Farm Product Marketing Survey Report 2010

Prepared for:

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INTRODUCTION

The Department of Natural Resources, Agrifoods Development Branch, conducted a farm product marketing survey with Newfoundland and Labrador agricultural producers to determine their marketing obstacles, as well as, obtain information on how the industry currently promotes itself. The collected survey data was subsequently analyzed to determine where the Department can assist in any gaps identified.

Surveys were mailed to 431 producers and emailed to 158 producers. The list of producers was generated using the DNR producer mailing list. The Department received a return rate of approximately 11%, or 67 surveys; however, upon review, 56 surveys were deemed complete with valid/useable information. The survey results include comprehensive responses from all participants. All surveys were conducted from June to August 2010 inclusive.

All information collected is held in the strictest confidence and used for statistical purposes only; furthermore, all survey results have been combined to ensure confidentiality of individual respondents. All quantitative information was tabulated and reported utilizing graphs.

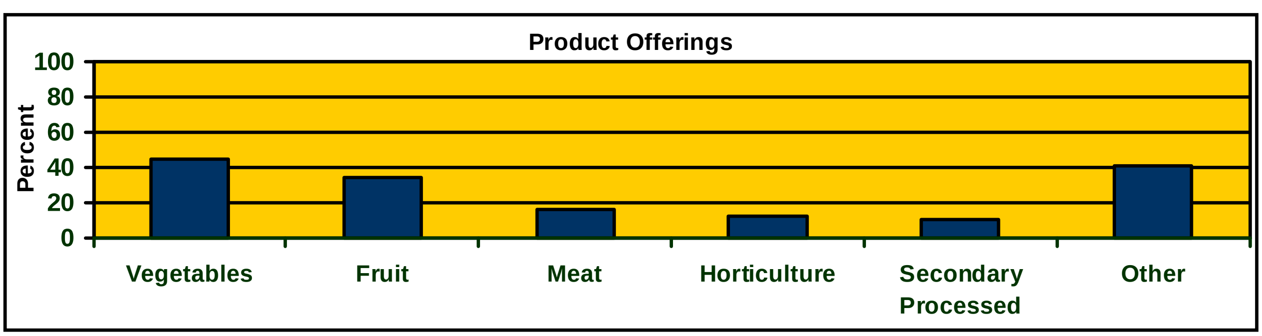
SURVEY RESULTS

The following information was derived from analysis of all the data collected from the 56 interviews conducted during the marketing survey. Unless otherwise stated, all statistics are based on 56 responses.

Product Offerings

Respondents were asked to identify what types of products they produced as a part of their farm operations. Respondents could choose more than one commodity; therefore, the total percentage is greater than 100%. Out of the 56 respondents, 22 (39%) indicated that they produce more than one commodity. As illustrated in Chart 1 below, approximately 45% of respondents stated vegetables as the commodity to which they produce, followed by fruit at 34%, meat at 16%, horticulture at 13% and secondary processed products at 11%. Under the “Other” category, which represents 41%, commodities identified included hay, Christmas trees, fur, honey and beeswax products and sod products.

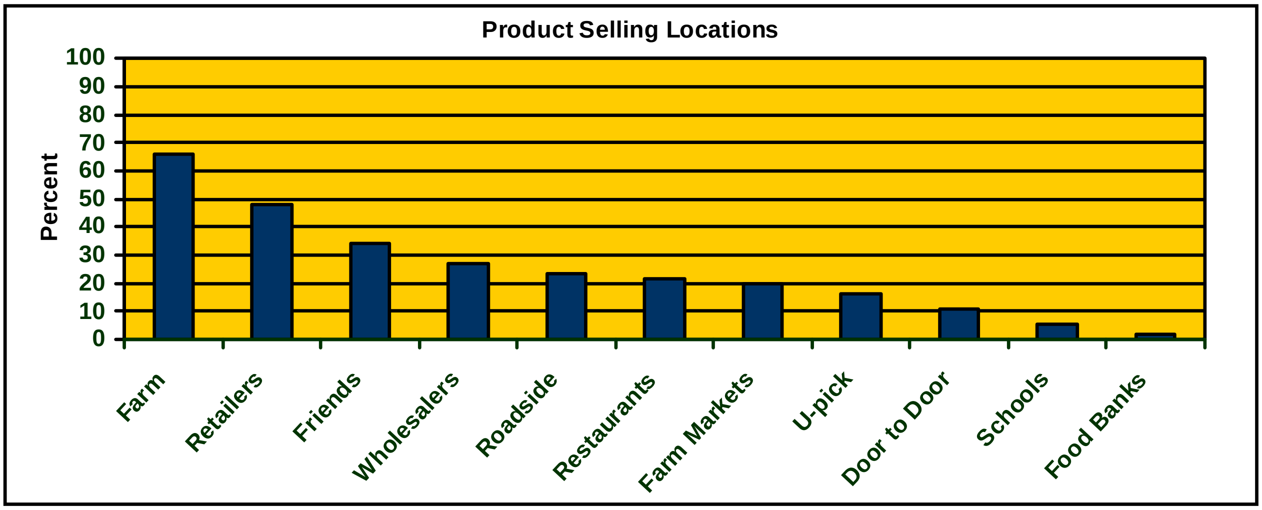
Chart 1: Product Offerings



Selling Locations

Respondents were questioned as to where they currently sell their agricultural products. As displayed in Chart 2 below, out of the eleven options provided to respondents, approximately 66% indicated that they sell directly from the farm while 48% stated they use retailers to sell their products, 34% sell to their friends, 27% sell through wholesalers, 23% sell from a roadside stand, 21% to restaurants, 16% from a u-pick, 11% sell door to door, 10% from farm markets, 5% sell to schools and 2% avail of food banks.

