Developing a Marketing Plan for Greenhouse Production

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Overview

• Introductions

• The marketing mix: total market decisions and the **Four P’s**
  – Product, Price, Promotion and Place

• Other useful resources

• Wrap-up
About Me

• Lunenburg County farm girl
• Tobacco planting with Dad every spring
• Virginia Tech and SVCC
• My life’s work....agriculture
About You

• Who is currently farming?
• Who already has greenhouses in operation?
• After today, whose ready to ‘get growing’?
• Important next step...what are you going to do with what you grow?
Remember the movie, “Field of Dreams”?  

• “If you build it, he will come.”  

• How’s this for a marketing strategy: “If you grow it, they will buy”?  

![Image of a field with a crowd of people and food trucks nearby.]
Marketing 101

• What comes to mind when you hear the word “marketing”
Marketing 101

- Many people equate marketing with advertising...that’s just one tiny piece
- In reality, marketing is everything that connects the producer with the consumer
- It is anything that it takes to get the product in a form the consumer wants and to get it into his/her hands
Marketing 101

• Know your customer
  – What do they want?
  – How do they want it?
  – How much do they want?
  – When do they want it?

• Know what it takes you to produce it and what you’re willing to accept for it
How do you know?

• Research your market area
• You can start with census data
  – Census.gov
  – As an example
    http://quickfacts.census.gov/qfd/states/51000.html
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<th>People QuickFacts</th>
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<th>Virginia</th>
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<td>Population, percent change, April 1, 2010 to July 1, 2013</td>
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<tr>
<td>Asian alone, percent, 2013 (a)</td>
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<tr>
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<td>Two or More Races, percent, 2013</td>
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<tr>
<td>Hispanic or Latino, percent, 2013 (b)</td>
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U.S. Department of Agriculture

- [www.usda.gov](http://www.usda.gov)
- A wealth of data and publications related to food demand and food trends
- As an example, the continued demand for farmer’s markets

U.S. Ag Census Data

• [www.agcensus.usda.gov](http://www.agcensus.usda.gov)

• What does the supply side look like?

• Example: Virginia production of various commodities

• [http://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1, Chapter 2_County_Level/Virginia/](http://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1, Chapter 2_County_Level/Virginia/)
Industry Publications

• For example, The Packer: Everything Produce
  
  http://www.thepacker.com/
Industry Publications

• Another example, *The Produce News*

Recent Trends from *The Produce News*

– consumer demand for foods of high and predictable quality that offer convenience and variety
– growing demand for freshness and foods with higher flavor profiles
– changing ethnic composition expanding demand for Asian and Hispanic commodities
– growing consumer interest in where and how food is produced
– fresh produce consumption positively correlated with income and education
Impact of Demographics

• In 2009 households on average consumed $439 of fresh produce per year
  – $695 for Asian Americans
  – $496 for Hispanic Americans
Impact of Demographics

• Households whose members have not attended college spent on average $369 for fresh produce
  – $521 for households with members with bachelor’s degrees
  – $651 for those with postgraduate degrees

• Consumers in households earning $100,000 or more spent $712
The 1\textsuperscript{st} P: Product

- Once you’ve completed your research, decide which products you will produce, using which production practices
  - Mix of commodities
  - Traditional production versus organic or other
The 2nd P: Place

• How will you distribute your product?
• How will it get into the hands of your consumers?
  – Wholesale versus retail
  – Local versus beyond
  – Individual versus joint efforts

• What are some options available to you?
A Few Possible Outlets

• Southside Produce Auction, Cullen, VA
  – Bob Jones, Charlotte County Extension, (434) 542-5884

• Your local farmers’ markets
  – http://www.virginia.org/farmersmarkets/
A Few More

• Roadside stands

• CSA’s (Community Supported Agriculture)
  – http://www.localharvest.org/
A Few More

- Establish relationships with restaurants/grocers
- Form a cooperative with like-minded growers
Now for the 3\textsuperscript{rd} P: Price
Impact of Pricing on Total Revenue

• Think about the demand for a product: how do consumers react when price increases?

• Total Revenue = price per unit times # of units
  - TR = P x Q

  - Direct Effect: the price increase
  - Indirect Effect: the quantity decrease when price increases (and vice versa)
Impact of Pricing on Total Revenue

• Which effect is larger, the direct effect or the indirect effect?
• It depends...
  ▪ Are there substitutes for the product?
  ▪ Are there lots of other possible suppliers?

