

## Chapter 19.

# Marketing Strategies for Vegetable Growers

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Developing an effective marketing strategy is an important key to success for vegetable growers. Like other businesses, vegetable growers must contend with many factors that are beyond their control. Reducing risk and managing uncertainty is how businesses and growers can improve profits. It is just as important for a grower to develop a marketing strategy as it is for a large corporation.

Grower marketing strategies can be broken down into four broad categories:

- Marketing methods - deciding where to market
- Product decision - deciding what and when to produce
- Pricing strategies - realizing the potential
- Merchandising - making the most of the marketing payoff.

These decisions are not made independently but must be evaluated in relation to other considerations. For example, deciding what to produce depends on when and where it will be sold which in turn determines how it will be packed and labeled.

### MARKETING METHODS: DECIDING WHERE TO MARKET

Deciding where to market depends in large part on the volume of produce to be marketed. In general, the larger the volume of produce handled, the greater the number of marketing alternatives. Small scale producers may be limited to local or regional markets while larger producers are able to market on national and international levels as well. Some small growers are able to access national markets by selling their produce through a growers' cooperative or a dealer at a State Farmers' Market.

There are advantages and disadvantages to any marketing outlet. The best market for a grower is not just the market that offers the highest price, but is the one that matches his or her particular circumstances at any given time. The following information summarizes some of the characteristics of marketing alternatives for vegetable growers.

#### Local Markets

Growers considering growing produce in an area where a commercial produce industry has not matured should first consider marketing alternatives available in local markets. Local markets are easier to access because they can be served by an individual grower with a small or large volume of produce. Local markets that can be used by growers are discussed below:

#### U-Pick Markets

A popular method of selling in local markets is with a u-pick operation. U-pick is advantageous in that it eliminates the costs of harvesting and transporting produce to the market. It also eliminates the need for a produce dealer and the fees they charge. Many fields are planted with the express purpose of having all produce sold via the u-pick method. However, u-pick operations often are set up in fields after it has become unprofitable for the grower to commercially harvest and market the produce. Some growers prefer to operate their businesses as we-pick, i.e., the grower harvests the crop. While harvesting costs can be higher, this method ensures more even harvesting and reduces field damage.

A disadvantage of u-pick operations is that the grower may need to provide additional management and capital investment to prevent field damage and to provide for fee collection. Other factors important for the grower to consider are insurance, advertising, traffic control, pricing, containers, and supervision of pickers.

The important factor for determining the success of u-pick operations is location. The operation must be close enough to a large population that will come to the grower's field to pick their own produce. If the location is not on a main traffic artery, the grower may also need to advertise produce and location through some popular media in the area.

#### Roadside Stands

Roadside stands also have the advantage of reducing produce dealers' fees. Transportation costs may be higher or lower than other alternatives, depending on whether the stand is in an urban or rural location. Success of a stand depends on locating near a large urban population center; a long selling season; a high percentage of year-round

residents; acreage available for vegetable production; and grower income from other sources besides vegetables. An additional factor that is important, is developing repeat customers through goodwill and consistency of supply (either by spacing out production or selling produce from other growers).

### **City and Local Farmers' Markets**

City and local farmers' markets are basically roadside stands that are concentrated in an urban area. These markets are generally well established and have developed a clientele who purchase in the local market. The disadvantage to this type of market, compared to roadside stands, is that the grower may have to pay higher transportation costs. The advantage is that the grower does not need to worry about advertising to entice customers to travel to the stand.

### **Local Retail Outlets**

Local retail outlets include locally owned and operated grocery stores and produce markets. The chain-store type of supermarket usually has a central purchasing department responsible for supplying many stores, and, therefore, often has a policy of not buying produce locally. Nevertheless, check with produce managers in local stores to see if they have the flexibility of buying locally.

A grower's ability to sell produce to local retail outlets depends on being a reliable supplier of consistent quality produce. The advantage to the grower in selling directly in this market is that no dealer's fee is paid. A disadvantage is that the local retail outlet may handle only a small portion of the grower's total supply and may therefore take more time and effort than a grower can commit to satisfy the retail owner's demand.

Growers wishing to sell produce to local retail outlets must first identify those in the surrounding area that buy their own produce. This can be done by contacting the produce managers of nearby stores. The grower must then determine the needs of these buyers and decide if these needs can be satisfied.

### **Regional and National Markets**

Regional and national markets are generally accessed through State Farmers' Markets, growers' cooperatives, and direct selling to produce dealers.

### **State Farmers' Markets**

There are 13 fruit and vegetable State Farmers' Markets in Florida, each serving a specified region (see list at the end of this chapter). There are more than 200 tenants operating on these markets, accounting for more than \$200 million in annual sales. These markets usually provide several alternatives for growers to sell their product. Both small- and large-scale growers can access regional and

national markets by using the services of a produce dealer located at the market. These dealers are generally selling or buying brokers. Many of the markets also offer other methods of sale, such as direct sales to local consumers at a farmers' shed, but selling through produce dealers is the most common method used for selling in the regional or national markets.