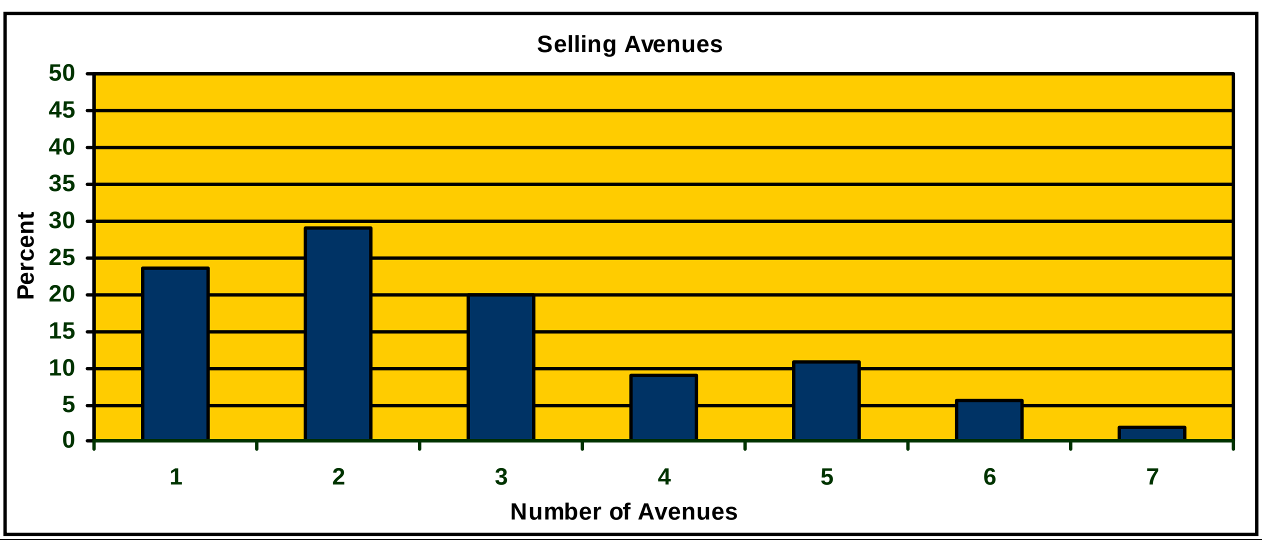
Chart 2: Product Selling Locations



Selling Avenues

From another perspective, 76% of respondents revealed that they avail of more than one selling avenue when selling their agricultural products. Based on the information provided in Chart 3 below, roughly 29% of respondents use two outlets to sell their produce, while 20% use three avenues, 11% use five, 9% avail of four, 5% use six and lastly, 2% use a total of seven selling avenues.

Chart 3: Selling Avenues

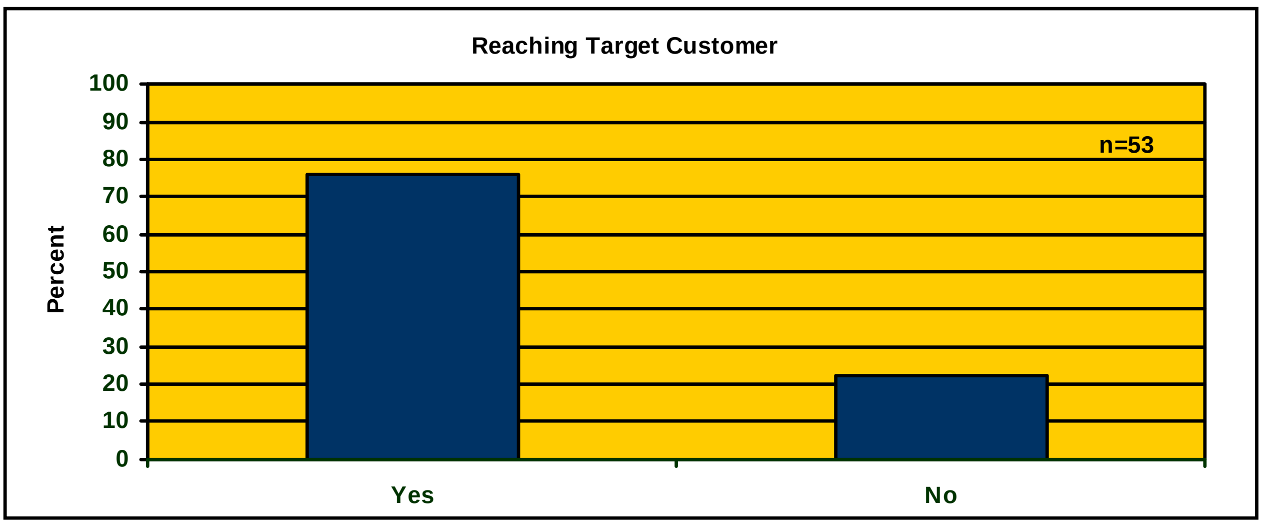


With the above information, for those respondents availing of more than four selling avenues or those only using one, a marketing plan may be useful in identifying which markets are best suited for their product, based on location, demand, proximity to different types of markets and other factors. Having such a plan in place will enable respondents and the entire industry to streamline their efforts to be more cost effective, time efficient and effective marketers.

Reaching Target Customer Base

As Chart 4 below reveals, almost 76% of respondents felt strongly that they are reaching the target market for their local agricultural products with the corresponding comment being that they sell everything they produce. With that in mind, pricing strategies may identify whether or not the industry is selling their product at fair market value or if there is opportunity to increase prices to reflect that with current limitations on supply. Newfoundland and Labrador agricultural products can be marketed as premium products and should be priced accordingly.

Chart 4: Reaching Target Customer



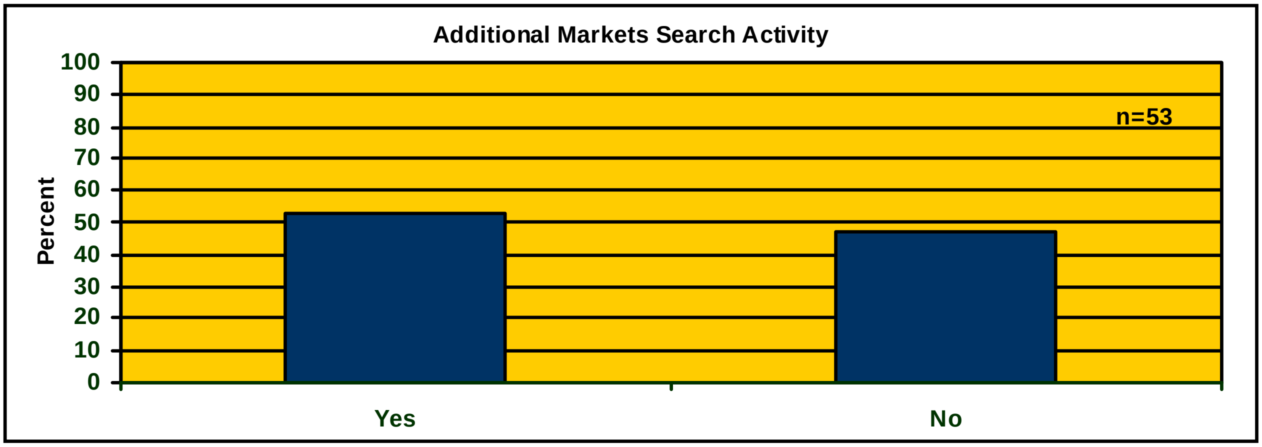
For those respondents that identified they were not reaching their target market, reasons included transportation, storage facilities, labour issues, not enough product supply to enter grocery retailers and not taking the time to properly market their product.

