

Chapter 2

Marketing Organic Vegetables

Ginger S. Myers

In today's competitive markets, just being able to grow good organic produce doesn't assure you a good price. You not only have to be able to produce a consistently, high quality product and sell it, but sell it at a price high enough to generate a sustainable profit. Production and marketing decisions must work in tandem.

Your marketing plan will serve as a road map in designing a sustainable organic produce business. The Maryland Rural Enterprise Development Center, www.mredc.umd.edu, has excellent business planning tools and templates online. Your marketing decisions will impact a wide variety of production decisions – what varieties will I grow, cover crop establishment and maintenance, cropping rotations, harvesting schedules, and the labor needed for both production and marketing tasks. The most successful growers consider their marketing strategies at least six months before planting the crop. They may even be planning their marketing strategies for a new crop before an existing crop has been sold.

Increasingly, consumers are saying they choose foods for social, environmental, and long-term health reasons. The sustained twenty percent growth rate of the organic sector over the past fifteen years tells us that consumers are dissatisfied with conventional offerings and are willing to pay more for alternative food.

Organic production, however, does not necessarily guarantee higher wholesale or retail prices. A 2004 Organic Research Foundation survey of organic farmers found that only 41% of the respondents received a price premium for all of their organic products. Another 86% reported receiving a price premium on some portion of their organically grown products. Price competition with conventional products and limited local demand (e.g. in rural areas) are some of the reasons mentioned for failure to receive price premiums.

Moving From Producer to Marketer - Do What You Enjoy

While your marketing efforts are still in the growing stages, develop a marketing perspective that helps you find a comfort zone. Some farmers really like the challenges and social aspects of direct marketing. They enjoy talking with customers and other producers on a regular basis. Other farmers are perfectly happy staying on the farm and are uncomfortable with the idea of "selling".

If that's the case, then perhaps a spouse or other business partner would be better suited to handling your direct marketing venues. Again, based on what types of

marketing outlet you can sustain, non-direct outlets such as working with a produce broker may be your best market choice in the long run. It pays to know yourself and be honest about which jobs you like best and which jobs you dread.

Marketing Basics

The time-honored marketing tenets of who, what, when, and where to market any products still applies to marketing either conventionally or organically grown produce. These tenets are often referred to as the 4Ps of marketing - product, price, place and promotion.

1. **THE PRODUCT:** Exactly what are you going to sell? Define it in terms of what it does for your customer. How does it help your customer to achieve, avoid or preserve something? You must be clear about the benefits it offers and how the customer's life or work will be improved if he or she buys your organic produce.

2. **THE PRICE:** Exactly how much are you going to charge for your product, and on what basis? How are you going to price it to sell at retail? How are you going to price it at wholesale? How are you going to charge for volume discounts? Is your price correct, based on your costs and the prices of your competitors?

3. **THE PLACE:** Where are you going to sell this product at this price? Are you going to sell directly from your own farm or through wholesalers?

4. **THE PROMOTION:** How are you going to promote, advertise and sell this product at this price, at this location? What will be the process from the first contact with a prospect through to the completed sale?

1. DEFINE YOUR PRODUCT

Who will purchase your product and why? Determine who your customers are before putting in that seed order. What are their purchasing traits? What would make a shopper select your organic produce over that of the grocery store's or even another organic grower? How does your product satisfy their wants or needs and translate into a sale?

What Are You Selling?

Producers see their products as the final result of their work. But, we are really seeking a different end product - a satisfied customer. Maximizing your organic sales potential requires producing the highest quality product. Your sales message is that "produce is not just produce". Your organic produce is "special" because of your production system, variety selection, and environmental stewardship.

Quality is a field to plate issue. Customers will purchase your products based on a set of expectations. They expect to pay a fair price, though probably higher than for

conventionally grown produce, for a product that is always safe and of a certain quality and consistency with every purchase.

Differentiating What You Sell

The first step is to analyze your product from your customers' point of view. Remember, Gillette doesn't sell blades, it sells smooth shaves. 3M doesn't sell tape, it sells convenience and time. Begin by analyzing your product along four lines. What are its...

Concrete Features — These are the tangible things about a product that a buyer can see, hear, and feel.

Does your product have a good fresh color, attractive packaging, and an informative label? Can you provide shipping and cooling of products, if necessary, that are in compliance with wholesale or cooperative markets?

Abstract Features — These are the intangible things about a product that you can't see, hear or feel, but which exists nevertheless. You can't see "good quality". It is a conclusion derived from an overall evaluation of the product's features by you and others. But that image is a powerful selling tool. Abstract features of organic products could include "taste" and "healthfulness".

Once you can grow a consistently high quality crop, you can start to market your product. But what is your product? What are its benefits and features? Who is your target customer and why should they buy from you? So, what are you selling?

Is your product locally grown under certified organic practices? Does your farm and family contribute to sustaining rural communities? What are your products other abstract features?

Functional Features — These are benefits created directly by the product. Functional features might include credentials like organic certification, sustainably grown, or pesticide-free. Is your product GMO free, untreated, or an heirloom variety? How does the nutrition levels in your product compare to similar products? How does it taste?

Psychosocial Features — These are psychological benefits that come to the buyer indirectly. A car which produces admiring looks from others, a cookie mix which makes a boy tell his mother, "These are sooo good". These features are important because we want others to approve of us and what we have. It was psychosocial pressures more than anything else that drove many women away from natural fur products.

Do your farming practices help save the Chesapeake Bay and preserve soil and natural resources for future generations? What are your products' other psychological features?

Crops with the Most Potential

One of the most common questions potential growers of organic produce ask is, "What crops should I grow?". Unfortunately the answer is not clear cut. In general, most organic buyers in this region have indicated that if a conventional produce item does well then its organic counterpart has potential to do well. Also, crops which typically have few insect and disease problems are perhaps the easiest crops to produce organically.

Carrots, tomatoes, garlic, beans, beets, potatoes, onions, broccoli, cauliflower and leafy greens are all good potential organic candidates. There are many others, but growing conditions across the state vary considerably because of differences in soil, rainfall, fertility and other production factors. Growers should contact their local extension agent or area Extension horticulturist for information on crops that may be suitable for a particular region of the state.