When selling to produce dealers at farmers' markets rather than at local markets, extra consideration should be given to several factors, including variety selection; product quality in terms of grade and appearance; post-harvest handling practices such as precooling and storage; and the packing method and containers required by the dealer. Discussing these factors with the produce dealer and/or market manager before planting can prevent making critical errors in production and marketing decisions. In addition, the workings of the produce industry should be understood and good marketing skills developed in order to protect marketplace interests.

### **Cooperatives**

Grower cooperatives enable growers to access larger markets than they otherwise could on their own. Cooperatives provide a variety of services to their members, which can include packing, cooling, selling, bulk purchases of supplies, and coordination of labor. Development of a brand name for the cooperative's products and greater bargaining power are some of the other advantages a cooperative can offer.

### **Direct Selling**

Produce dealers are used by most large-scale producers to direct sell their products in national and regional markets. Small-scale producers usually do not have sufficient volume to attract produce dealers. Even if they do attract a dealer, the dealer may not work as hard for the small grower as he would for the larger growers since income is generally based on volume.

## **PRODUCT DECISION: WHAT AND WHEN TO PRODUCE**

### **Deciding What to Produce**

Factors that must be considered when deciding what to produce are somewhat different in nature than those of other businesses. For example, growers are limited in their ability to differentiate their products from those of their competitors. Growers also have less certainty about the ultimate quality and quantity of what they will have available for sale. Although the production risk may be greater than that of other businessmen, product strategy is the same; that is to produce and market products that have a reasonable chance of generating acceptable profits.

### Producing for a Market

In the produce industry, it is not usually possible to lock in a price or a commitment with a buyer to buy a crop before it is grown. However, it is possible to develop a marketing strategy that will greatly improve chances of finding a profitable market for the crop. When making decisions about what crops to grow, one of the first and most important questions to be asked is where will it be sold? This may seem obvious, but many growers do little research when it comes to marketing their crops. A demand for your product when you are ready to harvest cannot be assumed. Market decisions should always be considered thoroughly before a crop is planted and the choice of a market will help determine what crops and varieties to grow and when to grow them.

For example, when selling produce at a city farmers' market or a roadside stand, plant a variety of different items to sell and consider experimenting with a small amount of specialty crops that will attract people to the stand. If selling to a produce dealer at a farmers' market, then communication with the dealer is essential. Most produce dealers will handle only certain varieties or types of crops. It is not uncommon for a grower to take his crop to a dealer at harvest time only to learn that the dealer does not buy that particular product. This can lead to costly problems for the grower. Produce dealers also have information about supply and demand conditions. While it is impossible for them to know exactly what and how much they will buy in the coming season, they can give you information that will improve your ability to plan which crops to grow. Establishing a relationship with a dealer before a season begins can be one of the most important planning decisions a grower faces.

### Producing at a Profit

In addition to researching possible markets for a crop, there is a need to decide if it is profitable to produce that crop. When evaluating the resources needed to grow the crop, the cost and availability of land, irrigated vs. non-irrigated technology, labor, machinery, and the availability of capital for purchasing inputs must be considered. Budgets should be developed and break-even prices calculated at different costs and yields. With this information, a range of net returns for various price and yield combinations can be estimated. The more experience and information available, the better the estimates will be, and the higher probability that the estimated net returns will be reasonable predictions.

The next step is to decide whether these returns are acceptable based on established objectives. Like other businesses, growers should establish realistic long-term objectives that can be broken down into annual objectives such as rate of return on equity and net returns per acre necessary to achieve stated goals. Personal and family

objectives will shape specific long-term plans and both short- and long-term objectives will need to be evaluated periodically based on changing economic conditions.

### Reducing Production Risk

After determining where to sell the crop and calculating the profitability of producing it, a few more steps are needed to complete planning for an effective product strategy. One of these decisions is planning a production strategy. Irrigation, pest control, and timely planting and harvesting are production factors that can be managed to reduce production risks. Equally important are postharvest practices such as cooling and storage that are necessary to maintain quality. Developing good postharvest practices is essential for highly perishable fresh produce and will help attract buyers and avoid problems such as rejection or dumping of the product.

### Timing Production for the Market

Deciding when to produce is another important decision that is linked to a pricing strategy and to the choice of a market. As mentioned earlier, growers producing for local markets will usually need to plan for staggered plantings that will ensure a consistent supply throughout a marketing season.

Producing for national or regional markets also requires careful planning for timing of production. Produce dealers are interested in obtaining a constant supply. However, growers who sell to dealers are usually interested in planning production schedules around prices. Producing for market niches, i.e., a period of time during a selling season when a particular region is the only supplier of a particular crop, is one way in which growers are often able to realize higher profits. When producing for market niches, caution is advised since neighbors may have the same strategy. Over-production of a particular crop in a producing region will cause prices to decline. In addition, it is not always possible to accurately predict exactly when a market niche will occur.

