

# Growing against the competition

How Village Farms went from a small company to an industry giant



Hortimac  
The Best in Horticulture



By Laura Allen

**I**t started with just 10 acres of greenhouse facilities. Now, more than 30 years later, Village Farms International Inc., which hydroponically produces tomatoes, cucumbers and bell peppers, operates more than 232 acres and markets an additional 200.

During that time, it's done a lot to grow.

In 2006, it acquired the largest greenhouse company in Canada, Hot House Growers Inc., instantly doubling the size of the company.

In 2007, it broke the world record for production of tomatoes, thanks to the development of its proprietary technology GATES (greenhouse advanced technology expert system).

And last year, it grew its net sales from \$144.8 million in 2010 to \$164.4 million (Canadian).

Today Village Farms operates greenhouses in the U.S. and Canada, and employs approximately 1,600 people.

But this type of success doesn't happen quickly and doesn't come easily. Michael DeGiglio, CEO and president of Village Farms, has seen the company face several challenges over the years. Consolidation in the industry, government intervention and competing with growers in other nations have all certainly created problems for the company.

"The greatest challenges are where we have to deal with is-

ues that are out of our control," says DeGiglio. "If you have a growing issue, you know you need to solve it, and if you have the right people, technology and analogy, [you] solve it. But solving things that are out of your control is the scary part."

Despite these difficult challenges, Village Farms continues to grow and be successful by building and maintaining a strategy, focusing on customers and investing in technology. Here's how the company does those things.


### **Build a strategy**

As Village Farms looks to expand and grow, it has to have a plan in place in order to be successful.

"I'm not a big believer in five- and seven-year visions and marketing plans," he says. "We sort of redo our strategy every year and hone it because there are always so many changes. Some of it is luck and some of it is being in the right place at the right time, and, more importantly, perseverance. [You] just need to hang in there in the tough times, and there will be some good times, and repeat."

"We have to make sure that each project we do is successful first and other current operators are successful. Then you have to have the capital and the relationships on debt to be able to build one of these."

It's the same approach DeGiglio takes with the entire



Village Farms produces hydroponic tomatoes, peppers and cucumbers in an assortment of colors.



TOP: Arie Van der Giessen is the regional facility manager for Village Farms' newest greenhouse in Monahans, Texas. The Monahans greenhouse is the first commercial-sized greenhouse based on the company's GATES technology. RIGHT: Michael DeGiglio is the CEO and president of Village Farms, one of the leading companies for the North American hydroponic greenhouse vegetable industry.

company.

"The most important attribute isn't intelligence and education and all that; it's perseverance in this business that's going to get you through."

Making major decisions about how to grow is not something DeGiglio simply does alone. In fact, DeGiglio believes it's crucial to accomplish things through consensus and communication.

"We don't just say, 'Hey, this is the roadmap, get on board.' We have everybody involved when we look at technology, so that everybody gets a buy-in, everyone's a part of it," says DeGiglio. "Maybe some disagree on certain things, but they realize, 'Hey, I'm not going to fight this, I still see the big picture, and we still have to lower costs, so I'm going to put out 110 percent and get on

board with it.' But in general, you have to have buy-in from everybody, and they have to feel part of it."

When it came to commercializing the GATES technology for a new 30-acre greenhouse in Monahans, Texas, DeGiglio had the senior management team involved in the process of building it to discuss the project's location, size and other factors. After listening to everyone's input, within a month they came to a conclusion and decided to move forward.

"It's not just about money and wage; you have to let everybody feel they're a part of [the process] and this is their company," he says. "It's very simple. Treat people the way you want to be treated. If people put that under their total definition of leadership, you can't go wrong."

## BUILD A NETWORK

One piece of advice DeGiglio has for all growers is establishing a network of growers. He says that of the many reasons his growers are successful, one of them is they have a great network to rely on.

"It's sort of a brotherhood," he says, explaining that when a grower is in trouble, he or she can call another grower for advice. He, in turn, is also willing to give advice.

"Why wouldn't I want another company to succeed in this business?" he says.

