

CHAPTER 16



INTRODUCTION TO PART III: SMALL-SCALE MARKETING STRATEGIES

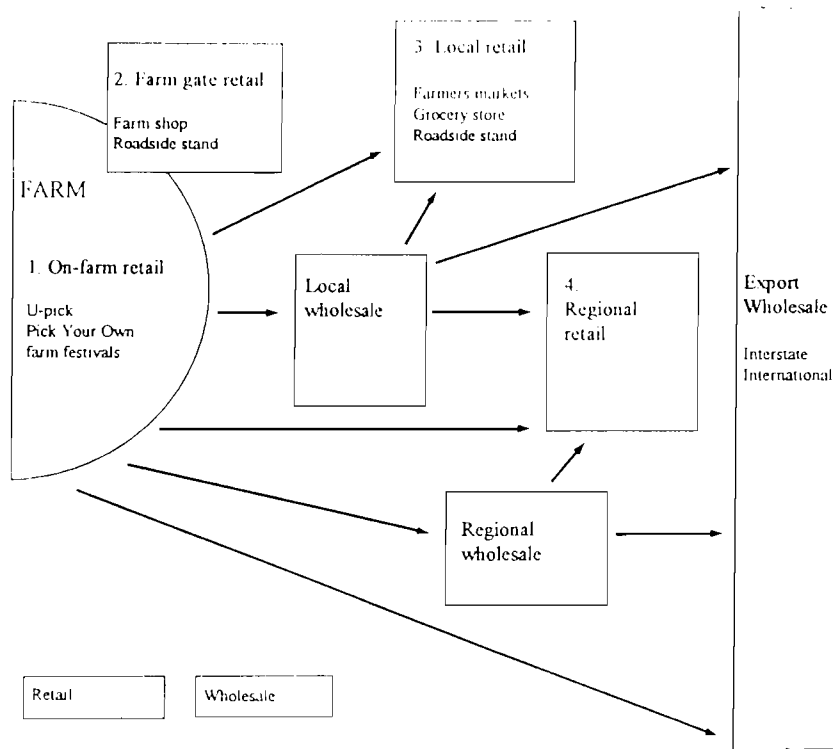
There are wide variety of wholesale and retail marketing strategies available to the small-scale producer or processor of horticultural products. When producers sell through traditional wholesale terminal markets in the US, only about 30% of the consumer price goes to the grower. The majority of the purchase price goes to pay those who pack, ship and retail produce to consumers. In comparison, with direct marketing strategies, much more of the consumer price winds up in the hands of the grower because you take on these postharvest tasks. If you think of customers as groups of people who have varying needs and wants, and develop a plan to produce crops that will meet their needs, you can provide products they truly value (based upon superior flavor, nutritional value, convenience, etc.). Ideally you will communicate with potential customers and develop relationships with your buyers that allows you to plan well ahead for each season, and generates repeat business at prices that reflect the perceived high value of your products. Depending on how many of the postharvest steps you decide to take upon yourself, it is possible that 100% of the final produce price can be yours to spend on appropriate produce production, postharvest handling, storage practices, etc. and to take as the profits associated with these handling operations.

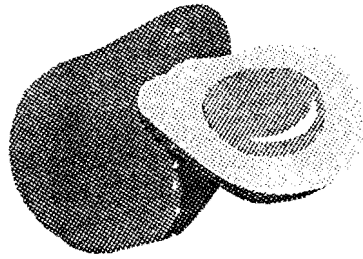
The third part of this book will assist you to identify and utilize scale-appropriate, cost-effective postharvest technologies for horticultural produce and value-added products to:

- Reduce postharvest losses due to water and weight loss, decay and physical damage during marketing
- Maintain produce quality and economic value during marketing
- Increase shelf life with proper temperature and relative humidity management
- Assure food safety of fresh produce and processed products during marketing
- Increase income by adopting postharvest technologies that are profitable when marketing produce or processed products on a small-scale.

EXPANDING YOUR MARKETING OPTIONS

Fresh and processed produce can be marketed on the farm, at the farm gate, locally or regionally via wholesale or retail operations, or through exports to other states or countries. When deciding how you will market your fresh and processed produce, each postharvest handling step that you take on provides another opportunity to make additional profits.





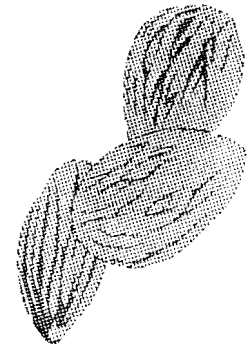
"Intermediaries are important in India because they are a substitute for infrastructure: they perform the distribution function that in other countries would be carried out by transport companies, commodities processors and cooperatives."

Source: *FoodTalk*, March 1998

TYPICAL MARKETING MARGINS FOR FRESH PRODUCE

	U.S. and Developed countries	India
wholesale	2 to 3%	15%
retail	4 to 5%	15-20%
farmer receives:	40 to 70%	25%
postharvest losses	4 to 6%	to 50%

Source: McKinsey & Co., 1997



We recommend that you use more than one marketing strategy, and develop different markets for your produce. For example, you could market your highest grade peaches at a very high price, tree ripened, and packed in new, beautifully designed cartons, to specialty shops; take the medium grade to the local farmer's market in reusable crates and sell the peaches directly to consumers at a moderate price, and use your seconds, very ripe, handled in bulk, for processing to a value added product such as fruit jam. Finding your own ways to market your produce is the key to generating the highest profits.

