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# Analysis of Strategic Marketing Decisions for Organic Agricultural Producers: A Case Study

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**Presented at the 2003 WCC-72  
Meetings in Las Vegas, NV**



# Background and Overview

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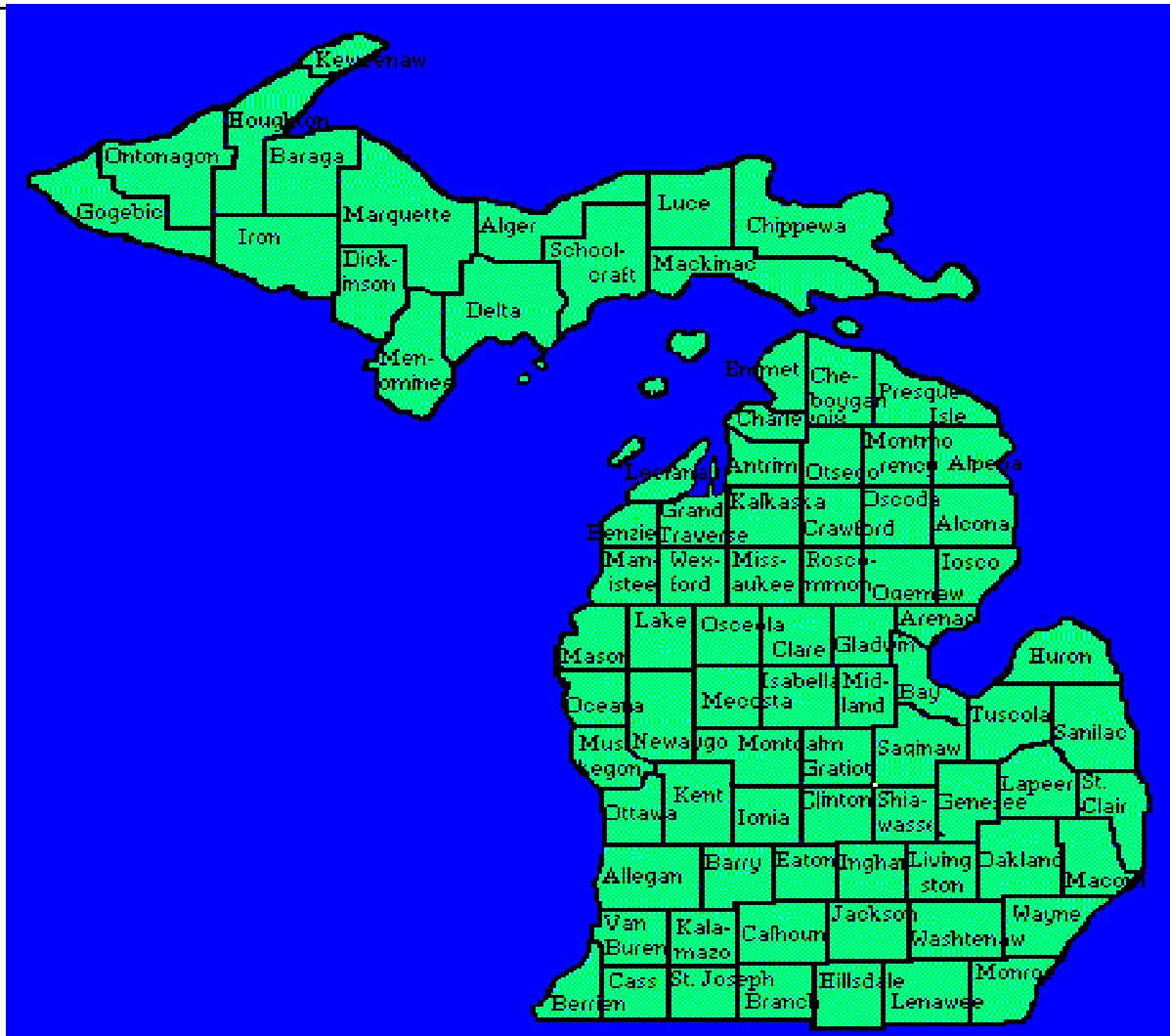
- **Group of organic agricultural producers received a grant**
- **Purpose: feasibility study about forming a cooperative to jointly market products**
- **Opportunity: test framework**
- **Outline: methods, location and grower information, distribution alternatives**