Expanding Customer Base

In terms of looking for additional markets, Chart 5 below illustrates that close to 53% of respondents stated that they are interested in expanding their market base with 47% saying they are not looking for additional customers.

Additional markets identified by respondents to be of interest include restaurants, u-picks, retailers, wholesalers, organic market and B&BS. Many of these may result in the development of new markets closer to farm locations while receiving fair market value for their product.

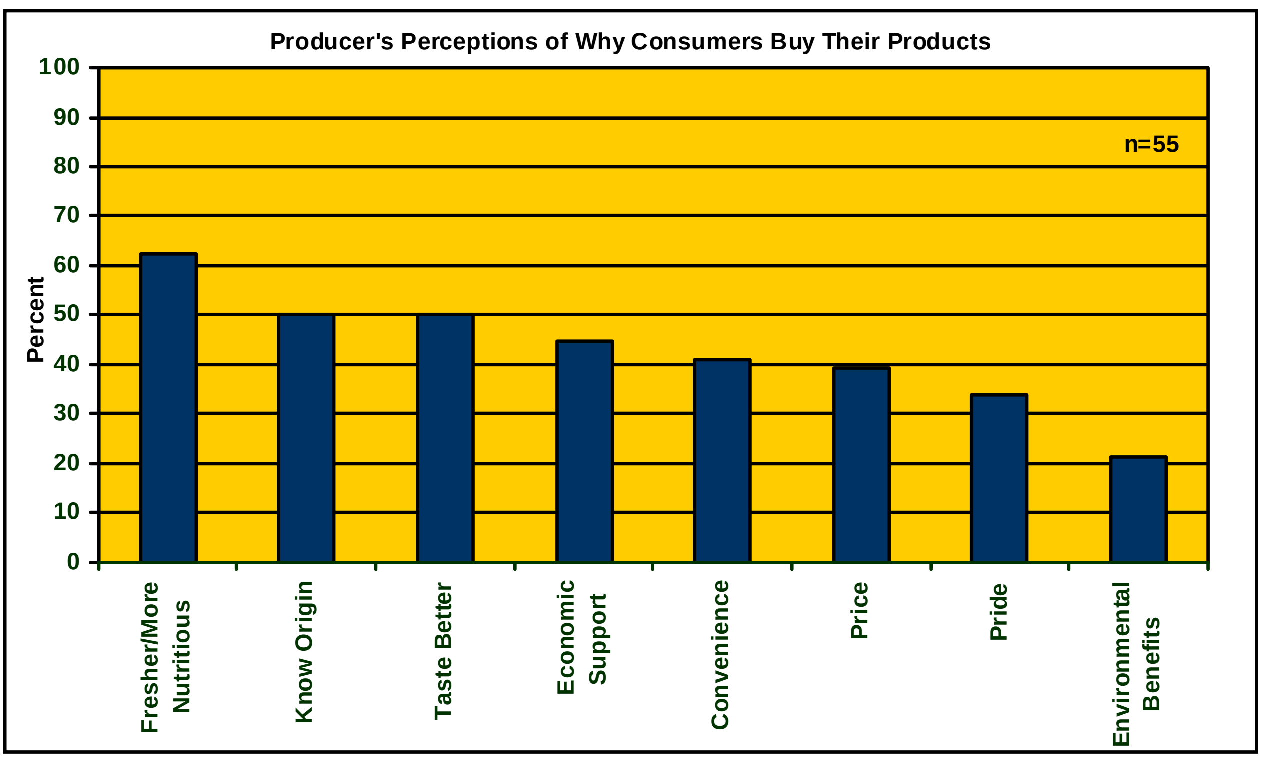
Chart 5: Additional Market Search Activity



Industry Perspective on Consumer Buying

When asked what they believed was the reason consumers purchased their local agricultural products, respondents felt that it was a number of factors. Chart 6 below shows that the majority of respondents felt it is because it is fresher and more nutritious, they know where the food comes from and that it tastes better. As for other reasons, approximately 45% of respondents felt that it is because of the economic support it provides, while 41% stated that convenience is a factor, 39% felt their price was a selling factor while pride was indicated by 34% of respondents and lastly, environmental benefits at 21%.

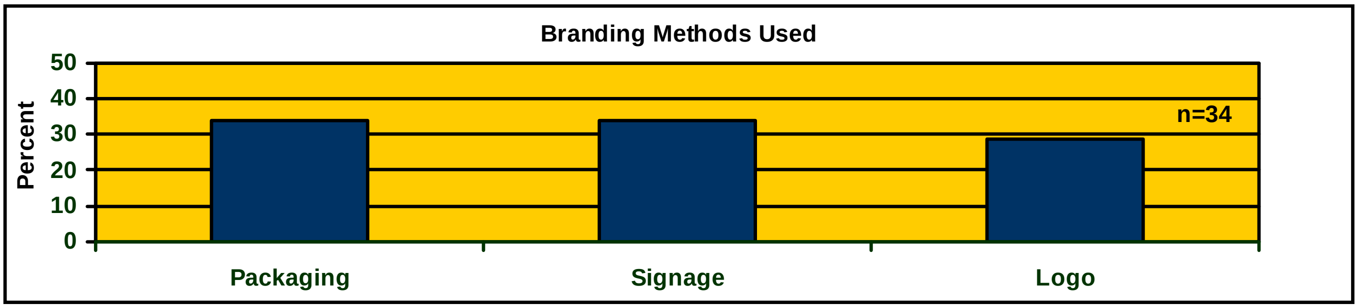
Chart 6: Producer's Perspective of Why Consumers Buy Their Products



Branding

Producers were asked if their farm had a logo, signage or packaging with their farm name. As illustrated in Chart 7 below, the results indicate that only approximately 34% of respondents have signage and/or packaging that include their farm name and only 29% have a logo.