Because organic crops, having the most potential, will be closely related to their conventional counterparts, growers should carefully study trends which have affected conventional produce prices and volume.

Really knowing and understanding your product is the first step in determining your marketing strategies. Your ability to describe what products you sell, what they do, what makes them unique or special, who will buy them, and how much you will sell them for, starts the marketing process. Focusing greater attention on matching your product's traits with customers' needs will result in greater marketing success.

Customers and the Competition

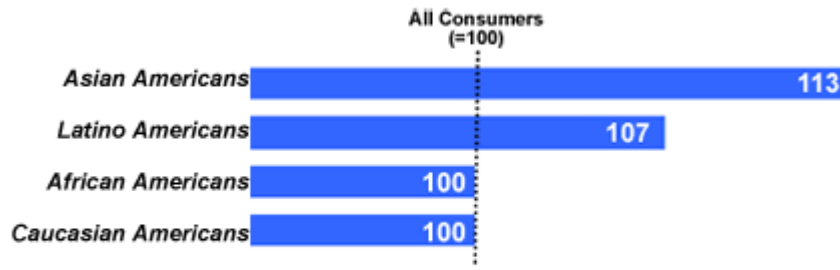
Who are Your Customers?

What are some of the reasons that organic products are rising in popularity? One study cites increasing awareness of the mainstream customer; trigger points such as having children, pregnancy, aging, and safety concerns, as well as greater retail accessibility. Younger shoppers are increasingly buying organic, with 69 percent of organic shoppers under 50 years old (HealthFocus International, 2003). Another study showed that 68 percent of 18- to 24-year-olds purchase organic produce. Over three-quarters of this younger age group felt that consuming organic food and beverages was a smart choice for long-term health and wellbeing.

Top reasons for **not** purchasing organic food included lack of proof that organic foods are healthier (53%) and the fact that the consumer didn't see any benefits to buying organic (49%).

The organic customer is no longer the stereotypical upper middle-class Caucasian. According to extensive research conducted by the Hartman Group in their report, “Organic2006: Consumer Attitudes & Behavior, Five Years Later & Into the Future”, compared to Caucasian Americans, two ethnic groups are relatively more likely to purchase organics: Asian Americans and, to a lesser extent, Latino Americans (Figure 1).

FIGURE 1. Organic Ethnic Purchase Index

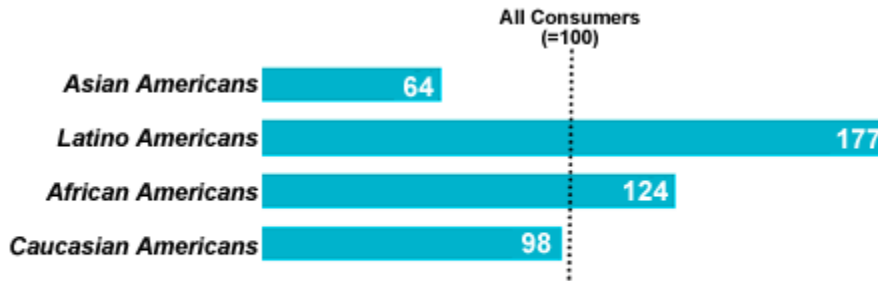


Base: All respondents with charted ethnicity (n=2106; 99 Asian Americans, 272 Latino Americans, 251 African Americans, 1748 Caucasian Americans in non-exclusive categories). Base for Native Americans (n=36) was too small to provide reliable result.

Source: The Hartman Group, Organic 2006 Survey, December 2005.

What this means is that based upon their representation in the population, Asian Americans and Latino Americans are more likely to buy organics than Caucasian consumers. When they looked at the ethnic groups most likely to be Core organic consumers (purchasing on a regular basis), they found that Latino Americans and African Americans are much more likely to be in the Core than Caucasian Americans (Figure 2).

FIGURE 2. Core Organic Consumer Index



Base: All respondents with charted ethnicity (n=2106; 99 Asian Americans, 272 Latino Americans, 251 African Americans, 1748 Caucasian Americans in non-exclusive categories). Base for Native Americans (n=36) was too small to provide reliable result.

SOURCE: The Hartman Group, Organic 2006 Survey, December 2005.

These statistically significant findings have huge implications for marketers who traditionally have only targeted the stereotypical profile of an organic consumer. While it is true that the typical organic consumer is Caucasian (given their large numbers in population), the real room for growth (both in terms of revenue and profit) lies with other

ethnic groups, some of whom actually exhibit higher levels of organic purchasing or Core organic involvement.

Who are Your Competitors?

Do you know what your competition is up to? If not, you could be headed for trouble because ignorance isn't bliss when it comes to your competition. There is always competition. Even if you're the only organic grower in town, you face competition from the sale of other kinds of produce where your customers will spend their money instead of with you.

The first step to understanding your competition is to know who they are. This sounds easy enough, but it's more complicated than just listing your obvious competitors. There are really three types of competitors to study.

1. Competitors that sell similar products or who use marketing strategies similar to yours, such as low inputs producers, or labels like pesticide-free.
2. Competitors that compete for the same customers' dollars - your target audience as noted in the section above on who's buying organic produce.
3. Future competitors. Your competition could be a new business offering a substitute or similar product that makes yours less desirable. Don't just research what's out there already. You need to constantly be on the lookout for new competition.

2. PRICE

Nationally, organic farmers are vulnerable to price fluctuations in the rapidly evolving and increasingly concentrated organic food sector. Many of the independent organic and natural food companies were sold to major corporations. Currently, nine organic companies have organic sales of over \$100 million per year. The top organic processors include White Wave (Dean Foods), a processor of refrigerated organic soy milk; Hain Celestial Group; Horizon Organic Dairy, (acquired by Dean Foods in 2003), and Earth Bound Farm, a grower and packer of organic produce.

Price remains the most prominent barrier to increased consumption of organic products (Hartman Group, 2004). For most consumers, the relative price differential between a conventional and an organic item determines their purchasing behavior. For die-hard organic customers, price is relatively less important, as they will purchase organic products without much regard for price (Hartman Group, 2004).

