

# San Francisco Dives Into Delivery Mode



IN THIS FOOD-LOVING CITY STEEPED IN GLOBAL FLAVORS, THE FUTURE IS IN SERVICE. AND THE FUTURE ARRIVED YESTERDAY.

By E. Shaunn Alderman

**C**ulinary explorers seeking global flavors and produce-centric meals continue to flourish in San Francisco. That's not exactly hot news for the fourth most-populated city in California where the D-word traditionally has been diversity. Diversity in cultures and food traditions has been the factor instrumental in shaping restaurant food concepts for quite a while. But now, the add-on D-word seems to be delivery.

Can it be delivered? Numerous Bay Area retailers and restaurants hearing this incessant question have been pressured to adapt their business plans to accommodate the request. Beyond AmazonFresh and Prime Now, both at Whole Foods, many retailers — including Lunardi's Food Markets, Draeger's Market and Mollie Stone's Markets — use Instacart delivery service.

Tapped by some Lucky's stores, Postmates is another company offering "food, drinks and groceries for delivery or pickup." Trader Joes does not deliver, but San Francisco residents can opt to use Envoy, a concierge-style service for shopping and delivery. For the past few years delivery has been trending across the country. Bay Area residents say there's no doubt severe traffic influences consumer



GoodEggs, an online grocery sales and delivery service is based at The SF Market.



Citrus display at Growers Produce Inc.

choices to have groceries and food delivered — that, and the popularity of staying home to watch Netflix.

With a population around 884,363, hilly San Francisco in Northern California is geographically unique. The city is the top part of a peninsula located between the Pacific Ocean and the San Francisco Bay. The greater Bay Area is comprised of nine counties, more than 100 cities and has a population of more than seven million people. Along with the

beauty, all of that water means there are eight bridges (and tolls) for residents, tourists, and produce delivery trucks bringing in produce from nearby farms.

Seeking to know where food comes from and eating local can be considered characteristic of Bay Area residents. Savvy palates combined with acknowledgement of farming practices and interest about farm locations are not atypical in this region. In February, when growers were harvesting Brussels sprouts

in the Half Moon Bay area, a mere 30 miles west of San Francisco, chefs were not alone in their anticipation of the fresh culinary jewels. Consumers were fervently buying them for roasting, braising and shaving into salads. In addition to their fondness of local mushrooms and California carrots, consumers seem to know their lettuce varieties, many of which are grown less than 100 miles away in the Watsonville and Salinas areas.

Chefs creating menus play up the regionality of locally grown items, and their efforts to highlight fresh and local are often credited with enlightening consumers. On the growing side, the expanding business of ethnic markets in the Bay Area has placed demands on local farms with requests for specific crops. This is especially true regarding Asian vegetables such as bok choy, bitter melon, daikon, long beans and winter melon, which is typically stuffed and cooked.

The state's fertile growing regions also include wine country, more specifically Sonoma Valley and Napa Valley. The region's other famous valley that undoubtedly impacts everything is Silicon Valley. The technology industry seems to reign supreme as San Francisco is recognized as the No. 1 tech city in the United States. The area's lineup of top technology companies includes LinkedIn, Airbnb, YouTube, Yahoo/a Verizon company, Facebook and Apple.

It's interesting to consider what impact the tech-heavy world has on the produce supply and consumption in the greater Bay Area. Tech employees are recruited from around the world, which means while as consumers they might appreciate American cuisine their long work hours compel them to also seek the comfort flavors of their home regions. Flavor quest in the Bay Area is truly international.

Corporate cafes have been expanding the past 12 or so years thanks to technology companies and major corporations wanting to keep employees productive and focused, which also means well fed. Serving tech employees lunch in-house as a convenience or perk started innocuously, but the movement that keeps workers on campus or in the office building for 10 or more hours a day has ruffled feathers with some restaurants and municipalities not gaining the restaurant business.

For many produce wholesalers and distributors, corporate cafes are solid customers providing consistent volume-based orders. The current shift to the chef-managed, free or subsidized lunch is morphing into more. "What's happening now is corporate employees are being offered breakfast, lunch and dinner,"

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says Frank Ballentine, president of Greenleaf, a produce wholesaler and food distributor based in nearby Brisbane. "Corporate cafes are also serving cocktails with appetizers and bar food for after-work socializing in a friendly environment," says Ballentine.