Chart 7: Branding Methods Used

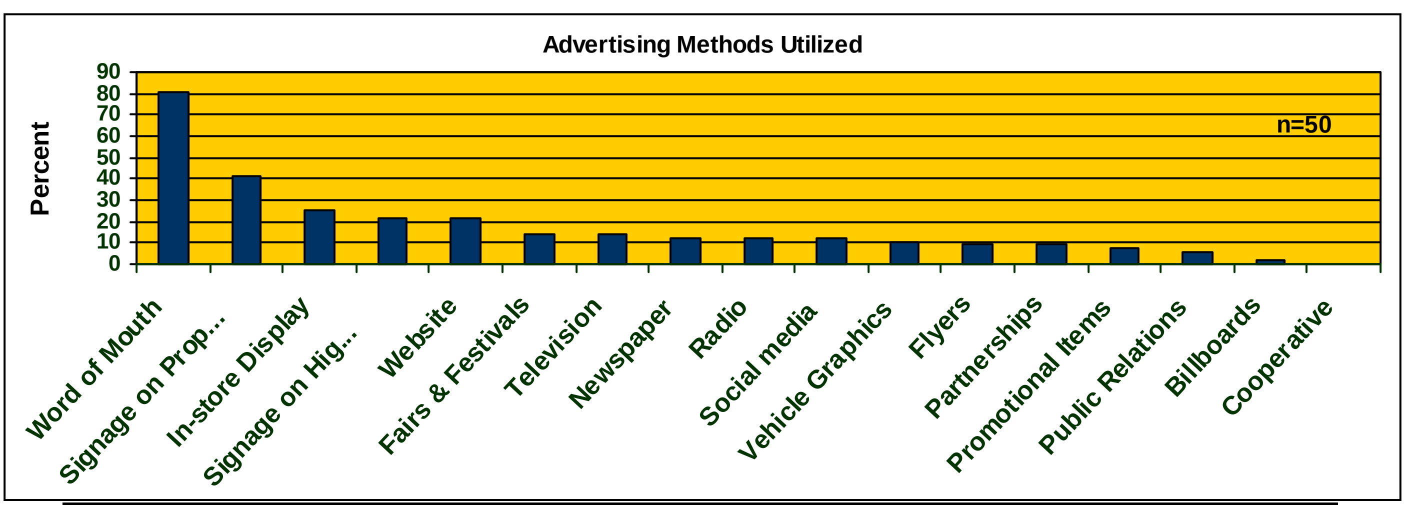


Using this information, an understanding of the importance of marketing and branding by industry as well as Government providing assistance in the development of key marketing essentials would benefit the Newfoundland and Labrador agricultural industry on a local scale through all selling avenues, especially to retailers and wholesalers, and even in exporting secondary processed agricultural products.

Methods of Advertising

The survey asked respondents to identify the methods they use to currently market their agricultural products. With 17 options provided in Chart 8 below, the top three responses were word of mouth at roughly 80%, signage on property at 41% and in-store display at 25 %. Online or social marketing is a new marketing strategy introduced to the business world, including the agricultural industry in the province. Developing this type of marketing would allow expansion of customer bases while still keeping with the number one identified marketing tactic of word of mouth.

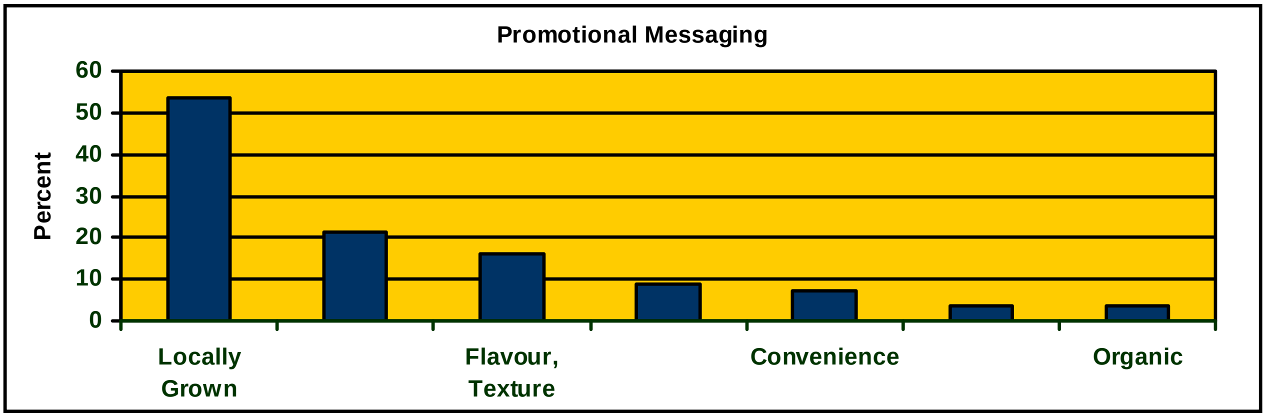
Chart 8: Advertising Methods Utilized



Messaging

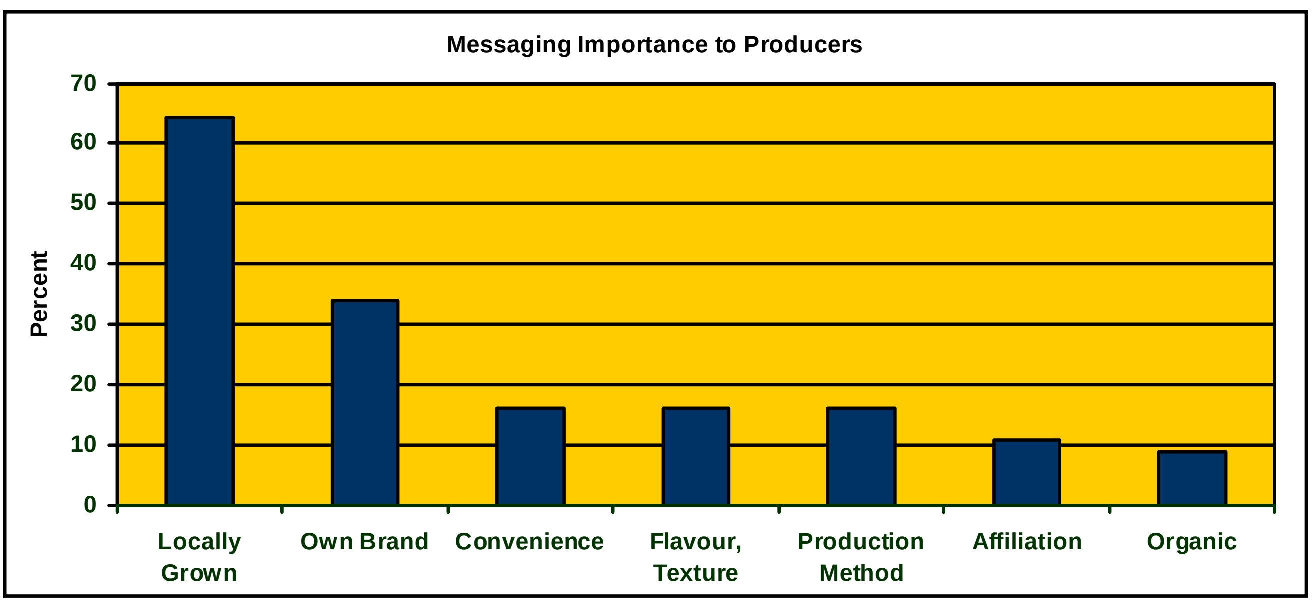
Key terms or messaging is important in promoting your operation as its purpose is to help identify what benefits there are to purchasing your product and how you are different from your competitors. As shown in Chart 9 below, respondents in this survey indicated that the most popular messages used in promoting local agricultural products are locally grown at nearly 54%, their own farm brand/name at 21%, and taste associations such as flavor and texture at 16%.