Organic growers need to educate consumers about the factors which cause the pricing differentials. These include:

- Some organic crops can be more expensive to grow, to market and to transport than their conventional counterparts.
- Organic production methods can require more intensive labor requirements.

- The higher cost of organic planting material.
- The need to purchase specialized equipment.
- The cost of organic inputs.
- Further expenses can be incurred when organic products must be segregated from conventional products during transportation, processing and storage.

While demand for organic foods was stronger near major urban areas, according to a survey of farmers' market managers across the country, rural farmers' markets did well when well-priced, fresh, organic foods were provided, as these products were not available in their local stores (Kremen et al., 2004). Organic farmers were successful at farmers' markets when their produce was high quality, provided specialty varieties, and when excellent consumer service was provided.

Whether you're gearing up to sell at a farmers' market, through your roadside stand, or by private treaty, you cannot thrive in business today without a pricing strategy. The price you set for your product must fall between two points: what the customer is willing to pay and your breakeven point (the point at which you start losing money).

Remember this golden rule when setting prices: perception is everything. How customers view your product or service and what they are willing to pay for it is based upon perceptions. In the end, customers will tell you loud and clear through their purchasing behavior whether or not your prices are too high, too low, or right on the money.

Resources for Pricing

Several sites on-line provide excellent resources for checking weekly produce prices based on regional markets. These include:

- **Maine Organic Farmers and Gardeners Association Price Report**
MOFGA's Agricultural Services Program provides farming, gardening and marketing assistance to growers in Maine and beyond.
<http://www.mofga.org/Default.aspx?tabid=260>
- **Rodale Publishers' New Farm® Organic Price Index™ (OPX)** is a comparison of terminal market prices and other wholesale and selected large-scale retail prices for organic and conventional foods and sustainably raised meats. It is updated on Tuesday of each week and represents prices for products gathered on Monday of the same week from markets on the East and West coasts
newfarm.rodaleinstitute.org/
- **Growing for Market** is a monthly newsletter geared to small-scale market gardeners. It includes information on vegetable, herb, and flower production and marketing, and publishes price data (some organic).
growing4market@earthlink.net

Economic Research Services -USDA

This data set provides farmgate and wholesale prices for select organic and conventional fruits and vegetables, wholesale prices for organic and conventional poultry (broilers) and eggs, as well as f.o.b. and spot prices for organic grain and feedstuffs. Prices are based on those reported by USDA Agricultural Marketing Service Market News, Organic Food Business News, and USDA National Agricultural Statistics Service. <http://www.ers.usda.gov/Data/OrganicPrices/>

3. PLACE

Organic produce growers in Maryland have several marketing alternatives. Each alternative has characteristics that make it more advantageous for different types of producers. Important factors to consider when choosing a market or combination of markets include: (1) the volume of produce grown, (2) location of the grower, (3) the time available for marketing activities, and (4) product quality. Producers may be better able to use or develop more alternatives if they know the major characteristics of each marketing alternative.

Marketing alternatives for organic produce may be classified as direct or non-direct markets. Direct markets involve producer interaction with consumers on a one-on-one basis, and include pick-your-own operations, roadside stands and farmers' markets. Non-direct markets involve producer interaction with market intermediaries. The non-direct markets include terminal markets, processors, grower cooperatives, brokers and retail outlets.

The discussion which follows explains the basic concepts of marketing, regardless of the market outlet, followed by an exploration of the characteristics, advantages and disadvantages of the principal non-direct and direct market outlets for organically grown produce.

DIRECT MARKETING ALTERNATIVES

Using a direct marketing outlet allows growers to capture the retail dollar that consumers pay at other markets. To receive prices similar to those at retail outlets, growers must provide the same services as other retailers. Consumers, on the other hand, purchase from direct markets to buy high quality fresh fruit directly from producers at competitive prices. Locally grown foods and products are now unique and "special" to consumers simply because by buying direct (e.g., local), consumers feel they can short circuit the industrial production and distribution systems, a source of food safety concerns and debatable production practices. The popularity of "local" is based on authenticity- real products, from real farmers.

Besides providing a financial exchange arena for both producers and consumers of fresh produce, direct markets also provide social settings for these individuals. Producers have the opportunity to discuss production practices and the use of different

types of produce, and to socialize with friends, neighbors and consumers. Consumers have the opportunity to visit a local farm and talk with others who share similar interests.

Although direct marketing seems to provide an opportunity for producers to receive higher net returns, producers should consider the amount of additional time and effort, the required production knowledge and the needed retail sales experience associated with direct markets. Direct marketing may require producers to work long hours, do a variety of work and be a “people” person who enjoys working with the public.

Pick-Your-Own Operations

Pick-your-own operations (PYO) are a type of direct marketing outlets where consumers come to the farm and harvest the fruits and vegetables themselves. PYO is often preferred by consumers who like to select fresher, higher quality fruit at lower prices. Also, many consumers enjoy picking produce themselves as a recreational event or family outing.

Some areas that are very important to the success of PYOs are crop diversity, quality, advertising and promotion. In order to encourage repeat sales and goodwill, it is important that PYOs consistently provide high quality organic fruits and vegetables. Advertising and promotion are critical to PYO success, since consumers learn about an operation's existence and what produce is available. A major concern of PYO operators is liability. Producers increase their liability by inviting the public to come on their property to pick produce. It is a good idea to post a sign, "Not Responsible for Accidents", but this does not free the owner from liability. Insurance is important to the PYO business to reduce these risks to a tolerable level. Producers should contact their insurance agents when they consider a PYO operation, and have their policies



Figure 3. A strawberry U-pick operation

appropriately adjusted. Producers also can take their own measures to ensure customer safety and reduce liability by fencing dangerous areas, keeping machinery locked up or away from the public area, and keeping animals tied or penned away from production sites.

General advantages of PYO operations for producers include:

- The requirements for harvest labor are reduced.
- Grading, packing and storage costs are eliminated.
- Producers receive payments for the organic produce directly, eliminating middlemen.

- Price variability risks are reduced and the producer has more input into the price received.