There are several strategies that can be developed to avoid these problems. The most important is communication with buyers to find out what crops are needed and which ones may be over-supplied. Members of grower cooperatives should communicate with their manager or the growers' agent for the cooperative.

It is also important to realize that high profits are often associated with greater risk. Therefore, the best planning strategy may not be one that is solely geared to production for market niches. Diversification lowers risk and is achieved by planting a variety of crops that are available for harvest at a variety of times.

## PRICING STRATEGY: REALIZING THE POTENTIAL

When selling directly to consumers at the farmer's market or to other local outlets, the price received depends mainly on the produce prices in local supermarkets and any premium the consumer is willing to pay for higher quality or freshness of local produce. When selling to a produce dealer at a farmer's market, the price received depends on the price the broker or grower's agent receives. This price is determined by national supply and demand conditions.

One of the more difficult marketing decisions is knowing when to accept a price and when to wait for something better. Growers would like to sell their products at the highest possible price, but no one knows when this price will be offered. No marketing strategy can insure the highest possible price. A market strategy that attempts to achieve an acceptable price has a better chance of success than one that aims for the highest price. Therefore, you must know what price level is consistent with an acceptable profit for the total farming operation. Careful attention to market trends will help you decide whether to accept a price or wait for something better.

Although growers cannot set prices, they can sometimes choose prices from a range of alternatives. One way to do this is by studying pricing patterns at several markets and looking for special or target markets. Target marketing means producing crops that fit the needs of a particular clientele. Usually more market research is needed when searching and evaluating a target market. Costs of production must be evaluated carefully and any extra costs associated with target marketing must be included. If you are able to deliver a consistent, high quality supply to a target market, higher prices can often be obtained.

## MERCHANDISING DECISIONS: MAKING THE MOST OF THE MARKETING PAYOFF

After making decisions about what products to grow and where to sell them, the final step in planning a marketing strategy is developing a merchandising scheme that will help realize the full value of the products. A merchandising strategy can be summarized as getting the right quantity of the right product in the right place at the right time.

Growers who sell directly to consumers need to consider how to provide a dependable supply of uniform quality products; convenient location; attractive displays and packaging; and, effective advertising, pricing, and selling strategies.

Growers who sell to produce dealers can also develop a merchandising strategy. If a reputation for producing and delivering top quality produce is developed, a premium

over prices paid to other suppliers may be commanded. A higher price may also be realized if buyers are provided with products on a time schedule or on short notice. Large growers, or small growers who pool produce, may be able to develop a brand name or a local identity for their products that may improve demand for the product and prices received. Examples of this include Vidalia onions and Indian River grapefruit.

## STATE FARMERS MARKETS

The state of Florida has 13 State Farmers' Markets (Figure 19-1). For information about these markets contact either the market manager of the Chief, Bureau of State Markets, Florida Department of Agriculture and Consumer Services, Mayo Building, M37, 407 South Calhoun Street, Tallahassee, Florida 32399-0800

## SUMMARY

Growing produce can be profitable, but not everyone who attempts to grow produce will be successful. The problems and opportunities associated with vegetable production need to be carefully considered. But of equal importance are the problems and opportunities associated with marketing. A sound marketing strategy should be developed before a crop is planted. Then, good management is needed to ensure high yields of high quality products that are packed and labeled according to market specifications.

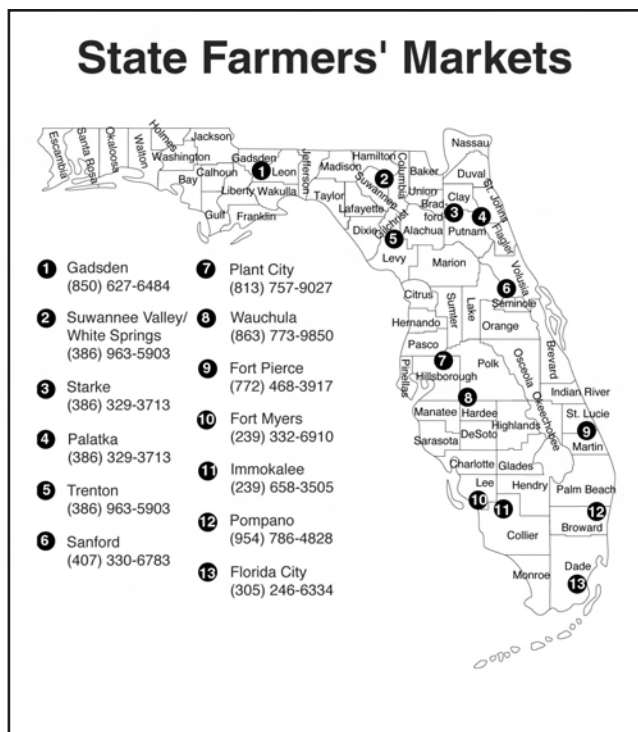


Fig. 19-1. 13 State Farmers' Markets in Florida.