Chart 9: Promotional Messaging



When asked what type of phrases they feel are important to include in their promotion messaging, Chart 10 below illustrates that there was an increase in each one of the categories, with the top two of locally grown at approximately 64% and farm brand/name at 34% remaining while convenience, flavor/texture and production method were reported at 16%.

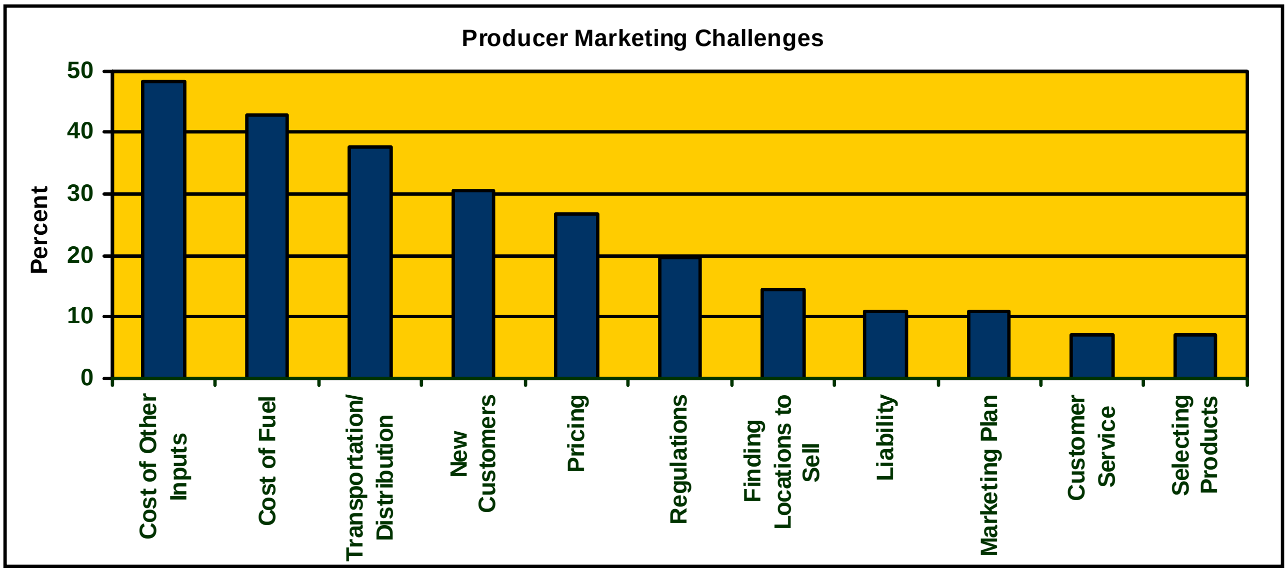
Chart 10: Messaging importance to Producers



Marketing Challenges

Respondents were given 11 options and asked to identify what they believe to be their marketing challenges. The top items identified, while may not be seen as marketing challenges, do have an effect on the marketing process and hence, selling of local agricultural products. Chart 11 below illustrates that the cost of inputs was the top marketing challenge identified at approximately 48%, cost of fuel at 43% and in third, transportation/distribution of agricultural products with 38%.

Chart 11: Producer Marketing Challenges



The rising price of gas and petroleum based products such as fuel fertilizer, pesticides and other inputs can limit the dollars available for marketing and expansion of acreage for farm production to increase supply in order to gain access to retailers and wholesalers. Identifying new markets in closer proximity to farms or creating mechanisms to allow producers to share some of the input costs associated with equipment and transportation or purchasing inputs in large quantities for potential discount may assist in lessening these marketing factors. In support of the statement regarding new markets in closer proximity, the fourth highest identified marketing challenge was accessing new customers.

Open Ended Questions

Respondents were asked two open ended questions referring to resources that have assisted in their marketing efforts as well as what would assist them in improving their marketing and the verbatim responses are as follows:

When asked "**What is one of the most valuable resources that helped you with your marketing**?" top responses included word of mouth, location, growing organic and reputation. A full listing of responses provided, in order of number of mentions, is as follows:

- Word of mouth – **top response with nine mentions**
- Reputation (name of farmer/farm associated with quality fresh product, in business for number of years)
- Location (seen from highway or major roadways)
- Relationship with buyers/consumers
- Growing local organic
- Trade Shows (including Farmers Markets)
- Branding
- Advertisements (radio, cable, flyers and brochures)
- Accessibility
- Departmental funding

When asked "**What is the one thing that would help you improve your marketing?"** signage was identified as the number one response. A full listing of responses provided, in order of number of mentions, is as follows:

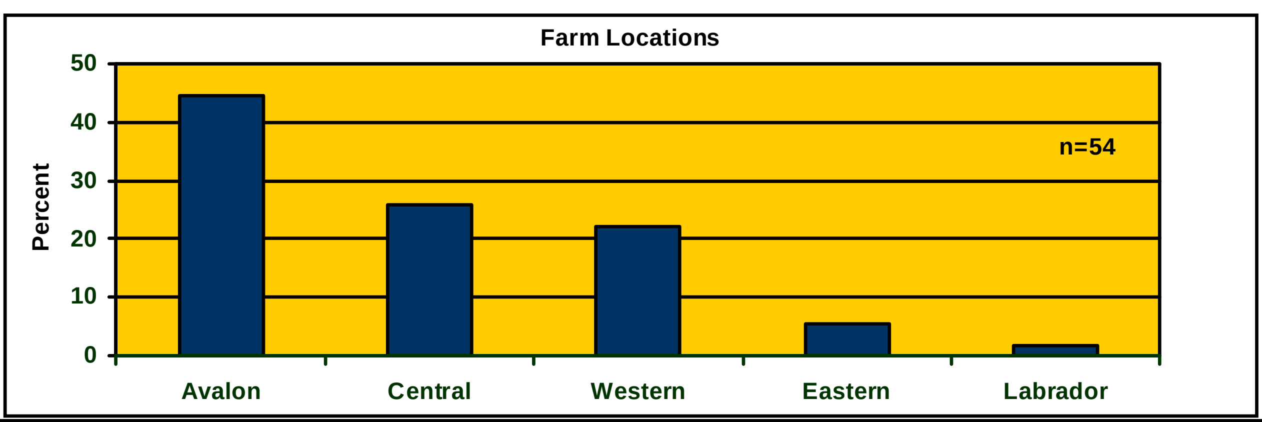
- Signage – **top mention with seven responses**
- Education and awareness amongst consumers
- Departmental assistance (funding)
- Advertising (brochures, access to cheaper/in kind marketing)
- Cooling
- Ability to sell to retailers
- Quality trade shows (face to face with consumers)
- Vegetable import controls
- Marketing plan
- Labour pool
- Transportation