Potential disadvantages to the producer are:

- Producer assumes liability for any accidents.
- PYO operations require long hours during the harvest season.
- Producers must assume retailer services and responsibilities.
- Bad weather or lack of customers may adversely affect returns.

Roadside Stands

With roadside stands or markets, a grower establishes a selling place (stand) near a roadway and sells organic produce directly to consumers. The roadside stand is usually located on or near the farm or orchard. Produce sold in a roadside stand may be grown exclusively on the farm or may be purchased from outside sources. Check with county zoning regulations as to acceptable sizes for on-farm stands and requirements concerning product sources. It is your responsibility to ensure that any purchased produce meets all certification standards.

General advantages of PYO operations for producers include:

- Provides supplemental income.
- Provides employment for family members and disposes of extra produce.
- Producers may enjoy the customer exchange process and receive a sense of personal pride and independence from the operation.

Potential disadvantages to the producer are:

- Must have convenient location, can't be too distant from target customers.
- Heavy traffic can create problems for entering and exiting the market - must design safe parking area.
- Must deal with customer concerns about variable quality or out-of stock items.

Farmers' Markets

Farmers' markets are an increasingly popular form of direct marketing. Farmers' markets differ from other direct marketing operations in that growers share insurance, advertising and other marketing costs. Successful farmers' markets are very helpful in increasing the incomes of the vendors who participate in them. Maryland now has farmers markets operating in every county and the City of Baltimore.

Producers who utilize farmers' markets usually fit into two categories: commercial (full-time) growers or part-time farmers. Full-time growers use the market as an alternative market or, in the case of the part-time or hobby farmer, as a viable market outlet. In order to participate in a farmers' market, producers need transportation to the market

site, selling tables, a cash box or register with change, organic produce and price display signs, various containers, certified scales or other measurement devices and sales people.

Producers should carefully plan production of organic crops that are to be sold at a farmers' market. They should try to grow a wide variety of crops for availability as early in the season as possible.

Major advantages to producers who sell at farmers' markets include:

- Producers have limited liability for customers since they are not on the farmer's premises.
- Farmers' markets usually yield better prices.
- Parking space, restrooms and other facilities are not the farmers' responsibilities. These facilities are provided by the market.
- Attracting customers is a function of the market and farmers do not have to worry about advertising individually.



Figure 4. Good signage and cleanliness are important at any Farm market

Some of the disadvantages include:

- Time required to transport and sell at the market takes away from the farm operation.
- Market hours are controlled by the policies set for the farmers' market which may not be ideal for individual producer. Also, advertising, or lack of it, is controlled by the market.
- Markets that are poorly located may not attract consumers and peddlers may operate to depress price.

Community Supported Agriculture (CSA)

Community Supported Agriculture (CSA) is a partnership between consumers and farmers in which consumers pay for farm products in advance and farmers commit to supplying sufficient quantity, quality and variety of products. This type of arrangement can be initiated by the farmer (farmer directed) or by a group of consumers (participatory).

COMMUNITY SUPPORTED AGRICULTURE (CSA) is a term that has come to describe a variety of direct marketing models with certain common characteristics, including:

- Emphasis on community and/or local produce.
- One share is generally enough to feed a household of four or more.
- Shares are paid in advance by subscribers, providing farm capital for spring start-up costs.
- Community Supported Agriculture helps build Agriculturally Supported Communities.
- Weekly deliveries or pick-up to members/subscribers.

Most CSAs offer a diversity of vegetables, fruits, and herbs in season; some provide a full array of farm produce, including shares in eggs, meat, milk, baked goods, and even firewood. Some farms offer a single commodity, or team up with others so that members receive goods on a more nearly year-round basis. A typical CSA will grow over 30 varieties of crops and harvest at least 7-12 crops per week!

CSA is sometimes known as "subscription farming", and the two terms have been used on occasion to convey the same basic principles. Subscription farming (or marketing) arrangements tend to emphasize the economic benefits, for the farmer as well as consumer, of a guaranteed, direct market for farm products, rather than the concept of community-building. Growers typically contract directly with customers, who may be called "members", and who have agreed, in advance, to buy a minimum amount of produce at a fixed price, but who have little or no investment in the farm itself.

Good communication is a hallmark of many successful CSAs. Many include recipe ideas with their weekly deliveries, especially early or late in the season when cool-season crops (beets, turnips, kale) are harvested. These crops may be unfamiliar to many consumers, who may be waiting for more familiar later-season crops. It is common for CSA farms to issue a newsletter in each share. The newsletter can provide facts about the farm, as well as update members on how the season is progressing and how the various crops are shaping up for harvest.

General advantages CSA operations for producers include:

- Guaranteed market.
- Advanced payment provides working capital.
- Allows better off-season planning.
- By tailoring production to the market, greatly reduces crop waste.
- Containers are re-used until they wear out.

Potential disadvantages to the producer are:

- Must educate consumers to eat seasonally.
- Added labor of packaging and delivery.
- Weather challenges.
- What to grow/varieties - you like "big" sizes but customers want "small".
- Must be a "people" person.

INDIRECT MARKETING ALTERNATIVES

Organic produce may be marketed directly by producers to consumers or non-directly through terminal market firms or wholesalers, brokers, processors, cooperatives, private packing facilities or buyers for retail outlets. The most important factors to be considered when choosing a non-direct marketing alternative are buyers' needs and requirements and the abilities of the organic producer to meet those needs and requirements. Buyers may desire certain grades and varieties, or require that vegetables be packaged in certain containers. Buyers also may demand certain quantity levels for specified time periods. Small-acreage organic producers should be aware of their abilities and shortcomings relative to the needs and requirements of buyers.

Terminal market buyers typically include **large wholesalers** and sometimes **buyers from local chain stores**. Although their requirements may vary slightly, they are generally looking for the following characteristics from their source of supply:

- A large volume from one source so they do not have to make many small purchases.
- A dependable supply which will be available over a long period of time so they do not have to keep locating new sources.
- A consistent quality of the product and as high a quality as can be purchased at the market price. They also desire to have a variety of consumer and wholesale packaging available from the source so they can meet the varied demands of their retailers.
- A source with an established reputation to minimize the risks of not obtaining the quality and condition desired.