Marketing Options for Horticultural Producers

	WHOLESALE BUYERS										RETAIL OUTLETS					
	Terminal wholesale markets	Produce markets/grocers	Processor	Food service	Grower Coops	Specialty shops	Restaurants/Hotels	On-farm shops	Roadside stands	PYO / U-Pick	Farmers Markets	CSA	Retail Marketing Coops			
Postharvest Requirements (Your responsibilities)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Pre-harvest quality	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Harvesting tools and techniques	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Sorting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Washing/Sanitization	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	✓			
Sizing/Grading	✓	✓	✓	✓	*	✓	✓	✓	✓	*	✓	✓	*			
PH Pest Mgmt	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	✓			
Packing	✓	✓	✓	✓	*	✓	✓	✓	✓	*	✓	✓	*			
Special packaging	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	*			
Temp/RH mgmt (cooling)	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	✓			
Storage	*	✓	✓	✓	*	✓	✓	✓	✓	*	✓	✓	*			
Transport	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	*			
Destination handling	✓	✓	✓	✓	*	✓	✓	✓	✓	✓	✓	✓	*			
Display/Sales	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*			
Promotion	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*			
Customer Service	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*			
* sometimes	Need large quantities. Must meet grade standards	Establish personal contact with buyers	Usually pay lower prices	Need to provide regular supply	Share costs and returns	Need highest quality produce	Need highest quality produce directly with chefs	Need a good location, parking and building	Need a good location, parking and building	Location is critical. Supply training for harvesting	Limited times of operation	Need to sign up members who will pay ahead	Share costs of ads, promotional activities			

The table on the previous page outlines the responsibilities associated with the many direct marketing options available to produce growers. Many of you will currently be using one or more of these approaches to market your produce, and may have some interest in learning about others. If you are new to direct marketing, you will have to attempt many of the postharvest tasks described in Part I of this book. For example, if you want to wholesale your fresh or fresh-cut produce directly to users in restaurants, hospitals, hotels or food service providers, at a minimum you must take on the costs of packing, cooling and shipping to market. If you want to retail market your fresh or fresh-cut produce directly to consumers, you must take on these postharvest tasks plus the costs of storage, destination handling (ripening, display) and sales. There are trade-offs in costs and benefits to make whenever direct marketing, but having direct control of these postharvest operations allows you to protect produce quality and food safety and maintain the highest economic value during the period you wish to sell produce. As the examples provided in this book have shown, investments in postharvest technologies often pay off quickly by reducing weight loss and decay, and protecting produce quality and value while increasing your marketing options and economic opportunities.

MARKETING VERSUS SELLING

Producers can choose to sell horticultural crops to a variety of customers using a wide range of marketing strategies. Marketing requires an attitude quite different than does selling. Selling produce ends with finding someone who will take what you have to sell off your hands and pay you for it. Selling usually involves advertising products, and somehow being clever enough to get a price high enough to allow the seller to make a profit. Some growers speak of "throwing", "dumping" or "getting rid of" their produce, as though it is some kind of waste product rather than a carefully cultivated high-value commodity. Most fruit growers in India sell their produce even before the crop is harvested, and allow a harvest contractor to decide when to harvest and reap the profits associated with postharvest handling and marketing. If you are uncomfortable with meeting and selling to the people who will eat your produce, or have no particular interest in postharvest handling, packing, storage or processing and retailing, you can simply sell your produce directly to a trader or reseller for a minimal wholesale price and be done with it.

Marketing, on the other hand, requires that you determine and meet the needs of your customers before harvesting and packing the product. If you want to earn more of the potential profits associated with horticultural handling and marketing, and have some interest in applying some of the postharvest technologies described in this book, you may want to think of learning more about direct produce marketing. Each chapter has provided examples of postharvest technologies that can help you increase your profits during produce handling and marketing. Marketing is quite different than selling, in that you first try to find out what potential buyers want, then supply the produce people would most like to buy, at prices they will willingly pay, when they want it and at places where they want to shop.

Marketing produce involves everything from planning exactly what to grow, harvesting at the right time for high quality, proper maturity and food safety, packing and cooling to protect produce quality, storage under proper conditions until prices are higher, and transport to a variety of market outlets, to direct sales to customers. Marketing requires you to be knowledgeable about the produce (its characteristics, nutritional value, uses in cooking, etc), packaging (providing protection, information and visual appeal), pricing strategies (offering bulk produce, specialties, value-added products) and promotion (including sales displays, advertising, deliveries and customer service). There are many excellent reference books on marketing, and we refer you to those listed in the Reference section at the end of the chapter for more detailed information.

Part III of the book describes marketing practices including destination handling technologies such as re-sorting/re-packing, temporary storage, ripening and de-greening practices, display methods, and a wide range of direct wholesale and retail marketing options.

The marketing options described include the following:

Wholesale marketing: direct to local produce markets/supermarkets, food service providers/schools, restaurants/hotels, specialty retail shops and through trade shows and wholesale marketing cooperatives. (Chapter 18)

Retail marketing: direct through farm shops, roadside stands, pick-your-own operations, farm trails, farmer's markets, and retail marketing cooperatives. (Chapter 19)

Alternative (non-marketing) options: community supported agriculture (CSA), subscription or membership farming. (Chapter 20)

If you review the options and complete the worksheets on marketing strategies provided in Chapters 18 and 19, you should be able to make some clear decisions about which marketing options make the most sense for you, your customers and the crops you would like to produce, handle, process and/or market. Your choices will depend upon your individual interests, desired level of involvement in various postharvest handling tasks and marketing operations, and the profit potential associated with the specific crops you handle and the customers to which you target your marketing efforts.

How do I get my food product noticed?

Packaging: upscale

Labeling: refined

Ingredients: only the best quality

Size: appropriate (no "giant economy" size)

Price: on the high side

Shape: upscale but practical

Source: Hall, 1996

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