Demographics

Regional Farm Locations

As displayed in Chart 12 below, respondent's farms are located in all the major regions of this province with approximately 44% of the farms in Avalon, 26% in Central, 22% in Western, 6% in Eastern and 2% in Labrador.

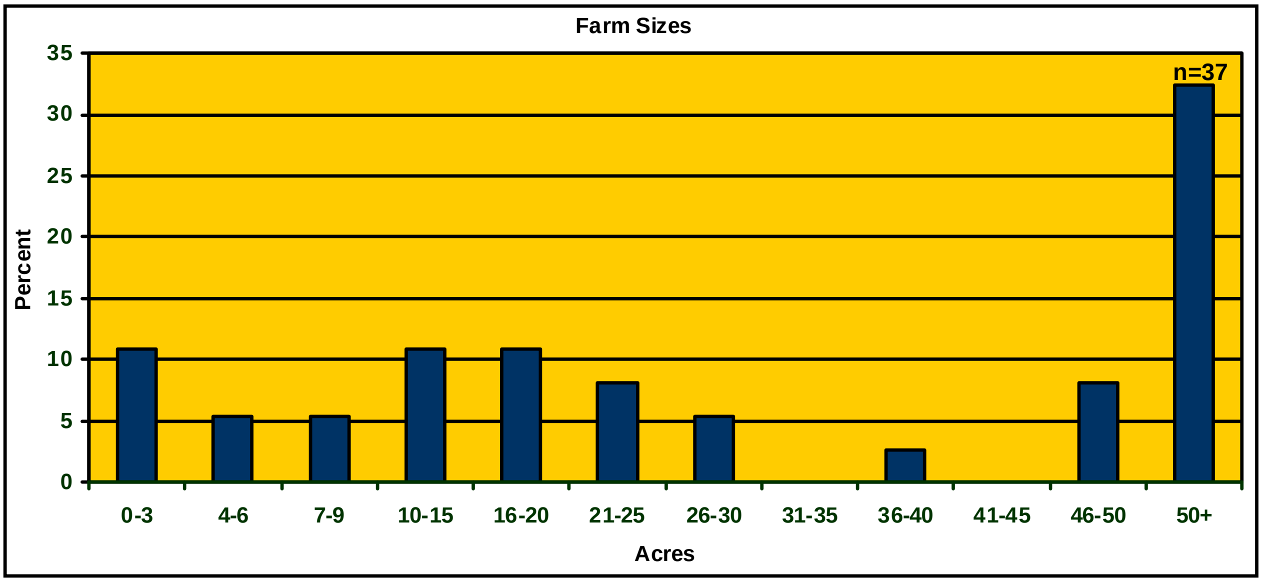
Chart 12: Farm Locations



Farm Acreages

Chart 13 below illustrates that the size of respondent's farms ranged from approximately 32% of farms that are more than 50 acres to 11% of farms that are three or less acres.

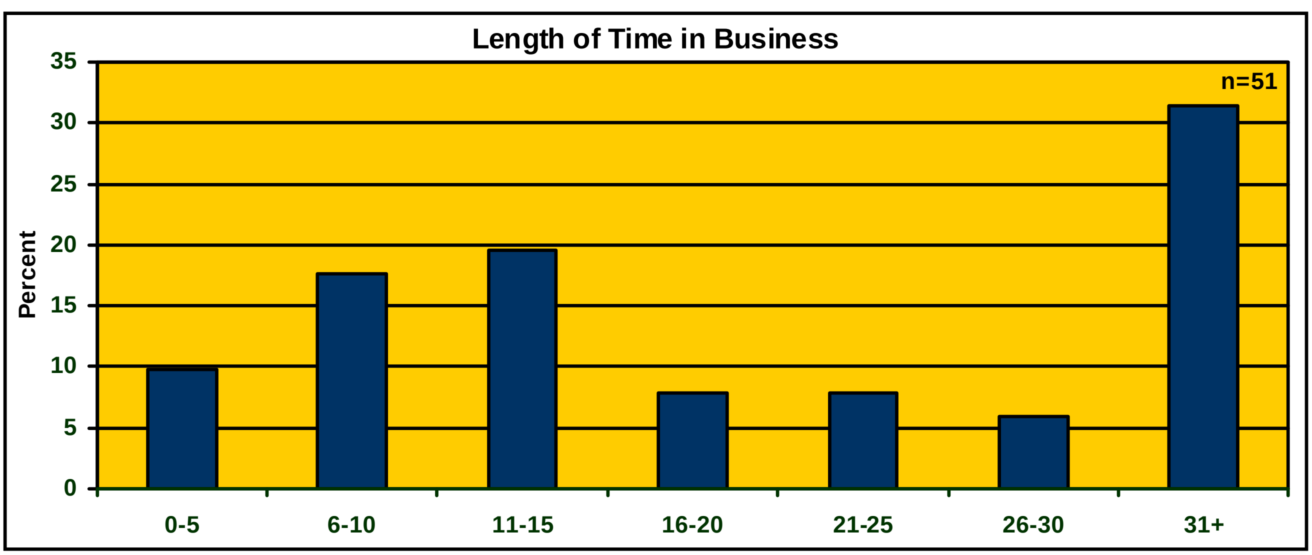
Chart 13: Farm Sizes



Years in Operation

As can be seen in Chart 14 below, the 51 producers that responded to the question which asked how long they have been in business spans from less than five to the greatest portion, approximately 31%, for over 30 years. This indicates that the average age of farmers is on the rise and proper planning tactics such as succession planning and new entrant recruitment need to be a priority in sustaining the industry for the future.

