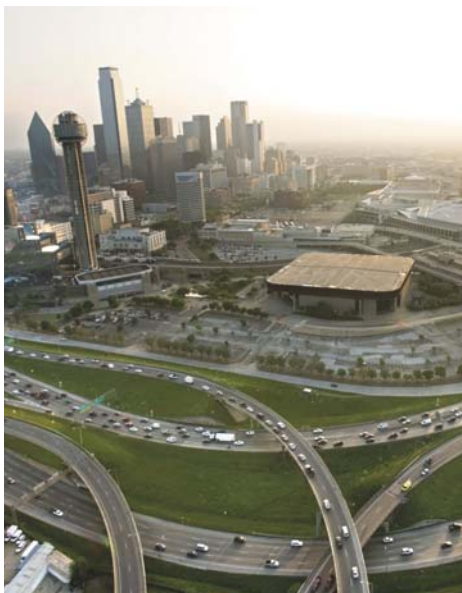




Bright Lights and Big Business

The growing allure of **Dallas** for the industry

By Cristina Adams



Some call it “The Big D,” while high-tech types refer to it as the “Silicon Prairie.” And fans of the wildly popular 1980s and recently resurrected television series, *Dallas*—made famous by big hats and big hair—often assume that cowboys still outnumber bankers.

Yet the jewel of northeast Texas is home to many *Fortune* 500 companies and serves as a national hub for a number of industries including financial services, information technology, telecommunications, manufacturing, and defense.

Today’s Big D boasts just as many briefcases and tablets as cowboy hats and boots.

BURGEONING GROWTH

Like other major urban centers across the Lone Star State, Dallas is a boomtown. It is the country’s ninth-largest city and home to 1.2 million people, 25.4

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Local investors have purchased the market and plan to turn it into a destination for foodies and families.

percent of whom are foreign-born. It occupies a strategic position—just northeast of center—in a massive state, and boasts a sprawling international aviation megaplex that ranks among the busiest airports for passenger traffic in the world.

Over the past several years, Dallas has seen its economic fortunes rise steadily, if not meteorically, even as the rest of the country shook off the last vestiges of the recession. Not only are there plenty of available jobs but, according to the Bureau of Economic Analysis at the U.S. Department of Commerce, job growth is

projected to continue trending upward at an annual rate of 2.8 percent through 2019.

All this good news has had people flocking to Texas: according to the U.S. Census Bureau, from August 2011 to July 2012 more than 427,000 people moved to cities in the Lone Star State.

Texas has four of the fastest-growing counties and the two fastest-growing metropolitan statistical areas in the country. Among them was the Dallas-Fort Worth metroplex, which has a population of 6.5 million spread over 9,286 square miles.

Boom times in the metroplex are in full swing and predicted to continue, although at a somewhat slower pace, according to a report by the U.S. Conference of Mayors.

In 2013, the Dallas-Fort Worth economy grew by 3.4 percent; this year, that number is expected to drop slightly to 3.3 percent. Much of this robust growth has been fueled by the area's diverse business landscape, especially the quickly evolving IT and telecommunications industries.

WHEN COTTON WAS KING

Dallas wasn't always a hotbed of high-tech. Once upon a time, the city—and neighboring towns—relied on agriculture to fuel the economy. Founded in 1841, Dallas wasn't more than a spot on the shifting map of Texas until 1873, when multiple rail lines came to town.

Transportation opened the city up to immense growth. At the turn of the century, cotton was king, and Dallas was one of the biggest inland cotton markets in the world. By 1925, Texas was responsible for supplying more than one-third of the entire country's cotton, 30 percent of which was produced within 100 miles of Dallas.

Since then, other industries have come to town, but according to the Texas Department of Agriculture, the state still ranks as the number-one producer of cotton in the United States.

It also remains a heavily agricultural state, accounting for about 6 percent of total U.S. agricultural income. In 2012, Texas ranked third nationally—to the tune of \$6 billion—in agricultural exports. It also consistently makes the top



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ten list for some fresh fruit and vegetables including corn, sweet potatoes, watermelon, citrus, onions, and more.

Not surprisingly, given both its long growing season and proximity to Mexico, the state is a powerhouse of the produce industry. In 2012, it ranked 15th in the United States in terms of fresh vegetable exports, generating \$38.9 million, up from \$35.9 million in 2011. Among U.S. fruit exporting states, Texas was ranked 11th in 2012. Fruit exports outpaced vegetables, totaling \$53.5 million versus \$46.1 million the year before.

