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

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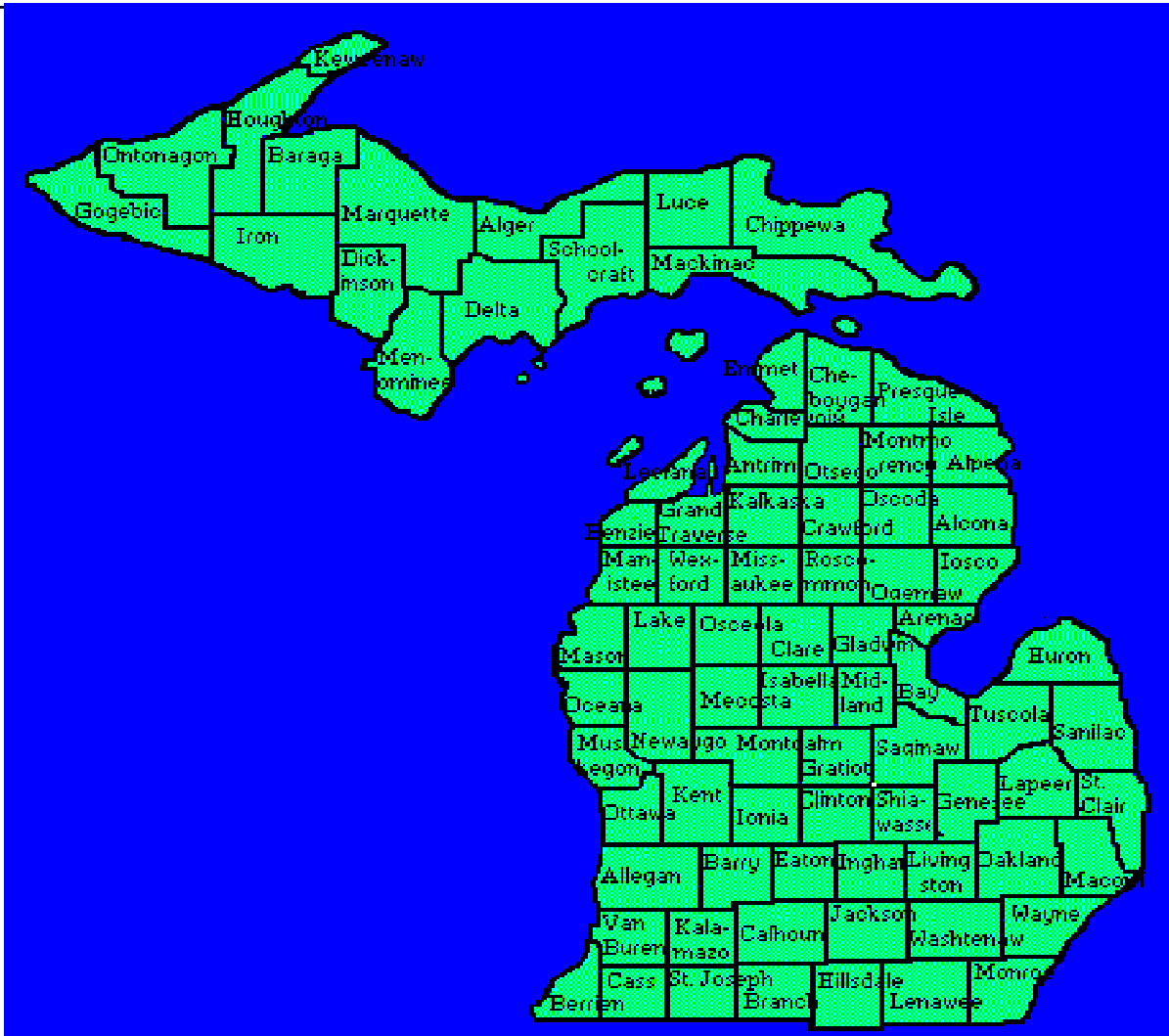
Background and Overview

- **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

	C o u n t y A	C o u n t y C
P o p u l a t i o n , 2 0 0 0	1 0 5 , 6 6 5	1 3 7 , 9 8 5
P e r c e n t a g e I n c r e a s e i n P o p u l a t i o n , ' 9 0 - ' 0 0	1 6 . 7 %	1 . 5 %
A v e r a g e U n e m p l o y m e n t R a t e , 2 0 0 0	3 . 0 %	4 . 3 %
M e d i a n H o u s e h o l d I n c o m e s , 1 9 9 5	\$ 3 9 , 8 5 4	\$ 3 6 , 1 2 4
P o v e r t y R a t e , 1 9 9 5	8 . 8 %	1 4 . 1 %
P e r c e n t a g e o f P o p u l a t i o n (a g e 2 5 a n d O l d e r) w i t h a B a c h e l o r ' s D e g r e e o r H i g h e r , 1 9 9 0	1 2 . 0 %	1 3 . 8 %



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**