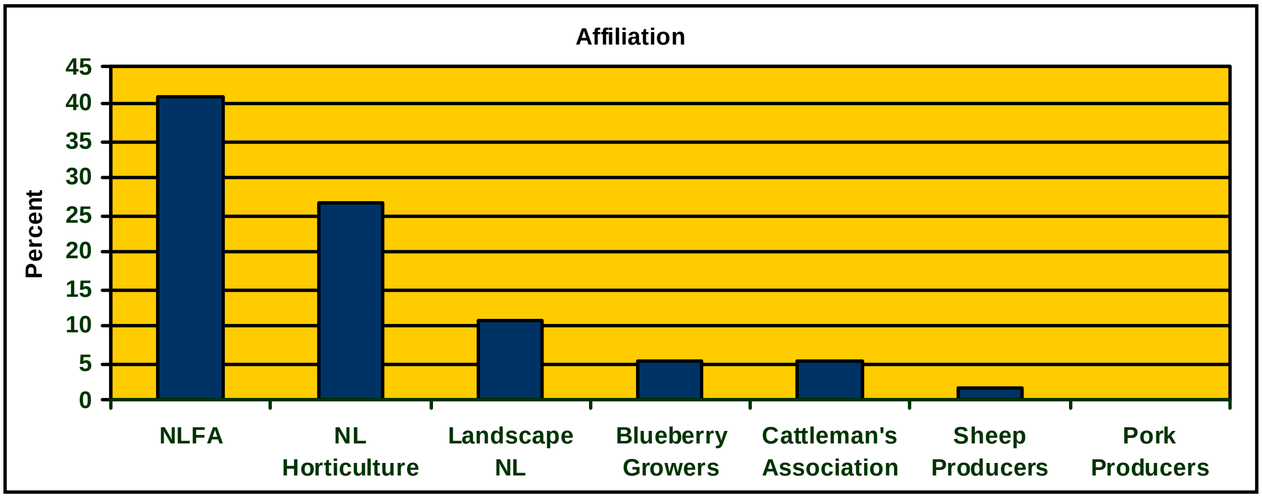
Chart 14: Length of Time in Business



Affiliation

Respondents were then asked what organizations they are affiliated with. As illustrated in Chart 15 below, the highest affiliation producers had, at about 41%, was with the Newfoundland and Labrador Federation of Agriculture, followed by the Newfoundland and Labrador Horticultural Producers Council Inc. at 27% and Landscape Newfoundland and Labrador at 11%.

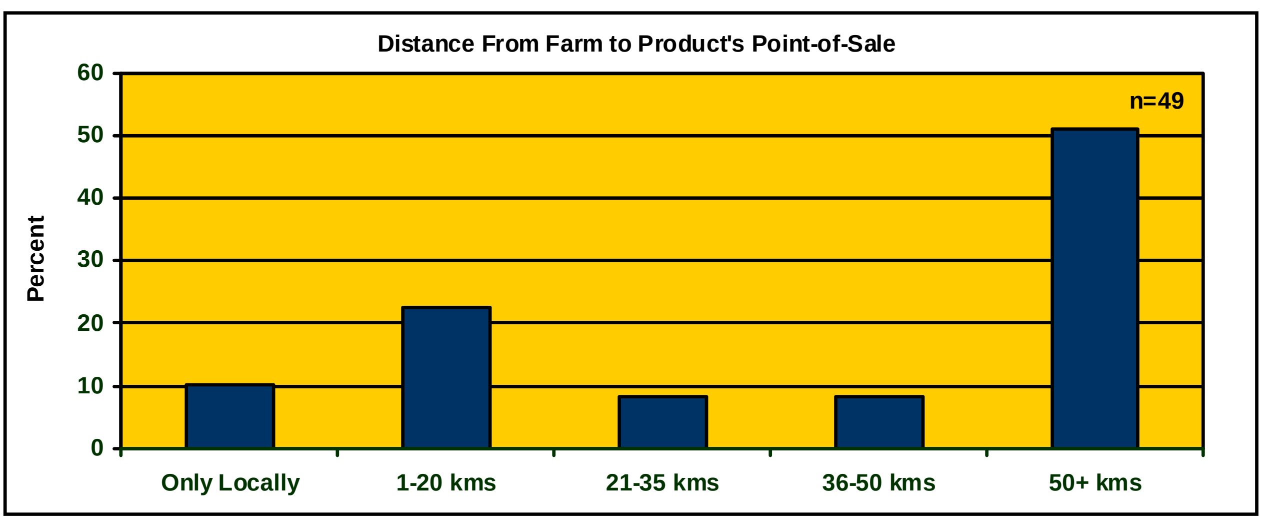
Chart 15: Affiliation



Distance Travelled to Sell Products

When asked what is the furthest distance travelled to sell their products, producers responded with from locally to over 50 kms. Chart 16 below shows that slightly more than 50% of the 49 producers that answered this question travel more than 50 km while about 10% sell locally. This data provides further evidence that markets closer to farm locations are required or co-operation between farms to transport products to point of sale locations is required.

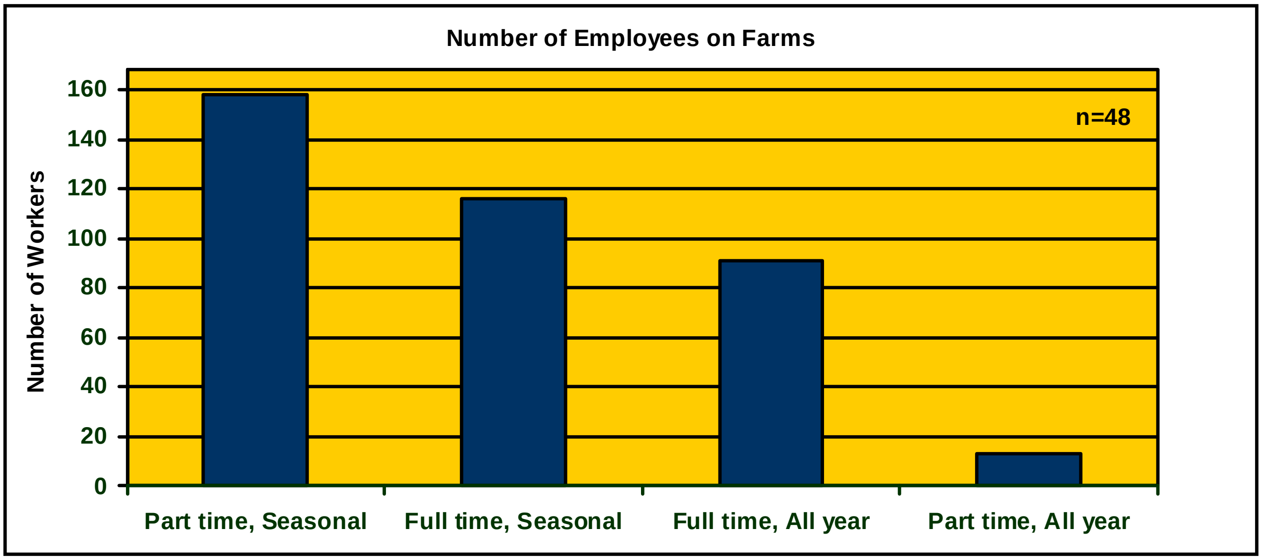
Chart 16: Distance from Farm to Product's Point-of-Sale



