



Agribusiness Marketing Report

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DEMAND FOR COLORADO-GROWN VEGETABLES: WHAT DO COLORADO CONSUMERS WANT?

by

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- ✓ 94% of consumers prefer to buy fresh vegetables.
- ✓ 80% of consumers would be more prone to buy vegetables that were labeled as "Colorado Grown."
- ✓ 75% of the consumers were willing to pay a premium to obtain "Colorado Grown" products.

Small agricultural producers around the country are finding it more and more difficult to remain competitive in a market place dominated by the consolidation of agricultural production firms. According to the latest USDA census, only 3.6 percent of farms accounted for over half of all farm sales (USDA, NASS, 2000). The ability to compete in this market is becoming a greater challenge for producers, considering the number of recent consolidations that have occurred in the retail grocery markets throughout the country. Currently, the top 20 grocery retailers consist exclusively of retail *chains*. In 1999, the four largest food retailers' share of grocery store sales was 27%, up from 18% in 1987 (USDA, ERS 2001). Additionally, grocery-oriented wholesalers undertook 32 mergers and acquisitions in 1999 with the food-service wholesalers completing 31 mergers. Shippers have also been consolidating; the top two bagged salad firms in 1999 who sell to supermarkets accounted for 76% of total fresh-cut salad sales (USDA, ERS 2001).

In order to compete, many producers are recognizing the importance of finding a niche market for their products such as "locally" or "organically" grown. However, it is still essential that any niche market undertaking be accompanied by a sound business analysis. Thus, in the spring of 2001, a newly formed vegetable cooperative in northeastern Colorado began to search for ways to become more competitive in both the fresh and processed vegetable areas. The cooperative turned to a team at Colorado State University (CSU) to conduct a market study to determine consumer demand for fresh and processed vegetables in Colorado. In order to find a niche for Colorado vegetables, they needed to better understand where they could fit into the supply chain—who was their actual customer? The following is a summary of the consumer survey information that the CSU team obtained.

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Consumer Survey

The consumer survey was conducted during the summer of 2001. In order to get a representative sample, surveys were conducted at different grocery stores in several towns, and at various hours of the day. A team of CSU students surveyed customers at King Soopers, Albertsons, Super Wal-Mart, and Safeway stores along the Front Range in the towns of Fort Collins, Fort Morgan, Greeley, Denver, Niwot, and Alamosa. A total of 505 usable surveys were collected. The survey contained four sections of questions: *consumption habits* (fresh, frozen and canned vegetables); *quality perceptions and the image* of Colorado vegetables; *willingness-to-pay* for different vegetable attributes; and *socio-demographic characteristics* (Table 1). In our sample, 71% of the respondents are female, with a mean age of about 50 years. The mean education level indicates most respondents have “some” years of college education, with almost half of the respondents earning a bachelors degree or higher. Fifteen percent of the respondents have at least one child in their household, and the mean income earned in the year 2000 was between \$50,000-75,000.

Table 1: Socio-Demographic Data

| Variable | Description | Mean | Standard Deviation |
|---------------------------------------|---|--------|--------------------|
| Gender | 0=Male, 1=Female. | 0.713 | 0.452 |
| Presence of children in the Household | 0=No children under 18 years old living in the household 1= Otherwise. | 0.1526 | 0.360 |
| Income | Household income level: 1=<\$25,000 2=\$25-50,000 3=\$50-75,000 4=\$75-100,000 5=>\$100,000 | 3.523 | 1.488 |
| Age | Age of Consumer. | 50.15 | 16.662 |
| Education Level | Highest Level of Education completed: 1=Non-Graduate 2=High School 3=Some College 4=Associates Degree 5=Bachelors Degree 6=Masters Degree 7=Doctorate. | 3.412 | 1.177 |
| Years spent in Colorado | Total Years. | 27.502 | 81.00 |

Ninety-four percent of the consumers prefer to buy (as their first choice) fresh vegetables. The favorite fresh vegetables in order of bi-weekly shopping frequency are: lettuce (85%), carrots (73%), and broccoli (60%). Other vegetables, such as sweet corn, summer squash and winter squash, with a clear comparative advantage as far as being grown in Colorado are not purchased as regularly. In the frozen market, the most frequently purchased vegetables are Sweet Corn (34%), and Broccoli (29%).