Greenleaf supplies corporate cafes as well as many restaurants claiming to suffer loss of business when vast numbers of corporate employees have no need to go out of the office for lunch. Technology companies recognize employees have to deal with housing shortages, astronomical rents, major traffic issues and significant commutes. Their business strategy is to keep employees happy and working longer hours by feeding them high-quality, produce-centric food prepared by chefs often recruited from the restaurant world.

### WHOLESALE OPPORTUNITIES

According to the *San Francisco Fact Sheet*, there are 4,415 restaurants in San Francisco and 54 of the establishments have a Michelin



(L to R) Gary Teilmann, Georgette Nelson, Frank Ballentine, Jun Qullatan of Greenleaf in Brisbane.

Star. Fierce competition keeps the businesses sharp, and demands today's Bay Area chefs not only know produce but also know the farms where products are grown. Some chefs still walk the produce wholesale markets and make their own selections, but the process has expanded. It's no longer just about sourcing quality produce. Corporate eyes are prudently watching the dollars and pennies.

"For the terminal markets, restaurant customers fall into two categories — corporate

chains, with rigid, prescribed, contract-driven, focus-group-driven venues, or independent restaurants, stand-alone or part of a small group, spread strategically across the Bay Area," says Gilbert "Gib" Papazian II, president of Lucky Strike Farms, a wholesaler/distributor in Burlingame. "The restaurant, institutional and school foodservice business remains vibrant with ever changing opportunities, but more and more, fair competition has given way to illusive 'cost-plus' agreements and ridiculously complicated rebate allowances," he notes.

### THE SF MARKET

The SF Market is the official name of the San Francisco Wholesale Produce Market. Rebranding occurred in 2018, and the facility on Jerrold Avenue that opened in 1963 operates at full capacity with 28 merchants. GoodEggs, an online grocery sales and delivery service, has access to the produce on the market. Workers staging orders with groceries and meal kits featuring fresh produce have access to more than 5,000 items in the marketplace. The food

## COMPETITIVE RESTAURANT SCENE

San Francisco is not shy about being a food city, but the level of competition in the restaurant business is beyond fierce. Chefs strive to work in the Bay Area market, but there are many management hardships involved, including labor. Minimum wage is \$15 per hour but that rate will rise to \$15.59 July 1. In a supply-constrained housing market, how does a restaurant secure, train and maintain staff in a city where the average rent for a one-bedroom unit costs more than \$3,500?

The San Francisco Travel Association reports dining is the top activity for visitors, and 2017 figures show the region welcomes 69,979 visitors per day. Chef-driven fine dining — the white tablecloth business — is certainly alive but no longer all the rage because the shift has moved to casual fine dining. Innovative fast casual is the dining concept embraced by Millennials. Browsing restaurant menus reveals not only what's hot and happening, but also what's meaningful to today's Bay Area diners. Kombucha on tap is not rare. The movement to feature mushrooms on, in and around all things food is legit and tailored for diners focused on reducing meat consumption while not giving up flavor and texture. Menus notably offer plant-based protein meals, gluten-free and Paleo options while promoting local and organic sprouts for nutrition and "for

crunchy goodness."

Chefs have to be innovative, and menus must inform, educate, enlighten and present the establishment's food offerings as an experience that must not be missed. This seems true more than ever because the competitive food environment now involves a wide range of meal kits for at-home preparation and food deliveries from supermarkets and all types of dining concepts. With profitability in mind, numerous restaurants with too many empty seats up front have scrambled to cook for consumers not eating inside the restaurants. The shift to reduce labor, decrease menu size and prepare meals for take-out, online orders and home deliveries is a recognized strategy. Business is said to be booming, but many are scrambling to adjust.

### IN PRAISE OF MIXOLOGISTS

The Bay Area, of course, is filled with wine connoisseurs, but mixologists take their profession seriously when creating beverages for high-end restaurants and casual dining establishments. Elaborate mocktails — drinks from the bar featuring an assortment of fresh herbs, fruits and vegetables but no alcohol, are highlighted on countless restaurant menus. In this health-minded region, scores of consumers enjoy the social aspect of drinking without the

alcohol. Beyond the use of celery, basil, cucumbers, pomegranate and pineapple, many swanky alcohol-free drinks feature aloe, lemongrass, carambola, melons, pickles and a wide assortment of berries. These drinks are sold at cocktail prices and are served to guests seeking calorie-friendly elaborate flavors suitable for celebrations and after-work mingling.