By having a network to depend on, you can seek out other opinions and viewpoints for any trouble you might run into.

## Maintaining a strategy

DeGiglio says having excellence in every discipline, especially in a company the size of Village Farms, is comparable to playing the arcade game Whac-a-mole. It's something that needs to be constantly monitored and perfected, and you have to keep your eye on every aspect of your company so that if an issue starts to raise its head, you can take care of it before it be-

comes a problem. The first step starts with communication.

"We harp and harp and harp on communication," DeGiglio says.

Every Monday DeGiglio has a conference call with all of the department heads, which lasts for about an hour, and allows everyone the opportunity to discuss any issues they're facing.

"By doing that once a week, you keep abreast of [issues],"



DeGiglio says.

The company also focuses on honesty. “The best managers are the ones who ask for help,” he says. “We all make mistakes. But if you don’t communicate it and you don’t communicate it in a timely manner, that’s when that mole kind of lifts up.”

Thanks to technology, the process of communicating is easier than ever. But that doesn’t necessarily imply that communication is an easy thing to do.

“It’s gone from picking up the phone to sending an email. And people communicate much differently in an email; they’ll be bolder. The last thing I like to see is 17 different emails and be copied on it. Just pick up the phone. Especially if someone’s down in the office,” he says. “It’s the human behavior side you have to kind of work.”

It’s more difficult to be aware of any potential issues and make sure everything is in working order when you’re a vertically integrated company like Village Farms. It sees its products go from seed to the customer and is a part of every step along the way – from designing the greenhouses to building them to financing them and from growing the crops to harvesting them to packaging them and shipping them. Having to orchestrate all those operations is not easy, but Village Farms has seen the benefits of it.

“If you can execute all that, then you’re really in control of your product and your destiny a lot more than if you’re just one part of that,” DeGiglio says. “[It’s] harder to do, but the rewards are there if you can execute it on a vertically integrated basis. When you collapse those middle people or middle companies, you can attain more profit. And there are times when you really need to.”

### Serve customers

Having strong relationships with customers is also critical in Village Farms’ success.