A CHANGING PRODUCE LANDSCAPE

Dallas, while strategically important in terms of its location between the East and West Coasts, doesn't actually have a terminal market.

According to Steve Ford, owner of produce broker Dallas Direct Distributing LLC, most Dallas produce businesses—from distributors and brokers to exporters, repackers, and receivers—are situated outside the city, where there is easy access to highways, abundant space, and affordable property. His own company is headquartered 25 miles southeast of downtown where warehouses are plentiful and can be customized with state-of-the-art cooling systems and loading docks.

Operating in downtown Dallas since 1941, the Dallas Farmer's Market offers both wholesale and retail shoppers a range of local and regional produce, nursery items, prepared foods, and bulk items.

Formerly owned by the city, the market has been in sore need of renovation. Yet according to Dallas-based marketing consultant Dedie Leahy, a group of local investors has purchased the market and plan to turn it into a destination for foodies and families.

The \$64-million renovation is slated to wrap up this fall, and will feature a new infrastructure for the first shed with expanded space for farmers and vendors. The second building will house artisanal producers and the market's food court.

The few growers still operating at the market have been moved to another space during the rebuilding process. "The new owners are very passionate about the

Market," Leahy says. "They're going to turn it into an attraction for shoppers."

RETAIL ROUNDUP

While the Farmer's Market gets a makeover, the retail grocery presence in the Dallas-Ft. Worth area has been growing by leaps and bounds.

Kroger, the world's fifth largest grocery retailer, renovated and expanded several locations around the metroplex and planned five new Marketplace stores for

"If you look at powerhouse regional and national chains, Dallas is probably one of the top markets for retail exposure in the United States."

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2013 and 2014. The company's 'growth initiative' was slated to bring as many as 1,700 new jobs to the region.

Austin-based Whole Foods Market announced plans to increase its North Texas presence to 12 stores over the next year or so, while Albertsons, Inc., free from former parent company Supervalu Inc.'s centralized empire, may be better positioned to take advantage of the Dallas area's surging growth.

Albertson's recently purchased 98-year-old retailer The United Family (formerly known as United Supermarkets, Inc.), acquiring 57 Texas stores operating under the United Supermarket, Market Street, Amigos, and United Express banners. Albertson's was reportedly looking to grow the more sophisticated, pricey Market Fresh brand in the Dallas area, though a merger with Safeway could curtail such plans.

Longtime Texas chain H-E-B (H.E. Butt Grocery Company), dubbed "the Smartest Supermarket You Never Heard of" by *Forbes* magazine, has only a few stores in Dallas, but denied rumors of a swift expansion in the region. Company officials of the 109-year-old grocer did confirm they had

been purchasing land in North Texas and were looking to open new stores in the future, including the popular Central Market concept, but would not deliver any numbers or a timetable.

"If you look at powerhouse regional and national chains, Dallas is probably one of the top markets for retail exposure in the United States," says Dan'l Mackey Almy, president and CEO of DMA Solutions, Inc., an Irving, TX-based marketing and advertising agency specializing in the fresh produce industry.

"If you look at where we are, how we've done economically, and at our demographics," Mackey Almy explains, "that all plays into why Dallas is a thriving food market. It's also indicative of the retail banners already in this marketplace and of those who want to get in."

Another unique aspect of the Dallas market is its Hispanic retail presence. National and regional chains like Fiesta Mart, Supermercado El Rancho, Terry's El Mariachi Supermarkets, Amigos, and La Michoacana—the latter is the largest independent U.S. Hispanic grocery store chain—all have locations in the Dallas-Fort Worth area and provide a wide range of specialty products, including fruits and vegetables, to shoppers.

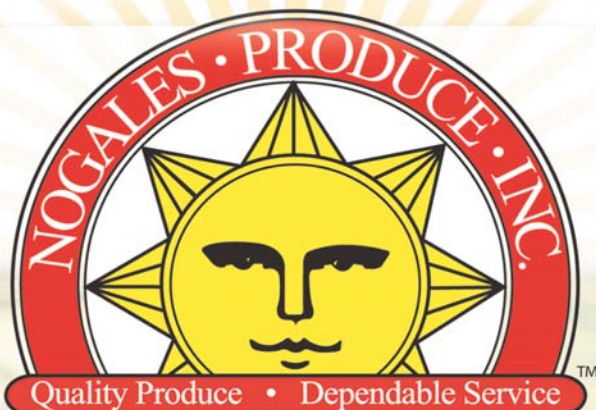
A New Kid on the Block

The region has also been invaded by Barrington, IL-based Aldi (short for 'Albrecht Discount,' a name established by its German corporate parent, Aldi Süd), which has significantly increased its fresh produce items, reportedly offering more than 70 varieties of conventional and organic fruit and vegetables.