# Methods

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- **Secondary data search**
- **Key industry informant interviews**
- **Presentation of preliminary results**
- **Face-to-face, semi-structured interviews with group members to assess resources**
- **Presentation of final results**

# Location of study



# Demographic highlights of area

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A v e r a g e U n e m p l o y m e n t R a t e , 2 0 0 0	3 . 0 %	4 . 3 %
M e d i a n H o u s e h o l d I n c o m e s , 1 9 9 5	\$ 3 9 , 8 5 4	\$ 3 6 , 1 2 4
P o v e r t y R a t e , 1 9 9 5	8 . 8 %	1 4 . 1 %
P e r c e n t a g e o f P o p u l a t i o n ( a g e 2 5 a n d O l d e r ) w i t h a B a c h e l o r ' s D e g r e e o r H i g h e r , 1 9 9 0	1 2 . 0 %	1 3 . 8 %



# Characteristics/Resources of the Grower Group

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- **Seven members**
- **Diversity, within and between farms**
- **Desire to concentrate on production**
- **Well-educated**
- **Need for planning and coordination**

# Strategic Alternatives

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- **“Go” or “no-go”**
- **If “go,” then select distribution channel**
  - **Farm markets (i.e., roadside stands)**
  - **Farmers’ markets**
  - **Distributors**
  - **Retailers**
  - **Restaurants and institutions**
  - **Processors**



# Farm markets (roadside stands): Advantages

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- **Growers can provide info to consumers**
- **Relatively easy entry**
- **Growers receive full consumer price**
- **Transportation and commuting time**
- **Family involvement**
- **Control over days/hours and display**



# Farm markets (roadside stands): Disadvantages

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- **Success depends on quantity/ quality of traffic**
- **Limited to one location**
- **Limited selection of produce**
- **Investment in fixtures**
- **Human resources for staffing**

# Farmers' markets: Advantages

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- **SAME FIRST THREE ITEMS AS FARM MARKETS** (i.e. roadside stands)
- **More customer traffic**
- **Advantageous consumer preferences**
- **Growers can pool their products and sales efforts**



# Farmers' markets: Disadvantages

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- **Transportation costs**
- **Space rental**
- **Limited days and hours**
- **Potential to compare prices leads to competitiveness**

# Distributors

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## ○ Advantages

- Higher potential volume
- Some marketing functions provided

## ○ Disadvantages

- Incremental requirements and costs
- Displacing existing suppliers
- Minimum volume requirement
- Wholesale price



# Retailers: Advantages

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- **Higher potential volume**
- **Certain investments and expenses avoided**
- **Access to customers and marketing skills**



# Retailers: Disadvantages

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- **Incremental requirements and costs**
- **Displacing existing suppliers**
- **Delivery convenient to retailer**
- **Some retailers only buy through wholesalers**
- **Building trust and relationships**

# Restaurants (especially gourmet)

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## ○ Advantages

- **May accept unusual varieties and small quantities**
- **Demand high-quality, local, in-season produce**
- **Appearance less important**

## ○ Disadvantages

- **Delivery time and costs**
- **Delayed payment of accounts**





# Institutions (vs. restaurants)

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- **Advantage: Could allow for larger volume.**
- **Disadvantage: More pressure to keep costs down.**

# Processors

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## ○ Advantages

- Higher potential volume
- Purchase agreement prior to planting
- Appearance less important

## ○ Disadvantages

- Risk of non-payment and of the processor closing or changing product lines
- Transportation costs
- Marketing efforts required

# Epilogue

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- **What the growers did:**
  - **Develop gradually**
  - **Farmers' market**
  - **Supplemented product line**