In the survey, 80% of the consumers indicated that they would be more prone to purchase vegetables that were labeled as “Colorado Grown” (See Figure 1). Seventy-five percent of the consumers were willing to pay a premium to obtain “Colorado Grown” products. Local origin, or origin combined with certain production techniques seems to be the niche of many successful products (See Figure 2).

Figure 1

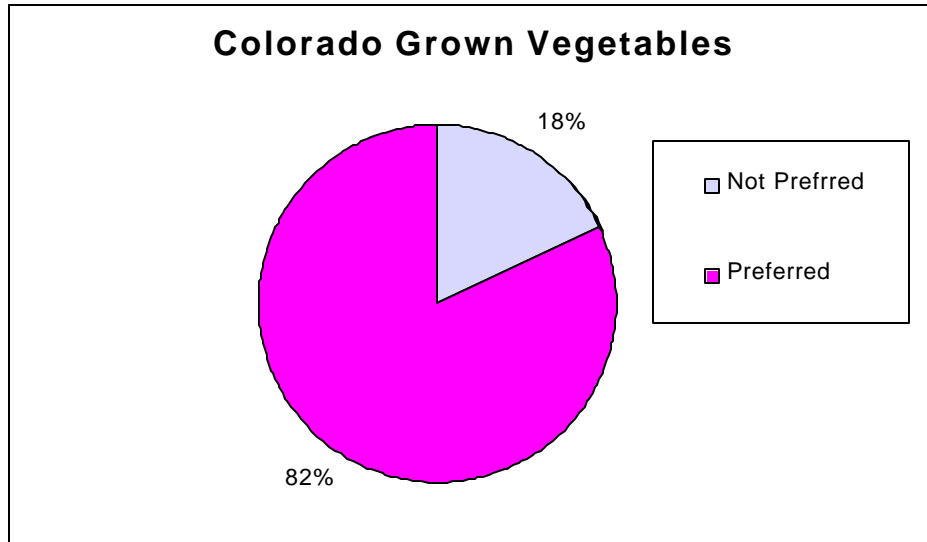
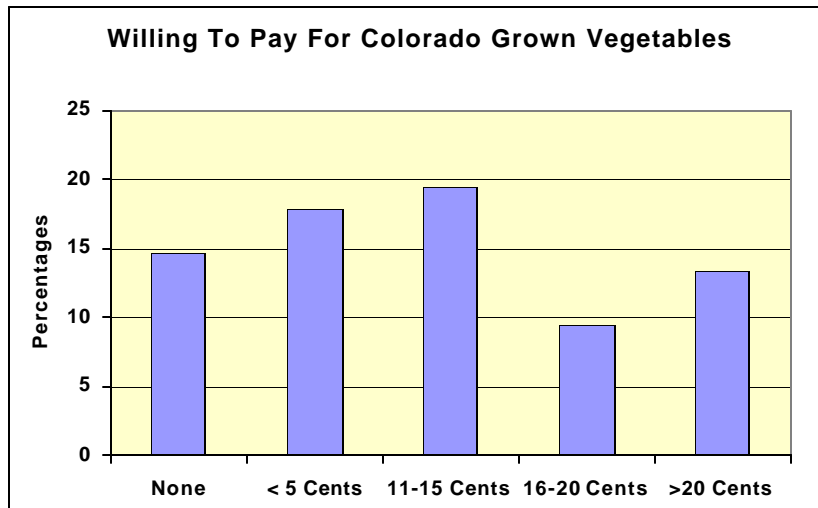
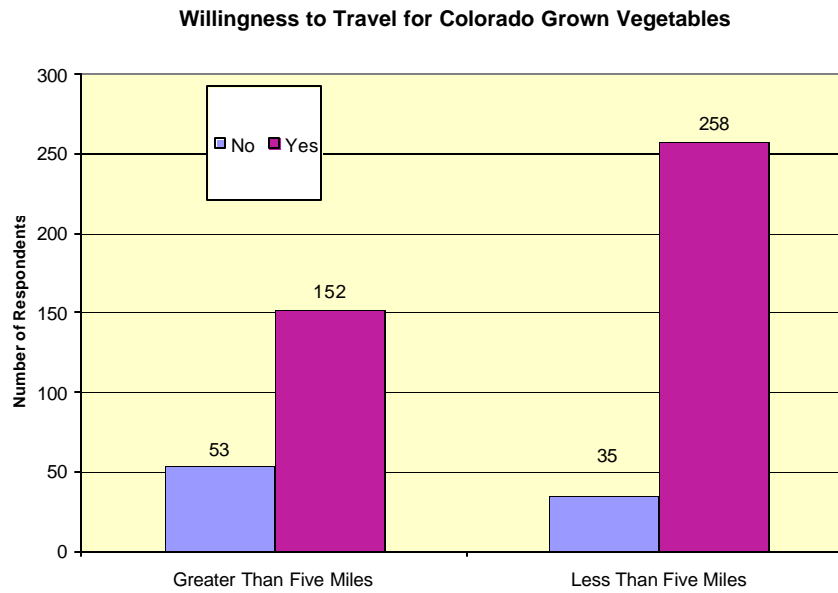