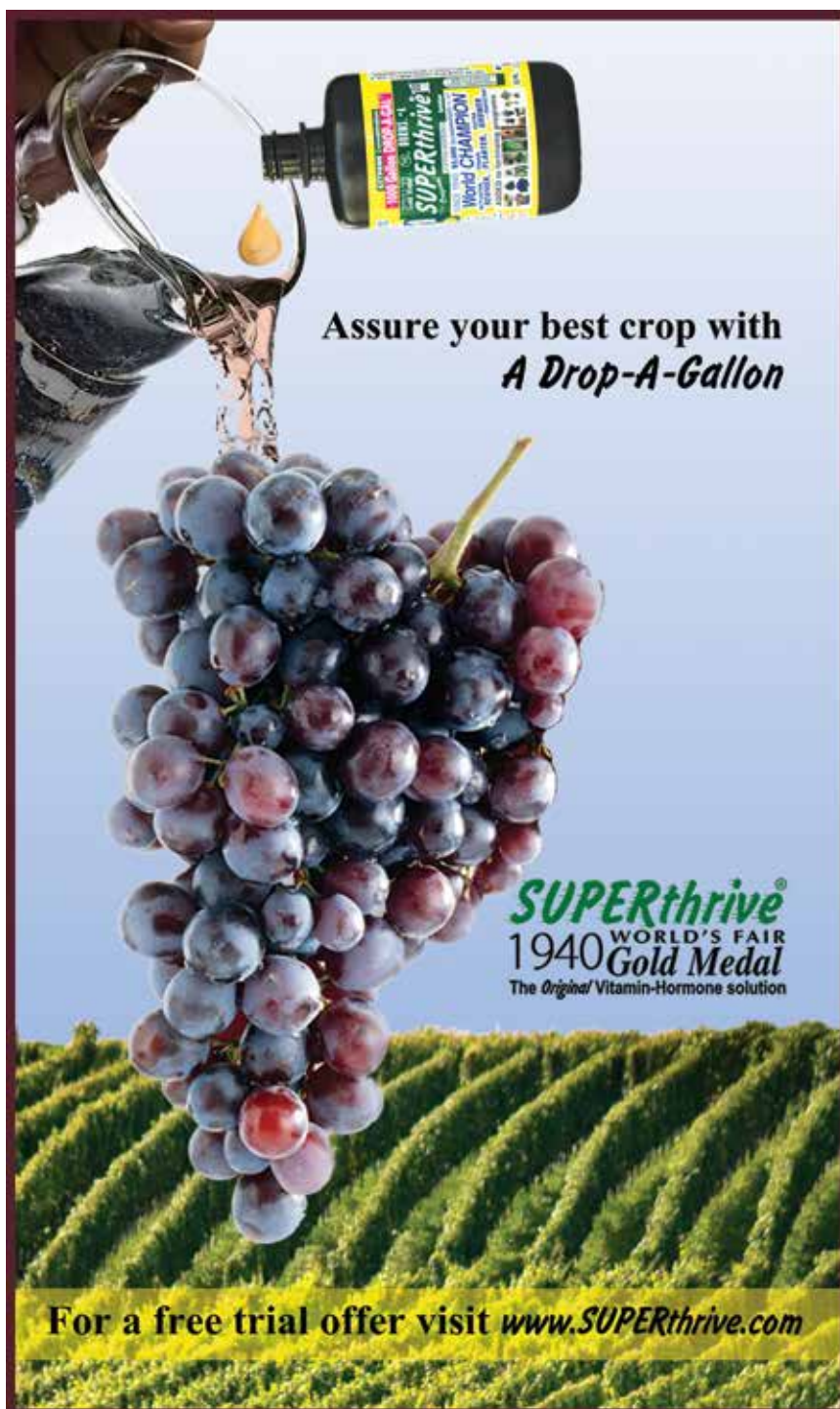
“It still comes down to relationships, even though it’s much more sophisticated today. [It’s] maintaining those relationships and being able to send the right message of what we’re doing and why we’re different,” he says. “You know you have to differentiate yourself every day as to why you should be selected as the vendor of choice.”

For example, to the best that DeGiglio can recall, Village Farms ships 30,000 tractor trailer loads a year, and for the past 10 years has never dropped under 99.4 percent in on-time delivery — and some deliveries are four days out and only have a

20-minute time slot to fill.

The company operates more than 230 acres of greenhouse, but it also markets an additional 200 acres to keep up with customer demands.

Representing a number of pepper grow-



Assure your best crop with  
*A Drop-A-Gallon*

**SUPERthrive®**  
1940 WORLD'S FAIR  
Gold Medal  
The Original Vitamin-Hormone solution

For a free trial offer visit [www.SUPERthrive.com](http://www.SUPERthrive.com)

Village Farms broke the world record for tomato production in 2007 thanks to its proprietary technology, GATES.

## FACING COMPETITION

California is the only state that has a definition for what a greenhouse is. But with the rest of the states, according to DeGiglio, imposters, such as tomatoes grown in hoop houses, can be labeled as greenhouse-grown. So Village Farms, as well as five other major greenhouse companies, founded the North American Greenhouse/Hothouse Vegetable Growers, an association formed to specify standards on what a certified greenhouse is. Formed after three years of research and review, the association has a “certified greenhouse” logo to inform customers and consumers that the product they are purchasing has been grown using the safest greenhouse growing techniques.

**For more:** [www.certifiedgreenhouse.org](http://www.certifiedgreenhouse.org)

ers, Village Farms set up a site in the Dominican Republic last year and is helping them out with technology. The company has strict guidelines for the growers it represents, and DeGiglio says those growers make up a good third of the company’s revenue.

In addition to reaching out to other growers to meet customer needs, Village Farms uses a comprehensive scorecard technique to see how it is faring to its competitors. DeGiglio said he was in recent meetings with two of Village Farms’ largest customers and Village Farms ranked No.1 on their scorecards.

“We know we have at least exceeded their expectations by being No.1 versus the other competition,” he says.