Business for establishments needing pre-cut citrus and produce, along with prepped herbs and specialty fruit is significant. "Our bar accounts were expanding so much that we had to make them separate accounts from the restaurants," says Frank Ballentine, president of Greenleaf. The company sources edible flowers from three local vendors to keep up with demand.

If restaurants are featuring produce-centric entrees, it makes sense for bars to correspondingly spotlight fruits and vegetables in mocktails and cocktails. And yes, posting photos and reviews of bar drinks featuring produce is a passionate endeavor for many consumers. For example, an impressed Yelp reviewer detailed a restaurant's promotion using local produce in the handcrafted libations. Similar to the smoothie movement, farmers, wholesalers and distributors are likely applauding the trending implementation of fresh fruits and vegetables in bar-style drinks. **pb**



(l. to R) Cuco Ponce, Jose Iniguez, Jose Olguin, Bob Gibson, Aldo Gomez, Pete Carcione, Joe Carcione III, Genaro Benavides, Arnoldo Reyes, Beto Martin, Carlos Garcia, Frank Cavaz, Xavier Ponce of Carcione Fresh Produce Company Inc. on the Golden Gate Produce Market.

delivery company GrubHub is also located on the market and shows signs of continued expansion as food delivery rages.

With ambassador-like enthusiasm, Michael Janis, general manager of The SF Market, says food infrastructure is the conversation. He's quick with stats and facts about improvements and expansion at the market while also mentioning current success stories, such as the food recovery program that saves merchants money for waste removal costs.

Discussing environmentally minded efforts and programs, Janis says something on the horizon is the installation of high-capacity chargers. He indicates this will be meaningful

to several merchants on the market, including Earl's Organic Produce, which powers its 30,000-square-foot warehouse with 100 percent-certified renewable energy. A main goal for the organic fruit and vegetable distributor, founded by Earl Herrick, is to become a zero-waste and carbon-neutral facility.

### GOLDEN GATE PRODUCE MARKET

Located in the southern part of the peninsula near the San Francisco International Airport, Golden Gate Produce Market is promoted as the largest and busiest produce terminal in Northern California. In its

current location since 1962, the market's 26 merchants seem content with major upgrades completed in 2017, including the installation of solar panels for energy efficiency and tax credits for merchants. "Come walk the market" is the promotional slogan – an invitation to a bustling facility operating with traditional vibes and contemporary global energy.

"The people who buy from the market area are doing very well," says Peter Carcione, president of Carcione's Fresh Produce Company Inc. "I would like to see more people walk the market. I think it's a secret to doing well."

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success because his company this year is celebrating 50 years in business. The wholesaler sells fruits and vegetables to restaurants and more than 400 stores.

"We live in a very competitive area, and that impacts everything," says Kevin Sommerfield, owner of Banner Fruit Company, at the Golden Gate Produce Market in South San Francisco. "A lot of us on the market carry the same produce items, so for us our business is about carrying the right products for the right customers."

Banner Fruit's customer base ranges from high-end buyers and mom-and-pop shops (which many are also considered high-end) to processors and caterers. The main items sold are berries, melons, assorted squash, grapes and citrus. Sommerfield says the catering side of his customer base remains strong, and he anticipates continued growth in that area.

When discussing the Bay Area's food and meal kit delivery surge, Guy Davidoff, co-owner and chief financial officer of Twin Peaks Distributing Inc., voiced his concern about the seemingly blasé food safety attitude of consumers ordering meal kits and food for doorstep delivery. "I can't believe there is such little regard for food safety from those people



Peter Carclone at the Golden Gate Produce Market.

who order food and the box sits on the doorstep for who knows how long. What about maintaining the cold chain for quality and food safety?"

