Analysis of Strategic Marketing Decisions for Organic Agricultural Producers: A Case Study

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Group of organic agricultural producers received a grant

Purpose: feasibility study about forming a cooperative to jointly market products

Opportunity: test framework

Outline: methods, location and grower information, distribution alternatives
Methods

- Secondary data search
- Key industry informant interviews
- Presentation of preliminary results
- Face-to-face, semi-structured interviews with group members to assess resources
- Presentation of final results
Location of study
## Demographic highlights of area

<table>
<thead>
<tr>
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<th>County A</th>
<th>County C</th>
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<tbody>
<tr>
<td>Population, 2000</td>
<td>105,665</td>
<td>137,985</td>
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<tr>
<td>Percentage Increase in Population, '90 - '00</td>
<td>16.7%</td>
<td>1.5%</td>
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<tr>
<td>Average Unemployment Rate, 2000</td>
<td>3.0%</td>
<td>4.3%</td>
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<tr>
<td>Median Household Incomes, 1995</td>
<td>$39,854</td>
<td>$36,124</td>
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<tr>
<td>Poverty Rate, 1995</td>
<td>8.8%</td>
<td>14.1%</td>
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<tr>
<td>Percentage of Population (age 25 and Older) with a Bachelor's Degree or Higher, 1990</td>
<td>12.0%</td>
<td>13.8%</td>
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Characteristics/Resources of the Grower Group

- Seven members
- Diversity, within and between farms
- Desire to concentrate on production
- Well-educated
- Need for planning and coordination
Strategic Alternatives

- “Go” or “no-go”
- If “go,” then select distribution channel
  - Farm markets (i.e., roadside stands)
  - Farmers’ markets
  - Distributors
  - Retailers
  - Restaurants and institutions
  - Processors
Farm markets (roadside stands): Advantages

- Growers can provide info to consumers
- Relatively easy entry
- Growers receive full consumer price
- Transportation and commuting time
- Family involvement
- Control over days/hours and display
Farm markets (roadside stands): Disadvantages

- Success depends on quantity/quality of traffic
- Limited to one location
- Limited selection of produce
- Investment in fixtures
- Human resources for staffing
Farmers’ markets: Advantages

- SAME FIRST THREE ITEMS AS FARM MARKETS (i.e. roadside stands)
- More customer traffic
- Advantageous consumer preferences
- Growers can pool their products and sales efforts
Farmers’ markets: Disadvantages

- Transportation costs
- Space rental
- Limited days and hours
- Potential to compare prices leads to competitiveness
Distributors

- **Advantages**
  - Higher potential volume
  - Some marketing functions provided

- **Disadvantages**
  - Incremental requirements and costs
  - Displacing existing suppliers
  - Minimum volume requirement
  - Wholesale price
Retailers: Advantages

- Higher potential volume
- Certain investments and expenses avoided
- Access to customers and marketing skills
Retailers: Disadvantages

- Incremental requirements and costs
- Displacing existing suppliers
- Delivery convenient to retailer
- Some retailers only buy through wholesalers
- Building trust and relationships
Restaurants (especially gourmet)

- **Advantages**
  - May accept unusual varieties and small quantities
  - Demand high-quality, local, in-season produce
  - Appearance less important

- **Disadvantages**
  - Delivery time and costs
  - Delayed payment of accounts
Institutions (vs. restaurants)

- **Advantage:** Could allow for larger volume.
- **Disadvantage:** More pressure to keep costs down.
Processors

- **Advantages**
  - Higher potential volume
  - Purchase agreement prior to planting
  - Appearance less important

- **Disadvantages**
  - Risk of non-payment and of the processor closing or changing product lines
  - Transportation costs
  - Marketing efforts required
Epilogue

- What the growers did:
  - Develop gradually
  - Farmers’ market
  - Supplemented product line