

# [***Inside The Two Companies That Dominate The U.S. Carrot Crop***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:69P9-DT31-JBCM-F029-00000-00&context=1516831)

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**Highlight:** Americans will eat 100 million pounds this Thanksgiving as the California neighbors of Bolthouse and Grimmway call for a consumer boycott over water use.

**Body**

**Americans will eat 100 million pounds this Thanksgiving as the California neighbors of Bolthouse and Grimmway call for a consumer boycott over water use.**

**By Chloe Sorvino, Forbes Staff**

It sounds weird to say that carrots are having a moment, but social media has catapulted the humble root to a status resembling stardom. Anecdotal evidence suggests online carrot recipes trail in popularity only those for potatoes and brussels sprouts among vegetables, and Pinterest numbers support that: recipe searches for**honey balsamic carrots**on the platform are up 75% this year, while queries for**roasted parmesan carrots** skyrocketed 700%. Fresh carrots are an expanding $1.4 billion U.S. market, andAmericans are expected to consume 100 million pounds this Thanksgiving roughly five ounces for every human being in the country.

At least 60% of those carrots are produced by just two companies, Bolthouse and Grimmway, both of which were acquired by buyout firms, in 2019 and 2020 respectively.

There s only two sources, Adam Waglay, cofounder and co-CEO of Bolthouse owner Butterfly Equity, told**Forbes**. We joke around it s kind of like the OPEC of carrots.

Cartels are less funny for neighbors of the two producers in Southern California s Cuyama Valley, who are calling for a boycott of Big Carrot over the amount of water their farms are sucking out of the ground. In 2022, Bolthouse and Grimmway together were responsible for 67%, or 9.6 billion gallons, of the area s total water use. Local residents said they expect their wells to dry up if the carrot farms continue to use as much water as they do Grimmway CEO Jeff Huckaby told**Forbes** his company has already reduced the amount of acreage it farms and the two carrot producers have joined forces to defend their thirst in court. That worries local residents, who say they lack the deep pockets needed to wage a prolonged legal battle.

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Cattle rancher Jake Furstenfeld places a boycott sign in New Cuyama, California in September.

Marcio Jose Sanchez/AP Photo

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Water fights like this can take years to resolve, and often become a way to delay cutbacks, Karrigan Bork, a professor at the University of California, Davis School of Law, told**Forbes**. You see these rights again and again get trimmed back by the state or by courts, Bork said. In some cases, your savvy water users recognize that, and for them, just delaying that trimming back is a success, and the longer they can do that, the happier they will be.

**Price Concerns**

Waglay uses the word duopoly to describe the two companies. Such market consolidationoften leads to higher prices, and the government has for years used increased consumer prices as an indicator of possible unfair competition. The U.S. Department of Agriculture declined to comment on any antitrust issues.

Since 2019, carrot producer prices have increased more than 40%, according to the U.S. Bureau of Labor Statistics, outpacing the22% inflationin the U.S. economy.

**Carrot Top**

**Prices are near their highest since 2019, when Bolthouse was acquired by a private equity firm. Grimmway changed hands a year later.**

Huckaby, the Grimmway CEO, told**Forbes** that the costs of a number of inputs have gone up, too. Packaging, fertilizer and fuel prices have all risen at a higher rate than inflation, he said, and California s minimum wage hasincreased27% since 2018. At $15 an hour, it s the second-highest in the country.

Still, the carrot business has been a lucrative play. Total U.S. production value hasincreased34% since 2019.

**Duopoly Origins**

Bolthouse, founded in 1915 in Grant, Michigan, started selling carrots packed in cellophane bags in 1959. In the 1970s and 1980s, production was centered around Bakersfield, California. After Bakersfield farmer Mike Yurosek invented baby carrots in 1986, consumption soared.

In the 1990s, Bolthouse ballooned into the largest carrot operator, reportedly shipping some 80% of California s carrots. It amounted to half the U.S. carrot market in 1992, followed by Grimmway, founded by brothers Bob and Rod Grimm in 1969, and Yurosek s family-owned outfit. Grimmway eventually bought out Mike Yurosek & Son. The carrot crop is now the tenth-biggest commodity in California, where one-third of America s vegetables are grown.

Today, the industry s growth could be limited by dwindling water supplies in the drought-prone Cuyama Valley, 150 miles northwest of Los Angeles and 90 miles west of Bakersfield. But the companies behind the duopoly aren t giving up without a fight.

