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Specialty Product Marketing: A Research Update

by

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Introduction

Given the adverse economic conditions in agriculture, many farmers have turned, and continue to turn, to the production and marketing of specialty crops and products to supplement and/or replace their farm income from conventional sources. Though many farmers are finding that the marketing of specialty products is giving them access to *potentially* highly profitable markets, the *actual* profitability of these markets depends in large part on the marketers' ability to make optimal pricing and promotion decisions. However, much of the information necessary to make these optimal decisions is nonexistent. In particular, for many specialty products, marketers lack information concerning the demand side of the market.

The pure maple syrup market is an example of a specialty product market which many farmers have entered, yet where information on demand is lacking. Thus, in the past, pricing of maple syrup

has been ad hoc and inconsistent, with no formal economic basis. To date, there have been no quantitative studies of consumer responsiveness to changes in maple syrup prices and promotional activities (i.e. demand elasticities). Our research is intended to fill this void and provide maple syrup marketers with information that will enable them to make more profitable pricing and promotion decisions.

Research Objectives

1. To measure the responsiveness of consumer demand for maple syrup on both maple and nonmaple producing regions in the United States, with respect to changes in determinants of demand such as prices, income, and promotion (i.e. calculate demand elasticities for maple syrup).
2. To interpret the measures resulting from the completion of objective 1. in order to pro-

vide sugarbush operators and marketers of maple syrup with information that will enable them to make more profitable pricing and promotion decisions.

3. To use results obtained from objectives 1. and 2. as the basis for developing a model of the national/international maple syrup market. This model will be used in the examination and analysis of critical economic issues facing both producers and marketers of maple syrup.

The Model

The initial phase of the research will involve estimating demand, income, and promotion elasticities for five cities in the Northeast--Albany, Boston, Hartford, Portland, and Syracuse. The next phase will involve calculating elasticities in nonmaple producing regions.

The model will include ten equations, to be estimated as a system of seemingly unrelated equations. For each city, there will be two demand equations (one equation will be a pooling of top five maple brands over 48 months and the other will be a pooling of top five nonmaple brands over 48 months).

Data

Much of the necessary data (i.e. price, quantity, and promotion data) has been obtained from *Information Resources, Inc.* in Waltham, MA.--infoscane[®] grocery data. The major limitation of the data is that it is *Retail Level Data*. However, retail outlets, such as grocery stores, are becoming some of the largest outlets for maple syrup sales. In Vermont, where a large amount of syrup is sold at the site of production and at road side stands, syrup sales in grocery stores still represent about 50 percent of total sales. And in nonmaple producing states and regions this number is even higher.