   Or

  ▪ Is this a unique product?
  ▪ Are there very few suppliers?
Impact of Pricing on Total Revenue

• Know your product
• Know your customers/buyers
• Know your competition
Impact of Pricing on Total Revenue

• Have prices in mind (utilize resources to become knowledgeable of the market), but be willing to negotiate

• What do you want to be known for?
  – High quality that can command a higher price
  – Lower price and work on volume
Pricing Strategies
Pricing Strategies

• For those who are farmers, how are we accustomed to pricing our products?

• For many of our traditional commodities, we are accustomed to being price takers

• It requires a change in mindset to become price setters or price makers
Pricing Strategies

• **Cost Pricing**
  
  – Adding a constant margin to the basic cost

  – What is your cost of production?
Pricing Strategies

• Penetration Pricing
  – Offer a low price to get exposure and gain wide acceptance quickly
  – May be appropriate for a new supplier
  – What are the downsides?
Pricing Strategies

• **Skimming The Market**
  - Introduce the product at a high price for affluent customers only
  
  - Do you have limited volume and want to reach a limited, upscale audience?
Pricing Strategies

• What The Market Will Bear
  – Experiment with various prices and charge the highest willingness to pay (WTP)
Pricing Strategies

• Discount Pricing
  – Give a reduced price for some specific reason

  – What are some possible reasons to offer a discounted price?
Pricing Strategies

• Loss Leader
  – Offer products at a specially reduced price (sometimes below cost) for a limited time
  – Best suited for retail operations

• Example: sell turkey at a loss at Thanksgiving time

• What is the expectation?
Pricing Strategies

• Psychological Pricing
  – Prices are emotionally satisfying
  – Most suitable when selling direct to the end consumer
Pricing Strategies

• Prestige Pricing
  – Appeals to a quality, elite image
  – Price sends a message of quality
  – Best suited when you have a unique product or a specialty item
Pricing Strategies

• Competitive Pricing
  – Price at the “going rate”
  – What IS the going rate?
Resources for Pricing Information

• VDACS Retail Farmers Markets Reports (May - September)

• USDA Ag Marketing Service Fruit and Vegetable Market News
  http://www.marketnews.usda.gov/portal/fv
You have a product, and you know your price.

How do you promote your products?
Marketing/Promotion Resources

• Virginia Department of Agriculture and Consumer Services
More Marketing/Promotion Resources

• Buy Fresh, Buy Local
  – “The Heart of Virginia” Chapter
  – Prints local food guides
  – www.buylocalvirginia.org
More Marketing/Promotion Resources

• Virginia’s Finest
Other useful resources

• Enterprise budgets, Virginia Cooperative Extension
  – In process of being updated
  – Can help estimate cost of production

• Enterprise budgets, North Carolina
  – [http://www.ag-econ.ncsu.edu/extension/Ag_budgets.html](http://www.ag-econ.ncsu.edu/extension/Ag_budgets.html)
Bottom Line

• Know where your product is going before you plant the first seed or slip

• Know what it will cost you to produce each product

• Know what price you are willing to accept for the product

• Conduct a sensitivity analysis:
  – If cost of production increases x%, can you still make a profit
  – If you have to accept a price that is y% lower, can you still make a profit
And...

• Always have an exit strategy
• Hope (and plan and prepare) for the best, but have a strategy for the worst
• Producers tend to be eternal optimists
• A common mistake: holding on too long
• Remember the concept of sunk costs: what’s done is done. The question is, what should you do next?
Proud to Lead
SVCC’s Agribusiness Program

- Remember 2/100/20
- Agribusiness is the country’s #1 industry
- Agribusiness is Virginia’s #1 industry
- Agribusiness is Southside’s #1 industry
- Agribusiness at SVCC allowed me to come home!
And there’s no place like home!
Proud to be a part of agriculture, and proud to be in Southside!
Additional Resources

Check out “Agribusiness, Southside Virginia Community College” on Facebook

Agribusiness marketing course each fall, Agribusiness management & finance course each spring:

Visit [www.southside.edu](http://www.southside.edu) to register
Thank you for the opportunity to participate with you today.

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