2009 Farm Employees

As displayed below in Chart 17, from the information provided by respondents, 48 farms employed 378 employees during the 2009 year, averaging 7.88 employees per farm. Of the 378, 91 employees were full time year round while 116 were full time seasonal, 13 part time year round and 158 were part time seasonal.

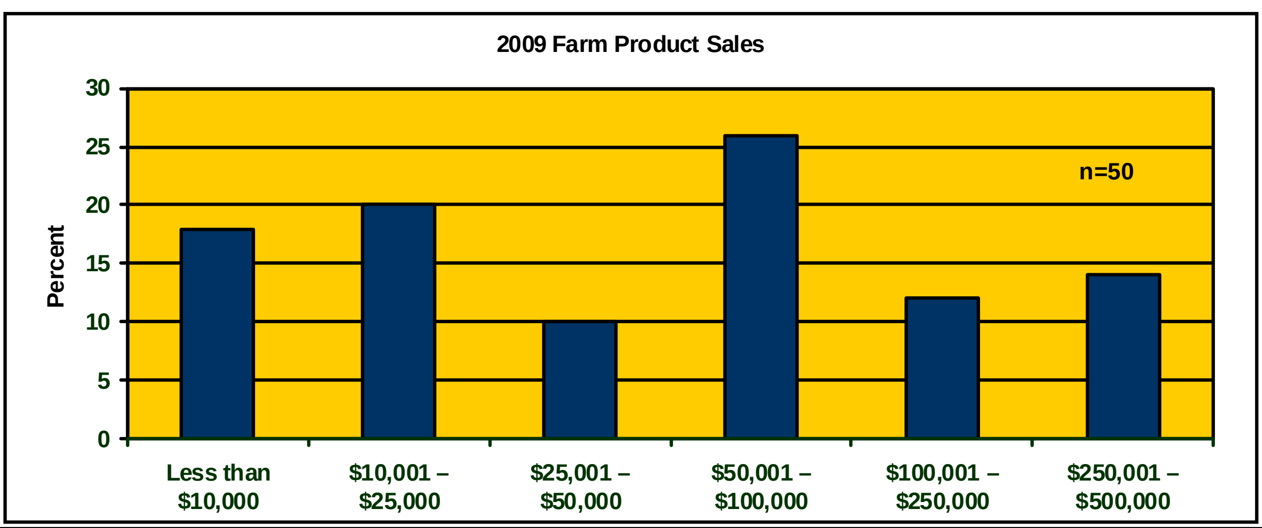
Chart 17: Number of Employees on Farms



2009 Annual Farm Product Sales

For demographic purposes only, respondents were asked their annual farm sales for the 2009 season. Chart 18 below illustrates that out of 50 respondents, 26% stated annual farm sales of $50,001-$100,000, while 20% saw $10,001-$25,000, 18% had less than $10,000, 14% had between $250,001-$500,000, 12% received $100-001-$250,000 and 10% received $25,001 - $50,000. From this, it can be determined that this survey has representation from the full spectrum of farm sizes found in the province.

Chart 18: 2009 farm Product Sales



CONCLUSION

The information provided by respondents provides information that can be used by various stakeholders moving forward. Marketing Newfoundland and Labrador's agricultural farm products as a premium product to ensure the growth and sustainability of the industry is and will continue to be a part of the Department of Natural Resources - Agrifoods Development Branch's mandate. There may need to be some collaboration amongst producers themselves where appropriate in taking advantage of larger markets or cost of inputs. As well, training of the industry in the benefits of marketing and the tools to use when marketing their business needs to be a priority moving forward. Once industry has the skill sets and the support of the Department, identifying their key messages, competitive advantage and target markets will help to determine how, where and to whom their marketing dollars should be sent to achieve the highest amount of return. There is a role for all stakeholders in the promotion of the Newfoundland and Labrador agricultural industry and an understanding and acknowledgement that marketing is a key operational activity.

RECOMMENDATIONS

Based upon the results of this report, the following are recommendations for producers to consider as part of their comprehensive product market development strategy:

- All Producers should develop a marketing plan;
- A yearly review process of the marketing plan should take place to update the plan based on new information or new marketing opportunities;
- Producers should focus only on two or three key selling avenues to ensure consistency in service excellence with the customers;
- Producers should always be familiar with current pricing strategies to ensure that they position their products as premium products due to consumer demands such as freshness, taste and locally grown;
- Promote products based upon key strengths that provide a competitive advantage such as freshness, taste, locally grown, support of local economy;
- For those producers that want to expand their business, explore opportunities to develop relationships with unique customers such as, but not limited to, B&Bs and restaurants as they may be an untapped market in closer proximity to the farm location than current selling avenues;
- Producers should develop a company brand that includes a logo for signage and/or packaging as this gives the consumer the opportunity to recognize their products when at the point of purchasing;
- Producers should use consistent messaging in advertising that is clear and concise so your customer base understand and know your farm and what it stands for;
- Producers need to understand what form of advertising works best for their business in attracting their target market while maintaining cost-effectiveness;
- Producers should be open to traditional and non traditional marketing techniques in promoting their farm and farm products as consumers are becoming more educated and using the Internet, for example, as a source of information in purchasing;
- Request and avail of training in marketing planning, strategies and techniques;
- Provide great customer service as it costs 10-12 times more to acquire new customers than it does to maintain current customers;

- Whenever possible buy as a group, regionally or through an association or in bulk, to avail of discount pricing on inputs;

- Limit the distance between production point to selling venues as much as possible – keep your cost of selling to minimum to ensure greater profitability;

- If producers are required to send products a greater distance, work with other producers to share the transportation costs;

- With the aging producer population, succession planning needs to be a priority in order to maintain and sustain the industry moving forward, and;

- Other potential initiatives, such as a mentoring or summer assistance program, may attract new entrants into the industry to learn from the experienced farmers on the lifestyle that is farming.