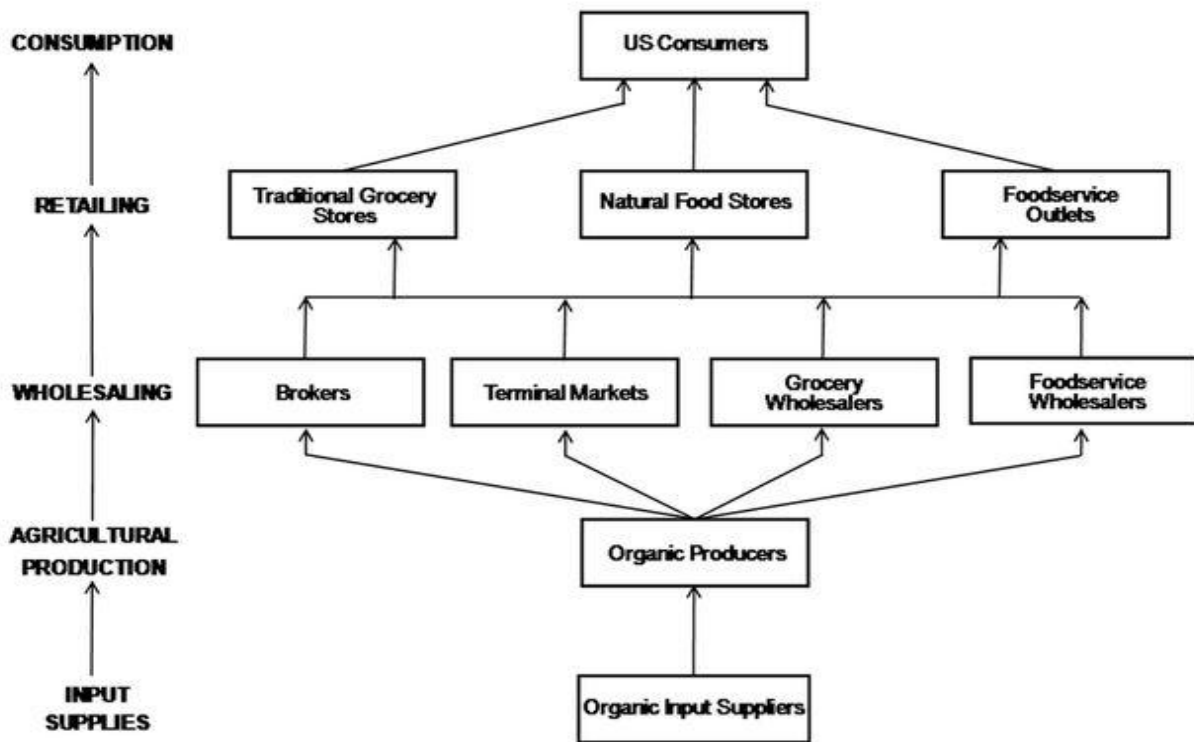


Figure 5. Here is an example of a flow chart for indirect markets.
 Nguyen, T.V., Economics of the Organic Food Industry in Florida, University of Florida IFAS Extension, Publication FE 732 edis.ifas.ufl.edu/fe732

A comparison of the small organic farmers' situation and the terminal market buyers' needs suggests that small farms do encounter problems in meeting many of the needs of terminal market produce buyers. These needs include volume, timing, containers, delivery schedules, marketing experience and product quality.

Some advantages of terminal markets are:

- Current market information is usually available at terminal markets.
- Growers have opportunities to contact several potential organic buyers.
- Growers may sell large quantities fairly quickly.

Disadvantages commonly associated with terminal markets are:

- Buyers usually accept only consistently high quality produce.
- Buyers may sometimes have very strict packaging requirements.
- Prices of organic produce are based on current retail market prices so they can fluctuate widely over time.
- Producers must usually transport their produce to the terminal market.
- Producers must deliver organic produce to terminal markets in relatively large quantities.

Brokers

Brokers are individuals or firms who neither take title nor possession of the organic fruits and vegetables but serve as agents to negotiate sales contracts between buyers and sellers. Some sellers rely on brokers entirely, while others use broker services in a supplemental fashion with their own sales and procurement staff. Brokers try to locate the best quality fruits and vegetables at fair prices for both buyers and sellers and inform each party of terms, conditions and special agreements of proposed contracts. Brokers may also handle invoicing, collections and remittance, but brokers are not responsible for payment if buyers fail to honor a contract.

There are two types of brokers involved in the exchange of fruits and vegetables: buying brokers and selling brokers. Buying brokers are individuals or firms that arrange sales between terminal markets and local retailers. Selling brokers arrange sales between local growers and terminal market buyers.

Some grower characteristics that brokers look for in clients are the ability to supply organic produce over a long season, consistently high quality, large volumes from one source and experience in growing organic produce. Brokers generally investigate growers' reputations to see if they have the needed production experience to meet the terminal market buyers' requirements. Although brokers handle the sale of produce, producers retain responsibility for most of the marketing functions. Producers are still responsible for the production, handling, assembling, grading and packing activities.

Advantages of selling through a broker are:

- Growers obtain the services of a professional produce salesman and have access to a large number of buyers.
- Brokers provide needed price information.
- Producers are not responsible for the selling function, which reduces personnel overhead for selling.

Disadvantages of selling through a broker are:

- Products must be homogeneous and able to be graded, but grades may not represent sellers' quality.
- Producers' volume may be inadequate and cost of brokerage sales is high if large volumes are handled.
- Producers remain responsible for product delivery and quality.

Processors

Other non-direct marketing options for producers are fruit and vegetable processing plants. These plants have the capacity to process large quantities of produce. However, at this time, there are a very limited number of processors specializing in organic products in Maryland.

Producers usually contract to provide processing plants with a certain amount and quality of organic fruits and vegetables over a certain period of time. However, processors do not contract for all of their produce. Generally, they contract for about 60 percent, purchase 30 percent on the open market, and produce 10 percent on their own farms of the total quantity needed. This allows processors the freedom to "play" the market and possibly receive the supplies at lower prices.