Both businesses, which own their own manufacturing, are hitting a similar point in their ownership lifecycles. Private equity-backed businesses typically change hands every three to five years. In 2019, Butterfly Equity acquired Bolthouse from publicly traded Campbell Soup for $510 million in cash. A year later, Grimmway was acquired by Teays River Investments, a Zionsville, Indiana-based investment firm, for an undisclosed amount. That means both businesses are in the sweet spot of what most investors consider the hot time to unload an investment or take it public.

Los Angeles, California-based Butterfly has sold only one of its investments, an organic protein company called Orgain, acquired by Nestle Health Science in February 2022 after two years of Butterfly ownership. Grimmway is Teays River s only current investment after exiting two others in 2019 and 2013. Teays River held those investments for eight years and one year, respectively.

Grimmway s owner, which according to Pitchbook has $1.38 billion in assets under management, is backed by pension funds including the public employees of the states of Maine and Oregon, Texas teachers, the New York state Teamsters union and the Producer-Writers Guild of America.

Butterfly Equity, by comparison, has $4 billion in assets under management and is backed byexecutives of private equity giant KKR, where Waglay worked for eight years. The firm has done eight deals in the eight years since it launched. Butterfly also owns America s largest striped bass farm, the largest free-range egg company, an avocado oil maker that controls 60% of the market, and a large whey protein manufacturer.

**Water Rights**

Bolthouse and Grimmway started working with each other in a way that competitors rarely do. They filed a lawsuit together in 2021 in Kern County, California to ask a court to decide how to split up the water of New Cuyama, where they farm.

What s happening in Cuyama Valley is an example of the kinds of water fights that are surfacing across California. Farmers of a variety of crops there have depended on irrigation for decades. Those years of pumping water and spraying it over crops through sprinklers or complex drip irrigation systems have had drastic implications, including threats of land sinking, a receding water table that makes it tougher to dig wells and the threat of some of them drying out.

That s why water use around New Cuyama could get reduced by two-thirds over the next two decades. To bring the region back to a sustainable level by 2040, water cuts of 5% started this year and will continue each year going forward. The Cuyama basin currently has an annual water deficit of more than 8 billion gallons, and much of the area s carrot farmland may have to be taken out of production. Some experts say Bolthouse and Grimmwaywould have to reduce their water consumption by about double what the city of Santa Barbara, California uses annually.

But water-efficient sprinklers can only save so much. The carrot companies lawsuit has forced area farmers, ranchers, residents and even the area s public school to rack up legal bills. In response, a coalition of locals launched a boycott of carrots in July. The boycott s goals: for the companies to drop the lawsuit, pay all legal fees and to reduce the amount of water they pump. One flyer the boycotters distributed suggests a Thanksgiving recipe for brussels sprouts instead.

Both Bolthouse and Grimmway lease farmland rather than own it. They recently withdrew from the lawsuit, though the companies that own the farmland are still in it, and what the judge decides will dictate how much the companies are able to farm there in the future.

**Expanding Elsewhere**

Huckaby said the carrot boycott has taken aim at Grimmway and Bolthouse because they re easy targets. Only 3,700 of the 13,000 acres that Grimmway leases in the Cuyama Valley are being farmed, according to Huckaby. We cut way back and we cut way back and we cut back and no one else did, he said.

The companies may have to find new farmland to grow carrots. The average American now eats roughly seven pounds of the fresh vegetable every year, with consumption up 2% so far in 2023, according to NielsenIQ.

Grimmway has already expanded its farming operations outside of California with facilities in Florida, Washington and other states.

Butterfly s Waglay doesn t deny that water is one of the biggest barriers that his investment in Bolthouse faces. Water challenges, he said with a sigh. This asset has great access to water, but it s going to get worse and worse, and you need to be planning for that and trying to work on ways to minimize that. That ll be a long-term challenge.

California water fights often result in residents and smaller business owners getting outgunned in the courts by large commercial actors, Pomona College environmental analysis and ***politics*** professor Heather Williams, an expert on water issues, told**Forbes**. The lawsuit is among the first of many, she said.

It s put into motion a race to the basin pumping as much as you can, and putting that into production, Williams said. Water is property in California. It s what a rational actor acting on behalf of investors is going to do. If they re playing this game, they ve got to play hard.

Grimmway and Bolthouse can move on, said Williams, unlike most of the residents in New Cuyama. These are their homes, their small farms. If the well goes dry, it s worth basically nothing, she said. They can t pay lawyers for ten years of litigation.

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