

# Red Brand Canners Case Summary

## Background

Red Brand Canners, a medium-sized company in the US, specializes in canning and distributing fruit and vegetable products under private labels. In September 2015, the company's VP of Operations, Mitchell Gordon, convened a meeting to discuss the amount of tomato products to pack for the upcoming season. The tomato crop was already arriving, and production had to begin immediately to avoid spoilage.

## Key Stakeholders

- **Mitchell Gordon** - Vice President of Operations
- **William Cooper** - Controller
- **Charles Myers** - Sales Manager
- **Dan Tucker** - Production Manager

## Situation

The incoming tomato crop included:

- 3,000,000 lbs of tomatoes, with 20% being Grade "A" and 80% being Grade "B".
- The company needed to decide on the allocation of tomatoes for different products based on demand forecasts and profitability.

## Product and Demand Forecast

The key tomato-based products include:

- **Whole tomatoes:** Demand forecast - 800,000 cases, selling price - \$12.00 per case.
- **Tomato juice:** Demand forecast - 50,000 cases, selling price - \$13.50 per case.
- **Tomato paste:** Demand forecast - 80,000 cases, selling price - \$11.40 per case.

## Key Insights

1. **Product Profitability:**
  - William Cooper's analysis indicated whole tomatoes had the highest incremental profit.
  - Charles Myers presented an alternative marginal cost analysis, recommending using 2,000,000 lbs of "B" tomatoes for paste and the remaining tomatoes for juice, yielding a potential \$144,000 profit.
2. **Constraints:**

- Whole tomatoes require Grade “A” quality, limiting production to 800,000 lbs due to quality restrictions.
- Tomato paste can be made entirely from Grade “B” tomatoes.

## Conclusion

The stakeholders had different views on maximizing profitability:

- **William Cooper** focused on whole tomatoes.
- **Charles Myers** proposed a more nuanced allocation based on tomato quality, with higher emphasis on tomato paste production.

## Key Questions

1. Is Mr. Cooper’s reasoning on whole tomatoes being the most profitable correct?
2. How did Mr. Tucker calculate the limit for whole tomato production?
3. Is Mr. Myers’ analysis of tomato costs valid?
4. Should the company follow Myers’ recommendation for tomato allocation?
5. Should the company purchase the additional Grade “A” tomatoes offered at 25.5 cents per pound?