Good managerial capabilities are essential for a producer to provide the required amounts and quality of produce for a processing facility. Processors may control the production practices through the contracts and their field representatives.

Producer advantages associated with processor contracts are:

- Price and quantity contract agreements assure producers of a market.
- Production expertise is sometimes provided by the processor.
- Processors may provide harvesting assistance.

Producer disadvantages associated with processor contracts are:

- Prices received may be lower due to less risk.
- Quality standards may be stringent.

Cooperatives

At this time, there are no organic grower cooperatives in Texas. However, with the volume requirements of most produce buyers, cooperatives may develop out of necessity. Objectives of produce marketing cooperatives are to secure higher prices, guarantee markets for produce and reduce input and handling costs for their members. Most fruit and vegetable cooperatives also provide various marketing services for their patrons including

harvesting, grading, packing, cooling, storage and transportation services. Cooperatives allow members to bring their produce to one location and pool their produce which allows producers to meet buyer requirements that they often cannot meet by themselves. However, some cooperatives also provide purchasing, pooling, processing and bargaining functions for their members.



Figure 6. Color and display are important for good sales

Some benefits that cooperatives provide are:

- Growers gain benefits of large volume marketings.
- Often a sales specialist is available.
- Growers gain benefits of increased bargaining strength.
- Producers may reduce level of market risk.

Some disadvantages of cooperatives are:

- Producers lose some independence by selling through a cooperative.
- Members may only sell through the cooperative when prices are high and then use other marketing channels, which hurt cooperatives' reputations.
- More experienced, better producers might subsidize inexperienced producers, and, therefore, not reach their profit potentials.

Retail Outlets

Some opportunities exist for small acreage organic producers who are willing to deliver fresh produce to retail outlets. With the popularity of organic produce, some **restaurants** purchase locally grown organic fresh fruits and vegetables. **Small independent grocery stores** are also potential contacts for sale of fresh organic fruits and vegetables. Other potential markets may include exclusive **hotels**. Selling to these markets requires a truck to transport the merchandise, time to deliver to each location (as several will be needed to make delivery cost efficient), and the ability to deal with several buyers on an individual basis. Buyers and sellers usually negotiate prices and delivery times. These outlets require frequent low volume deliveries of a variety of produce. Institutional markets may purchase lower quality grades and not require specific containers.

Producers need to make contact with potential buyers in the winter months before the growing season in order to identify packing, quality, container and variety requirements and to become acquainted with buyers. Contact should again be made with the buyers prior to harvest in order to deliver samples and place orders. Growers should deliver the amounts and qualities contracted on time. At the end of the season, producers should ask buyers what changes would improve the operation. Consulting with buyers allows them to influence the operation and makes them more likely to purchase produce next season.

One problem that retailers have had in handling organic items in the produce department is how to **distinguish** organic produce from conventional produce. If prices are different, there could be a loss of profits if organic produce is not clearly identified at checkout. Growers and packers may solve this problem by using special bands, tapes, tags, labels, labeled consumer packs, etc. to identify the product as organic. Growers often receive a premium for making the effort to use these identification procedures. This may be negotiated with potential buyers.

Advantages of dealing with retail outlets include:

- Growers may be paid at the time of delivery.
- Growers can negotiate price levels.
- Packing costs may decrease and special containers may not be necessary.
- Producers replace middlemen in the marketing process.

Disadvantages of dealing with retail outlets include:

- Superior quality produce may be demanded.
- Producers need time and extra planning to develop client contracts and deliver produce.
- There is the possibility of high transportation costs per unit volume.

Which Markets Fit Your Operation?

Producers must learn how to combine different market outlets that suit their production cycles in order to maximize profits. To do that, careful evaluation of what buyers want/need **before** making production decisions can help organic producers decide which market outlets are appropriate for their marketing plans and overall operations (Sustainable Production Systems 2002).

Here is a chart that compares direct and direct marketing outlets, the resources required and their profit potential. Produce auctions are included in this chart since they are popular outlets for conventionally grown produce and were included in the cited publication.

Comparing Marketing Options for Vegetables						
Things to consider	Available Sales Opportunities					
		Direct: On-Farm, U-Pick, Farmer's Markets, CSA	Produce Auctions	Marketing Cooperatives	Local Wholesaler Local Grocers, or Restaurants	Regional Wholesalers, Chain Store Distribution Centers, Terminal Markets, or Brokers
<i>Production and Marketing Challenges</i>						
Difficulty getting into the market	low	low	low-medium	medium	high	medium-high
Marketing time required	high	low	Low	medium-high	medium	low
Compatible with off-farm employment	yes	yes	somewhat	somewhat	difficult	yes

Compatible with tobacco production	yes	yes	somewhat	somewhat	not in fall	yes
Importance of product quality (especially shelf life)	medium	medium-high	High	medium-high	high	medium
<i>Investments: Time and Money</i>						
Initial commitment level required	low	low	medium-high	high	high	low-medium
Management level required	low	low	medium	high	high	low
Level of service buyers expect from individual growers	low-high	low	low	high	high	low
Initial capital investments required	low	low	medium	medium-high	high	variable
Postharvest equipment and facilities investment required	low	low	low	medium	high	variable
<i>Income and Potential</i>						
Prices	high	variable	medium	medium-high	medium	low
Price stability	high	medium	medium	medium	medium	high
Product volume required	low	low	medium	medium	high	medium
Market/sales volume potential	low-medium	low-medium	high	medium	high	low
Likely further development potential in Maryland	excellent	good	good	good	fair-good	low-fair

Rowell, Brent et. al., Marketing Options for Commercial Vegetable Growers, University of Kentucky Extension, ID-134, www.ca.uky.edu, age/pubs/id/id134/id134htm

4. PROMOTION

The old adage “a good product sells itself” no longer applies. The fourth P of the marketing mix model stands for “promotion”. Promotion is a term which many people confuse with the word “marketing”.

Promotion differs from marketing in its function to create product awareness, although awareness is just the beginning. The objective of promotion is to move customers through the following phases:

Unawareness → Awareness → Beliefs → Attitude → Purchasing Intentions →
Purchase

Your customer could skip over one of these phases, but he still needs to move through them. Your promotional activities must help him move from one phase to the next and finally to a purchase if you are to make sales and develop repeat customers.