In Northern California, Twin Peaks Distributing has represented Prime Time International since the Coachella-based pepper growing company was formed in 1997. "We all have to conform to follow food safety rules and regulations. Growers put so much money into the ground when they plant crops. It's unthinkable to me that all of these investments in food safety and cold chain management seem thrown out the window

## FOOD RECOVERY SUCCESS

By Carolyn Lasar, Food Recovery Program coordinator for The SF Market

Since 2016, our Food Recovery Program at The SF Market has recovered almost two million pounds of fruits, vegetables and other food items. The additional items include meat, dairy, prepared foods and other foods that are carried by merchants in our market that offer on-line, full-service grocery sales. Our merchants have benefited in several ways, including reducing their compost waste-removal fees, opening up valuable space in refrigerated and floor storage and simplifying the process of donating good quality surplus food to those in need. We have also been collecting substandard donations and diverting them to a pig farm, resulting in less product going to compost.



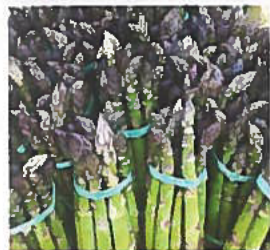
Carolyn Lasar

The Food Recovery Program provides high-quality, fresh, nutritious fruits and vegetables to groups who otherwise may not have access to a healthy varied diet. We partner with a wide variety of groups, including high school culinary training classes. Students are exposed to a variety of common and unusual ingredients, which they incorporate into teaching/cooking lessons. In addition, these donations provide much-needed meals to many students who otherwise may simply not have enough to eat.

These culinary programs, as well as the food pantries, soup kitchens and senior and community meal services, all benefit from the additional interest, variety and nutrition provided by our merchants' donations. Every free food donation received from our program means money saved for our community partners. We also provide fruits and vegetables to our neighbor, The Southeast Health Clinic's Food Pharmacy program, which provides nutrition and health education to patients, along with a weekly grocery bag of healthy foods.

Without the capacity to deliver, our program requires partners come to the market to collect their donations. This has increased the visibility and strengthened relationships between the market and our local neighborhoods.

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when boxes of delivered food sit on doorsteps for three hours and more," ruminates Davidoff.

## SOURCING THE MARKET

"Because California and the Bay Area are so diverse in ethnicities, people long for the fruits and vegetables from their homelands," explains Butch Hill, management of purchases and sales, with Shasta Produce Inc. "Typically people from these countries mainly eat fresh, so demand is always high for international exotic fruits and veggies. Our international pull has increased tenfold just in the last year."

When asked about the state of organics as a viable category in a geographic region that proclaims food origin is must-have information, Davidoff of Twin Peaks simply says, "It's hard to feed America if you're only growing organics."

"There are more organic products on the market these days, but it isn't necessarily because more people want to eat organic," says Hill of Shasta Produce. "More farms are growing organic because they understand the return per acre is usually higher on anything organic. This extra organic product is forced into the market via open-priced loads when they get stuck. Stores will buy more organic



California Brussels sprouts being loaded at Golden Gate Market

product because of price versus conventional, and not because of organic demand." Hill adds, "I think real organic demand increases slightly every year, but so does conventional demand. There are more people to feed every year."

## BUILDING RELATIONSHIPS

"Over the decades, mirroring the trends throughout the country, many successful small- and medium-sized chains that used to source the market every day have been purchased and consolidated into corporate distribution centers under a variety of banners," explains Papazian of Lucky Strike Farms. "Luckily, much of this lost business on the terminals has been replaced by

a dynamic and growing trade of ethnic specialty stores, such as Chavez Markets, which caters to cultures and customers who shop several times a week for the food of their family history," he adds.

The competitive environment creates an on-edge sense and instigates a greater need to genuinely foster business relationships. For years, this action has been typical in the produce industry, but in today's environment in the Bay Area, nurturing is a vital element for success. "Building relationships with people is what helps us find the right products for our customers," notes Sommerfield of Banner Fruit. "We talk and listen and go to their stores." He says those store trips make a difference.

"We buy internationally to support our existing programs. For example, our successful grape program includes Chilean grapes, and we buy peppers from Holland and Mexico," says Davidoff. Founded in 1994, the company sources citrus from across the world including Australia, and Mexican vegetables are part of the global offerings. Davidoff notes maintaining close ties internationally cannot be overlooked, especially when Bay Area customers depend on global products. **pb**

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