofits and to shelters or food banks for distribution.

As for the distant future, Mark hopes that the next generation will take an interest in the farm. Although one nephew enthusiastically works for the business, Mark is careful not to push him into doing more than he wants—he doesn't believe in forcing the next generation into the business for the sake of tradition. But he does see a glimmer of hope now that farming and local food have gained more attention, and are seen as a viable industries. He firmly believes that in south central Pennsylvania, anyone with the proper education can buy and run a farm; in fact, he says, anywhere there are more than 50,000 people within an hour's drive, there's an opportunity for a family farm.

And though Mark doesn't believe Toigo Orchards has yet achieved brand success, they have a great product that sells well and that people genuinely enjoy—and that's a success in itself.

LESSONS LEARNED

- Focus on growing the best quality produce and contract with other businesses, processors, etc. to help with other aspects of the business.
- Actively engage with customers and others for feedback on product and business development.
- Develop products that are "core items" or that are popular with the public.
- Continuously search for new crop varieties and products to keep up with changing public tastes and to distinguish your business from others.
- Develop relationships with chefs for advice and to build a customer base.
- Give product away to develop a following.
- Highlight those aspects of your business that distinguish it from others – whether it's growing methods like IPM or new varieties of apples that others don't tend to carry.

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