



Merger Begg Question of Compatibility

A quarter century ago a group of directors from the Produce Packaging and Marketing Association – the association we now know as the Produce Marketing Association – approached the president of the United Fresh Fruit and Vegetable Association with a question: Is there any way in which United might consider working with the smaller PPMA? Perhaps the association could become a division of United? Perhaps some other arrangement could be worked out? The answer: No interest whatsoever.

Bob Carey has served as the Chief Executive Officer of PMA and its predecessors for almost two generations. His life is an illustration that, as it is written, there is a time to every purpose under heaven, or, to put it in a more contemporary vein, living long is the best revenge. The penniless association he went to work for in 1958 now stands as a colossus, by far the largest association in the produce industry with expenditures and revenues more than twice those of the United that once spurned PMA as too insignificant to bother with.

Now that United has approached PMA and suggested a merger, the industry has come full circle. But an industry can't move forward if it is only moving in circles, so the challenge is to find a way to move ahead.

There are a few basic considerations to keep in mind as this issue plays itself out in the months ahead:

1) The existence of two trade shows is a big bone of contention in the industry. The shows are expensive to exhibit at and to attend. The response from many companies has been to push for a merger to alleviate the expenses associated with duplication. This however, is the worst possible reason for merging. The bottom line is that companies are asking the associations to make tough decisions which, in truth, the companies need to make on their own. Exhibiting at a trade show is just about the most inefficient way I can imagine to support an industry association. If a company values United's work in government affairs, for example, but finds exhibiting at United's show to be of no commercial value, continuing to exhibit at United to support government relations is absurd. The payment for a substantial booth might be \$10,000, of which United must pay expenses. The cost to assemble a booth, fly in staff, etc., can easily exceed \$50,000 in addition to what United receives. The obvious decision is not to exhibit at the show and send a check to United with a notation that the money should be used for government relations efforts. If a trade show helps your company, then exhibit and/or attend. If a trade show doesn't help, don't waste money. Support the association directly.

2) The produce industry conventions have traditionally made money. As such, they are viewed as a golden-egg-laying goose that can be used to support all manner of activities. But these attempts to drain off funds from successful ventures may just cook the goose. FMI, the supermarket association, is talking about launching a fresh foods trade show. There are also hundreds of private companies that specialize in doing trade shows. If the industry

values conventions and trade shows and is willing to pay good money to attend and exhibit, the vast bulk of the profits must be reinvested to make these events even higher quality. Otherwise, FMI, a private company or someone else will open a trade show and none of the money will go to the produce industry associations. Any financial proposal that assumes the conventions will subsidize activities which industry members don't value enough to pay for directly is doomed to fail. The high prices and lessened quality that result from this rake-off of funds surely will attract new competition.

3) One of the most unseemly parts of United's merger proposal was an attack on PMA for adding to reserves during the past year, when United claimed the need for more money to fight government relations battles. Of course, this raises the question of why United was struggling so? The

answer, of course, is that United did not take steps to set aside reserves in years past. Even now, in its budget for next year, United has not set up any plan to build reserves. As a result, the association will always be short when a crisis arrives and, like the old story of the ant and the grasshopper, United will always lust after another's gain.

4) United, in fact, is in serious financial difficulty. Last year the association ran a deficit of over \$300,000. This followed a deficit of over \$40,000 the previous year. Revenues have been flat for a decade. When United closed The Fresh Approach, the situation worsened. Although money contributed to The Fresh Approach was supposed to be dedicated to consumer promotion, in fact, United allocated substantial amounts of its own overhead to the program. With the program gone, but the overhead remaining, United has a struggle ahead of

it. If United doesn't stop the bleeding, there won't be an association left to merge.

5) Over and Over again the issue of government relations comes to the center of any merger discussions. Two realities have to be dealt with here. The first is that there is no such thing as a produce industry position on the issues. Produce retailers, produce wholesalers, produce shippers and produce growers all have different and often conflicting interests. One the reasons United has not been able to get financial support for government relations is United's unwillingness to sharply define who it represents. I believe that it is the growers who most value government relations and who, in practice, United has most often represented. If United serves as an organization devoted to government relations, it should drop the pretense of representing everyone and claim the turf of the national representation of growers.

In addition, United, or anyone who will look to represent any segment of the produce industry to government, must realize it cannot give the industry what the industry is unwilling to support. The question that must be asked is not how much government relations is good for the industry but, rather, how much government relations is each segment of the industry willing to pay for?

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The industry must
decide if it
needs United's
representation in
Washington, as
United must
decide just who
it represents.