DeGiglio believes that the only reason to be in business is, at the very least, to meet a customer’s needs and expecta-

tions, and most likely exceed them. So the company meets with customers regularly and asks how they’re doing.

“In the end, whatever we think we may be doing doesn’t really matter; it’s what our customer believes. When we don’t do well, you know it, because they’ll let you know real quick,” he says. “When you’re increasing your business or being asked to take more on, you know you’re doing a good job. We’re pretty cognizant of that.”

### Invest in technology

When growers from other nations started exporting their products to the U.S., it resulted in over capacity. With supply higher than demand, Village Farms realized it needed to lower its costs of production in order to be profitable. So the company decided to invest in technology, which eventually resulted in its first greenhouse

in Marfa, Texas, capable of producing vegetables every day of the year.

Village Farms has its GATES technology to thank for much of its success. The original two-acre, \$2 million pilot project in Marfa, Texas, was the result of finding a way to keep up with over capacity and competition.

“We realized the only way we could really make a significant dent in our cost of production was to increase our output on the same cost base,” DeGiglio says.

The company used to only have one manager operate 10- to 15-acre units, but with GATES, one person can operate up to 50 acres. In total, the technology brings greater critical mass, better varieties and an increase in output. In short, it’s very profitable.

It’s also versatile. Because the technology allows growers



“ Treat people the way you want to be treated. If people put that under their total definition of leadership, you can't go wrong.”

— **Michael DeGiglio,**  
CEO and president,  
Village Farms

to control the climate, a greenhouse can be built virtually anywhere, which appeals to the current “buy local” movement.

“Consumers in general are much more savvy, much more aware, and with the help of social media and the communication today, want to know where it's produced,” DeGiglio says.

Going this route also allows the company to move forward.

“That's where we see our future going is to locate multiple greenhouses close to the market, to be grown regionally,” DeGiglio says.

Not only does this appeal to consumers, it is beneficial for retailers as well. DeGiglio says the product can be picked first thing in the morning and then be on the shelf the next day, lowering shrink on the retailers' end.

There's also the benefit of reducing the length of transportation because it'll serve a local market.

The technology has allowed Village Farms to take it to the commercial level with its new 30-acre greenhouse in Monahans, Texas. Producing vegetables every day of the year, the technology yields 20 to 30 times more product per acre than traditional field production. It also recycles 100 percent irrigation drainage, recovers carbon dioxide and more. This technology led to the world record of highest tomato yield.

The company then perfected the technology to the point it can create the optimum climate every day of the year, regardless of the weather and location.

“That was a big initiative for us — a

controlled system with the goal of lowering our costs to better compete with the uncontrollable,” he says.

DeGiglio says technology is crucial for growers in difficult times.

“They survive through technology.

[It's] the fact that varieties can yield greater output or they're more resistant to disease or insects,” he says. “It's coupled under technology to have a greater output to lower that cost that can keep you competing.” **DG**



## Buying from CO-EX is Easier than Ever Before!

CO-EX Corporation has opened a new stocking warehouse for Macrolux Multi-Wall and Rooflite Corrugated sheets in the Seattle, Washington area. This facility will improve our ability to provide rapid service to our customers in the western states and Canada. Even more important, are the savings in freight costs that customers can realize by having CO-EX material available closer to the point of sale.



A full range of multi-wall sheet & standard corrugated products will be in stock, ready for immediate shipment: Clear Macrolux multi-wall in 8, 10 and 16mm with Bronze and Opal in 8mm. Rooflite corrugated is stocked in Clear, Bronze and Opal. Accessories like Profiles, Tape & Closure Strips are stocked along with the sheets. Also stocked is CO-EX's Rooflite® HD which provides a perfect combination of “soft” diffused light and U.V. protection – a comfortable environment for people, plants and animals.

*Call today for more information!*

**CO-EX**  
CORPORATION

5 Alexander Dr, Wallingford, CT 06492  
tel: (203) 679-0500  
fax: (203) 679-0600

e-mail: [info@co-excorp.com](mailto:info@co-excorp.com) • [www.co-excorp.com](http://www.co-excorp.com)