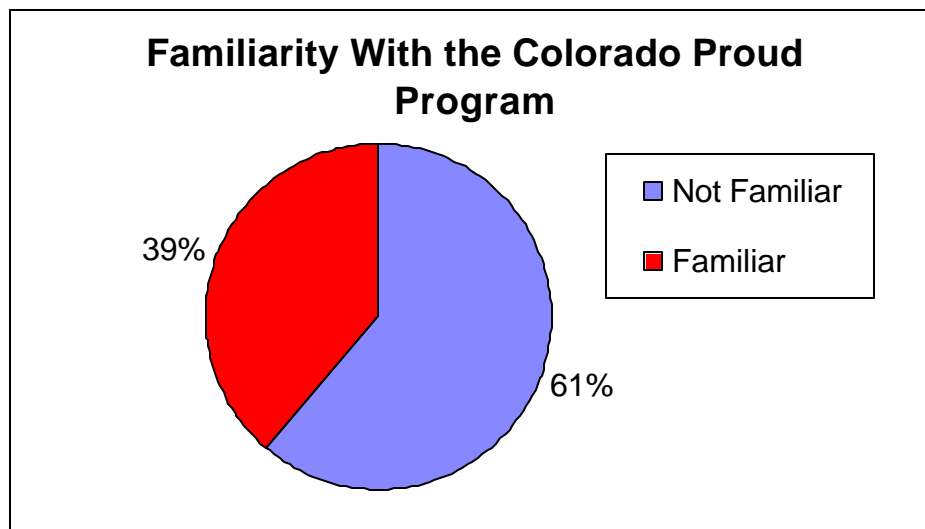
Figure 2



It seems that overall there is a potential for direct sales, given that surveyed consumers showed a willingness to travel an extra distance to buy Colorado vegetables. Seventy-three percent are willing to travel 5 miles or more to buy Colorado vegetables, and 88% are willing to travel 5 miles or less to buy Colorado vegetables (See Figure 3).

Figure 3

Since many marketing studies emphasize the importance of origin as an attribute in creating and establishing a niche market, we also asked consumers if they were familiar with the current “Colorado Proud” labeling program promoted by the Colorado Department of Agriculture. At this time, only 35% of the respondents recognized the label. Hopefully with greater promotional campaigns from the Colorado Department of Agriculture (which are currently in place), this awareness will increase in the future (See Figure 4).

Figure 4

Given these survey results, there seems to be a potential for a niche market for Colorado grown fresh vegetables. With the help of some experienced marketers, the growers could develop a logo, tag line, imagery, and messages for inclusion on all Colorado vegetables on related packaging and containers, correspondence, promotional material, et cetera. This branding strategy could be a cornerstone for increasing sales of “Colorado Grown” vegetables—much as the potato is synonymous with Idaho and the apple with the state of Washington.

The next fact sheet in this four-part series will contain information from the focus groups conducted with wholesalers/distributors, brokers, restaurant managers, and other food service industry components such as casinos, government institutions, grocery stores, and larger corporations. Information about these buyers was considered to be very important, as these groups represented the growers’ primary buyer if the producers should decide to bypass direct market sales.