Building Your Image into a Marketing Tool

In a television commercial, the sale is made or lost in the first three or four seconds. In a print ad, tests have shown 75 percent of the buying decisions are made at the headline alone. “You never get a second chance to make a good first impression.” So what image are you presenting to your customers?

It doesn’t have to be costly or glitzy, but it does need to be professional and designed with your target market in mind. Remember, you’re an organic food producer, not a graphic designer. The following are valuable marketing tools that can build your business’s image. People buy from people and businesses they like. These tools will help people “like” your products.

Do You Have a Consistent “Look”?

A little bit of effort in designing your “look” can go a long way in building your image. At the very least, you should use the identical typeface for your company name (your logo) on letterhead, faxes, envelopes, labels, business cards, advertisements, catalog, and literature. Remember, business cards aren’t working for you if they’re in the box. Pass them out! Give prospects two business cards and brochures — one to keep and one to pass along.

Once you have determined your target customer, you can have your material designed. Call a community college with a graphic design program or try a small printing company. These resources are local and usually the least expensive. Don’t give the task to Aunt Sally or the kid next door. Don’t go to an independent graphic designer, as these are usually very expensive. Network with other producers, Extension staff, or your suppliers to find referrals for good graphic designs that fit organic products.

Logos

If you are a skeptic about the value of a good logo and professional marketing materials, then consider trying this exercise in logo recognition. Picture this: a royal blue, solid piece of rock in a circle. Concentrate for a moment to see if you can recall which company uses this imagery to visually represent itself. If you thought of Prudential

Insurance, you were right. With the visual image in mind, you also might recall their tag line, “Get a piece of the rock”. A child as young as 18 months old can identify a McDonald’s restaurant by its golden arches. Ultimately, your logo delivers the message to the public that your farm is unique, reputable, and dependable.

Brochures

Promotional materials come in all shapes and sizes – the designs are endless. However, there are three things to remember:

1. Make sure the piece reflects the tastes of your target audience.
2. Keep it simple.
3. The quality of your printed materials reflects directly on the perceived quality of your products.

Your brochure should tell your “story”. What is your product, how do you produce it, where and why should customers purchase it?

Get some good pictures of you, your family, and your farming operation taken for use in printed materials and for on your website. Dress in clean work clothes and pay attention to what’s in the background. Try to get pictures taken when your fields are green and growing or when Mother Nature’s in her glory.

Use recycled paper and soy ink when you print and have the printer include the appropriate recycled symbol in the bottom corner. Customers that purchase organic produce also want to know you are environmentally sensitive too.

The Internet

You do have a website...right? Not having a website today is like not having a telephone. Websites are no longer optional for successful marketing. A website is increasingly becoming the gateway to a company’s brand, products, and services - even if the firm does not sell “on-line”. Marketing materials can be updated regularly on-line, saving on printing costs. Special events and calendars can be posted and updated as needed.

There are lots of references on how to design and operate a website. Before rushing to build a website for your business, consider how the Internet fits into your marketing plan. Do you simply want to use it as a communication tool – giving dates of special events, directions to your business, or as a catalog to display your products? Do you want to sell products and services over the web?

The number one reason people are using the web is to get information, so cut the fluff and deliver your story simply and without exaggeration. Many people build websites that are doomed to fail because: 1) they don’t have a clear picture of what they want their

websites to do for their business, and 2) they have failed to spend time researching who else is on-line with similar products and what those websites offer.

Using Email Newsletters Helps Build Customer Relations

One of the best uses for your website is to collect email addresses. Today, email is widely used and very effective. It is an undeniably effective method to conduct business communication when sending promotional materials and newsletters. When compared to traditional direct mail, the expense of e-mail messages and newsletters is pennies on the dollar due to the high cost of print, postage, and other production factors. Research shows that customer retention may be the highest and best objective of e-mail marketing.

To launch a successful e-mail marketing campaign you must start by building your contacts e-mail list. Today, having a terrific website is simply not enough. You need a marketing program that drives traffic there and keeps visitors coming back. And since e-mail to rental lists is often kicked out as spam, it's essential to build your own opt-in list of customers and prospects. These are individuals who have visited your site and have given you permission to contact them.

Prominently post a sign-in box or button on your home page accompanied by brief copy that invites visitors to join your list. This simple one-click button or single-entry form should click through to a more in-depth form where you can gather demographic and other pertinent information.

Electronic Media

Yesterday, people asked if you had a fax number, email address, or webpage. Today they assume you do. Have the proper equipment, the knowledge for using the technology, or at least hiring someone to help you harness these marketing tools will more than pay for itself over the long run.

These technologies include personal computers, modems, fax machines, electronic bulletin boards, email, Facebook, Twitter, and interactive discs. There are an increasing number of on-line directories available with which you can list your business. Examples include *www.MarylandAgriculture.info*, *Localharvest.com*, and *www.MarylandsBest.net*.

Ways to Make the Most of Your Advertising Budget

1. Get a memorable phone number, **such as 1-800-Lettuce.**
2. Obtain a memorable URL and email address **and include them on ALL marketing material.**
3. Provide a Rolodex card, magnet, or phone sticker **with your business contact information.**

