



Agribusiness Marketing Report

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Marketing Colorado Vegetables: Recommendations to the Local Growers

by

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In the first issue of this four part-series of reports that deals with small agricultural producers attempting to find niche markets for locally grown products, we provided the results from a consumer vegetable survey conducted during the summer of 2001 at different grocery stores in several towns in Colorado. In the second issue, we reported on the results from several focus groups and phone surveys conducted with wholesalers/distributors, brokers, restaurant managers, and other food service industry components such as casinos, government institutions, grocery stores, and larger corporations throughout the state. In the previous issue, we presented the information obtained from analyzing the feasibility of building a processing plant for flash-freezing Colorado-grown vegetables. This final issue of the series will provide our recommendations to the growers.

- ✓ Hire both selling & marketing specialists
- ✓ Develop a “seal of approval”
- ✓ Develop a reseller’s support program
- ✓ Consider used plant and equipment for processing

Market Study:

Given the results from both the marketing and feasibility studies, it was recommended that the cooperative start small—there are definitely markets for locally- grown products, and while these growers may not yet be ready to break into “big” chains, they could focus on what they can do well. We recommended that the group hire two types of experts to be successful in their marketing cooperative endeavor: A marketing person and a sales person(s). The marketing person would be hired as an employee or as a contractor, but the individuals must possess the skills and knowledge necessary to develop and to direct a strategic marketing and promotional campaign for the produce industry. Based on the vegetables to be grown and to be marketed, the person hired would need to put the marketing action plan together in order to identify the distinctive competency (competitive edge) of each vegetable, to target specific markets, and to develop the promotional and sales strategy for infiltrating those markets. Further, this person would be charged with developing a resellers’ support program providing the reseller with tools for selling produce. This person would also be charged with monitoring and evaluating the progress of the strategic program.

The sales person's responsibilities would be to execute the strategic marketing plan in the market place. Once the targets are identified, be they government installations, universities, health-care systems or hotel/resorts/casinos, the sales person would contact each and every entity in that market using proven sales techniques to increase the probability of "Colorado-Grown" vegetables being purchased. The sales force would be responsible for the continued service and follow-up in the market to expand the variety and the quantities of vegetables sold.

In order to increase the image of the Colorado cooperative, it would be necessary to instill consumer and reseller confidence, and to improve awareness, recall and referral of "Colorado Grown" vegetables; in order to accomplish this the CSU marketing team recommended that a co-branding program be developed. This program would include the design of a logo, tag line, imagery, and message for inclusion on all vegetables, where appropriate; as well as the development of related packaging and containers, correspondence, promotional material, et cetera. This branding strategy is the foundation for increasing sales of "Colorado Grown" vegetables. This task would be delegated to the marketing person.

We also recommended that the producers consider developing of a "seal of approval" or a "quality seal" for vegetable labels and for packaging. These seals would increase consumer confidence in the produce by using both a "push and pull strategy" in the marketing approach. "Push strategies" use promotional campaigns and personal selling to "push" the produce from the producer/co-op down the supply channel to the reseller. Another way of looking at this strategy would be for the cooperative to decide what they will produce, and then to develop the market for its sale. A "pull strategy" is a marketing strategy that goes directly to the consumer/customer and generates a demand that then causes the channel member to seek out the product thus "pulling" it down from the producer. Producers using this strategy would first develop the demand in the market place and then they make production decisions based on what the consumer/customer wants. Either strategy is a sound marketing practice, however, the two strategies coupled together greatly increase the cooperative's probability of success.

Finally, given the difficulty of breaking into the reseller's market, it would be necessary to develop a reseller's support program to include sales tools for selling the produce (usage charts, recipe ideas, variety by use charts), providing consumer feedback, suggestions and ideas, and display ideas that will help the reseller to sell the produce. Consideration should also be given to display options and innovative teaming with complementary foods that enable the entire channel to perform better (Hine, Loureiro, Meyer, 2001).

Feasibility Study:

Given the strong demand for Colorado-grown, fresh vegetables, it made sense for the growers to engage in some form of vertical integration and to build (or to purchase) a holding facility for fresh vegetables. By banding together, the growers could build a branded product that would appeal to Colorado buyers; and with proper marketing, Colorado-grown produce could even be sold to other regions of the country—much as the Idaho potato is seen as a branded item and is easily recognized by many consumers. However, this still did not solve the problem of getting brokers/distributors to buy their products on a seasonal basis. This made things difficult because we did not feel that the building of a processing plant from the ground up (as the cooperative members desired) would be feasible. Current market prices simply did not support the investment and operation—cash flows were negative for any scenario run with the spreadsheet simulation. Thus, no break-even point was attainable.

Additionally, the feasibility study used the best-case scenario for operation and these three vegetables (spinach and summer and winter squash) simply were not the vegetable of choice for consumers. In fact, producing enough vegetables to make any plant worthwhile would only increase supply, further driving down the already low prices. If a processing plant were still desired, then we recommended that the group try to find a processing plant already built and to purchase or to redesign it as necessary and buy used equipment from another facility and rerun the spreadsheet simulations to see if the project would cash flow.

In order to compete effectively, it seemed advisable for the group to strongly market their fresh Colorado-grown products and to find a way to consolidate with the larger vegetable producers. Unfortunately this is not the

answer that many of the small producers want to hear, but if they can offer something in return such as a locally-grown, branded premium product, and plan their knowledge management scheme well, they would at least have a better opportunity to find a place in the stores to support any fresh markets that they develop during the growing season months which could lead to some form of integration with larger and even more efficient vegetable growers nationwide.

The team at CSU found working with the vegetable growers to be a good experience as both groups were able to learn more about marketing produce as well as about the impact that current consolidation and market integration are having on the state of agriculture in both Colorado and nationwide. We are currently working with other producer groups in the state who also recognize the need for sound market and business analysis and we will continue to report progress made with these studies in similar reports in the future.

Our next four part-series will cover the “how-to” of marketing products, a guide for those agribusinesses ready to launch products of their own.