In December 2013 Aldi announced an aggressive expansion program to open as many as 650 new stores nationwide over the next five years, adding to the nearly three dozen in the Dallas-Ft. Worth area.

The less-is-more approach of Aldi is in rather stark contrast from the hip, artsy attitude of its step-sibling, Trader Joe's, Inc. (owned by Aldi Nord), which only has three stores in Dallas.

Despite the plethora of stores, Juan Manuel Ibarra, CEO of Marengo Foods Company, LLC, a grower and supplier specializing in greenhouse vegetables, doesn't believe the retail market is overly competitive. "From what I can tell, there



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is stronger competition between the larger traditional retailers, expansion by Kroger, and a consolidation (or buyout) in the case of Albertsons and/or Tom Thumb.”

As a newcomer, however, Aldi may prove to be the exception. Overall pricing, Ibarra explains, hasn't been too aggressive with most grocery chains, though Aldi is changing the game. “They operate at such a low cost they're able to gain market share due to the prices they can offer.”

The good news for Dallas consumers, and shoppers across the state, Ibarra notes, is quality: “the quality is very good in general, being so close to the shipping points in McAllen and only two days away from Nogales in Arizona.” On this point, he believes Aldi falls short, “as far as freshness and assortment of products.”

UPS AND DOWNS

A new Dallas Farmer's Market and plenty of new retailers aren't the only developments on the metroplex's horizon. According to Ford, one of the biggest changes he's noticed in the Dallas produce industry is the competition.

These days, he's not just competing for business with other brokers, he's up against anyone who can make a phone call. “Growers, small brokerage companies, shippers—everybody tries to sell direct now,” he says. “That makes our job more difficult.”

Ibarra finds transportation can sometimes be an uphill battle: “The biggest challenge we have right now is the availability of transportation out of southern Texas due to increased costs,” he explains, adding, “there seems to be a shortage of drivers and trucks, especially with the opening of the port of McAllen receiving a larger portion of winter shipments coming out of northwestern Mexico—that traditionally would have been exported through Arizona.”

Sheena Fan, produce buyer for Pacific Plus International, Inc., says more growers are also approaching buyers directly. While this might squeeze some middlemen out of the equation, it can also mean more savings for both the grower and the buyer. “I buy snow peas from Guatemala and Peru, for example, and one grower contacted me about selling product,” she

says. “That grower turned out to have better quality control, a fresher product, and a lower price than the grower we had been working with.”

Food safety and traceability are also among the hot button issues. Area vendors, brokers, and distributors say more customers are demanding Primus- or GAP-certified product.

Ford confirms most of his customers require some kind of certification to conduct business. “My end users want it [and] my customers need it,” Ford says. “I have to do it, too. I don't deal with anyone who isn't certified.”

LOOKING AHEAD

Perhaps the most critical issue affecting the produce industry in Dallas, indeed across the entire state, is water—or the lack of it.

For the past three years, Texas has experienced drought conditions not seen since the 1950s. In July of 2013, three-quarters of the state was in severe or extreme drought; by November, thanks to the most

above-normal rainfall since 2010, only 25 percent of the state was still in extreme drought.

Unfortunately, the drought conditions aren't expected to end anytime soon. In the short term, that means potentially lean times and high costs for Texas growers.

Many growers in the Rio Grande Valley, which accounts for much of the state's produce, are struggling to keep acreage watered. According to Ford, who buys, among other things, cabbages and onions from the Valley, some growers have complained about their wells going dry. And a few decent thunderstorms will not be enough to make up for three-plus years of drought.


“It's going to take a lot of rain for things to improve and for growers to recoup the ground they've lost,” Ford says. “This is a serious issue, and if the rain doesn't come, there's going to be a real fight for survival.” 

Image: Thinkstock.

Cristina Adams is a writer and editor with more than twenty years of experience. She writes for a number of business publications and websites.

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