4. Promote your business jointly **with other professionals via cooperative direct mailing, tradeshow, or special advertising sections.**
5. Advertise in a **specialty on-line directory or printed handouts.**
6. Create a direct mail list of **“hot prospects”.**
7. Consider a vanity automobile tag with **your company name.**
8. Code your ads and promotions **and keep records of the results.**
9. Sponsor **and promote contests or sweepstakes.**
10. **Packaging** includes your boxes, truck, trailer, sales people, and you. Packaging will attract or repel customers and prospects.
11. **Get a toll free number.** These are really cheap and make it easy for people from anywhere in North America to call/fax you.
12. **Dress appropriately** for your clientele and customers. Consider shirts with your farm name/logo that you can wear at conventions and other events. People will develop attitudes about your business based on what you and your employees are wearing.
13. **Decorate appropriately.** Prospective customers will form opinions about your products based on the decor of your store, office, or farm. It should reflect your honest identity.
14. **Hours of operation.** These can provide you an advantage over your competitors. Provide alternatives for people to buy from you, e.g., taking telephone orders, providing catalogues, accepting orders by e-mail and having an Internet website with your products and an order form. Make some of these alternatives available 24 hours a day.
15. **Practice good phone manners.** This is the first contact many customers have with your company. It can be positive or negative. Get an answering machine or voice mail to take messages. Return these promptly.
16. **Neatness counts.** Messiness causes lost sales because people believe the sloppiness will carry over to other parts of your business. Keep your farm neat and tidy – grass cut, buildings painted, fences fixed, etc.
17. **Follow-up** is the key to a loyal customer base. It is very important to establish a database of your customers so you can use it for follow-up and repeated marketing.
18. **Reprints of ads or articles.** These make inexpensive reprints for mailings and signs.
19. **Staging unique events** around your business is a good way to attract free publicity. Have a contest and award a trophy, throw a party for prospects, have an open house at your farm, arrange for school visits, or take a fawn/calf to schools.

20. **Solicit testimonials.** These are free, easy to obtain, and very impressive to new prospects. Use them as signs, in your brochures, ads, and in direct mailings.
21. **Greet your customers with a smile.** They make customers feel special. Employees should smile in person and on the phone.
22. **Credit cards.** The easier you make it for someone to buy, the more they will buy. The paperwork is worth the effort. Belonging to some organizations such as the Chamber of Commerce may entitle you to lower discount rates.
23. **Recipes.** You sell high quality food - help your customers enjoy it.
24. **Phone “on-hold” messages.** When customers are on-hold, impart useful information about your company.
25. **Posters.** These can be anything you want but should add pizzazz and visibility to your identity. They can be used everywhere.
26. **Gift certificates.** Consider offering them so your product can be given as a gift.
27. **Reputation.** One of the most important components to marketing. Be sure to establish and maintain a good reputation.
28. **Establish a customer mailing list.** Start putting one together now. The list should include all people that have purchased from you, people that have phoned or written in for information, and information gatekeepers. Use this list for direct marketing as described above.
29. **Signs.** It’s a personal choice as to whether you should have a sign on your farm or not. However, if you do, it should include contact information such as phone and web address, especially if there is a lot of traffic. Signs with the same information should be put on vehicles.
30. **Host a special event once or twice a year.** This could be having school children visit your farm, a barbecue (grass-fed beef, of course) for your customers and so on. Be sure to invite the local media and politicians.
31. **Seminars and workshops.** If you are comfortable providing training, this is an excellent way to bring prospective customers to your farm, and to impress them with your knowledge, integrity, and professionalism. Be sure they all have your brochures and business cards. However, a bad workshop could have negative consequences.
32. **Directories.** Be sure your farm is listed in the appropriate directories. Many communities have a business directory – get your farm listed.
33. **Enthusiasm.** It gets passed on by you to your employees, from employees to customers, and from customers to potential customers.
34. **Satisfied customers.** These can single-handedly create your word-of-mouth campaign, whereas, unhappy customers can put you out of business!

35. **Enjoy your business.** It will show in everything you do.

While developing a market plan alone cannot guarantee success, it does ensure that factors affecting the profitability and survivability of the organic business are considered. This is especially important for organic crops whose marketing does not always follow traditional channels.

Tips to Become a Successful Marketer?

Becoming a successful marketer requires becoming as deeply immersed in the ins-and-outs of marketing and consumer trends as you are in the fine points of production. Be prepared to educate yourself about marketing.

- Look at your competition, read the food section of the papers, and look for consumer food and health trends.
- Read trade and popular journals and articles that help you understand the produce business.
- Educate yourself so you can tell others about the verifiable differences between organic and conventionally raised produce. What are the unique selling points for your organic produce?
- Learn about regulations and food safety practices.
- Determine your geographical marketing area and the demographics of your potential customers in that area.
- Look for training in marketing, including demonstrating, sampling, cold calls, restaurant and institutional sales, and negotiating.
- Look for markets such as health food stores, restaurants who prefer to buy locally, cooperative buying clubs, and community supported agriculture (CSA) shares.
- Be professional, but be yourself. Capitalize on your family farm image and consumer concerns for safe, locally produced organic foods.

There is no “one-size fits all” marketing formula for Maryland’s organic food producers. Farm production and inputs are dependent on the resources and set-up of each organic farm, the type of products produced, and geographic factors. Knowing which markets to target, and when and how to target them, will optimize production and profits in the organic foods segment.

REFERENCES:

Born, Holly. "Organic Marketing Resources". ATTRA Publication #IP124, <http://attra.ncat.org/attra-pub/PDF/markres.pdf>.

Economics of the Organic Food Industry in Florida, University of Florida IFAS Extension, Publication FE 732, http://edis.ifas.ufl.edu/document_fe732.

"Is Organic Crop Productions for You?" 2004 The Organic Farming Research Foundation Survey. www.uky.edu/Ag/NewCrops/introsheets/organicisitforyou.pdf.

Marketing Options for Vegetables Growers, University of Kentucky Extension, ID 134, <http://www.ca.uky.edu/agc/pubs/id/id134/id134.htm>.

Organic Trade Association. 2006. *OTAs 2006 manufacturer survey*. Organic Trade Association, Greenfield, MA.

<http://www.ota.com/pics/documents/short%20overview%20MMS.pdf>.

"Price Premiums Hold on as U.S. Organic Produce Market Expands", USDA, 2005, <http://www.ers.usda.gov/Publications/vgs/may05/VGS3080>.

Sustainable Production Systems. 2002. *Marketing alternatives for Texas organic fruit and vegetable growers*. Texas A&M Cooperative Extension, Texas A&M University, College Station, TX.

<http://sustainable.tamu.edu/publications/organicproduce/outlets.html>.

"The 2000 HealthFocus Survey", HealthFocus International 2003, www.organicagcentre.ca/DOCs/Lynn_Ciacco.pdf.

"Who's Buying organic- 2006 Demographics", The Hartman Group, www.hartman-group.com/hartbeat/who-buying-organic-demographics-2006.