

CHAPTER 15

MARKETING – LARGE VERSUS SMALL SCALE OPERATIONS

INTRODUCTION

- *Once the grower has a prime product, that product needs to be marketed.
How the grower goes about marketing their product will determine the success or failure of their operation.
- *Marketing is a specialty in itself and should not be attempted by the novice.
- *This chapter covers a few of the basics that must be kept in mind when marketing your greenhouse hydroponic tomatoes, peppers, cucumbers, lettuce, etc.

ABOUT THE PRODUCT

- *Most crops grown using controlled environment agriculture and hydroponics are high cash value and perishable.
An exception: China grows both horticultural and agronomic crops (cotton, peanuts, etc.) using CEA in the form of plastic mulches.
- *They are also usually regarded as luxury crops (as opposed to staple crops such as wheat, corn, rice, etc., which usually can not be grown economically using CEA/hydroponics).
“Luxury foods”, such as tomatoes, peppers, cucumbers, lettuce, specialty greens, etc., add color and variety to a meal as well as vitamins and minerals.
Herbs add flavors to our meals and medicinals provide high quality alternative medicines.
Floriculture crops (much of which is grown using CEA) add beauty to our environment.
- *Definition: **Greenhouse, hydroponic vegetable product** =
(From the proposed Federal Marketing Order On Greenhouse Tomatoes)

“A greenhouse hydroponic product is from a permanent structure (glass or plastic) using a hydroponic (artificial) growing system, integrated pest management practices and a controlled environment, computerized/automated system, controlling temperature and other parameters utilizing a permanent heating and ventilation system.”

NOTE: This proposed definition has only recently been needed to differentiate product grown in this manner from product not grown in this manner but advertised as if it had been!

*For tomatoes (beefsteak and TOV), the proposed Federal Marketing Order On Greenhouse Tomatoes also defines the tolerances on different types of defects allowed:

DEFECT	TOLERANCE
Wet, open damage	0%
Severe shoulder cracks	0%
Blossom end rot	0%
Splits (shoulder, side, etc.)	0%
Over ripe, soft fruit	0%
Soft, watery spots	5%
Severe misshape	5%
Dry, small stem holes	5%
Scarring	5%
Blotchy, uneven color	5%
Light cracks	5%

METHODS OF MARKETING AND SALES

NOTE: Only the basics are discussed here. Marketing can be very complex!

*Direct Farm Market

An example of this would be where the grower sells the product at a roadside stand or takes the product to a farmer's market . This is typical of a small family business. When selling at a stand, etc., the idea is to make the product look "natural".

Use wooden crates or baskets and hand written signs.

Mirrors in back make it appear as though there is more product than there actually is.

Lights brighten the area and can be used to highlight certain items.

*Grower/Packer/Shipper

Similar to the above but on a much larger scale where the grower packs and ships their product to a place of sale. Ex.: Bonita Nurseries, Willcox AZ.

*Sales Agent/Distributor

Usually this person receives a commission of 10% or more.

*They can sell direct to supermarket chains.

*They can sell to a wholesale or terminal market (under the jurisdiction of the USDA).

*They can sell through a broker. (Note: The more people involved in the transaction, the higher the final price of the product to the consumer.)

*Wholesaler/Handler

This person operates within a terminal market.

They sell produce at a price and "mark-up" agreed upon with the buyer.

METHODS OF PAYMENT

***Sale based on cash to the seller.**

The buyer pays the seller outright for the product and takes all responsibility for it after the purchase.

***Sale on consignment.**

The seller delivers the product to the buyer/distributor.

The seller is paid for all sold product, BUT...

Whatever product is not sold the seller must take back and will not be paid for! This is common when the product is not in good condition or can not be guaranteed. Therefore, the value of the product rests with the grower/shipper with no risk to the buyer.

The person buying on consignment often receives a 15% commission but may also pay for the handling and freight.

*Note that, depending upon the terms of the agreement, the price of produce can shift with the market or be fixed (contract pricing).

With variable pricing a greenhouse hydroponic tomato grower would make far more money per unit in the Winter when competition (see below) is low and demand is high, but not fair so well, or even have to cease production, during the Summer.

With contract pricing the grower would receive a fixed price year around. This might be lower in the Winter than what could be obtained with variable pricing, but the grower would make up the difference in the Summer when prices would otherwise be much lower.

COMPETITION CONCERNS FOR GREENHOUSE HYDROPONIC TOMATOES

***Open field, fresh market tomatoes**

Open field tomatoes are sold in direct competition with greenhouse hydroponic tomatoes and will always be sold for a lower price.

These tomatoes are primarily from:

- 30% California
- 10% Virginia, Georgia and South Carolina
- 25% Florida
- 5% other states
- 30% other countries

One disadvantage for open field tomatoes is the climate.

Therefore, most states in the United States (except perhaps Florida) will only produce field tomatoes in the late Spring, Summer and early Fall.

During the late Fall, Winter and early Spring greenhouse hydroponic tomatoes can command a larger part of the market, and the entire market in some areas, with the main competition coming from foreign growers in southern latitudes.

***Fresh market imports (other countries) of tomatoes.**

These countries produce significant quantities of open field and greenhouse hydroponic tomatoes for domestic use and for export. Shown are the percentages of the import market for each country into the United States.

86%	Mexico	1%	Israel
7%	Canada	1/3%	Belgium
4%	Holland	1/3%	France
1%	Spain	1/3%	Chile

***Greenhouse tomato demand and consumption in the United States:**

Although open field, fresh market tomatoes are cheaper than greenhouse hydroponic tomatoes, 61% of consumers purchased greenhouse product during the Winter of 1999-2000.

Greenhouse tomatoes are purchased by all consumer groups.

Although more open field, fresh market tomatoes are produced, greenhouse tomatoes make up 5-10% of the total tomato consumption in the United States.

CONSUMER CONCERNS ABOUT PRODUCE IN TODAY'S MARKET

*Today's consumer is aware of many factors that impact the produce they buy.

*These factors have been categorized as to the level of concern by consumers:

42%	Use of chemicals and pesticides
31%	General freshness of the product
12%	Cleanliness of the product
11%	How the product was handled
10%	Disease/sickness
9%	Bacteria/"germs"
8%	Spoilage
8%	Wash product properly
6%	Condition/appearance
6%	Where product was grown
5%	Contamination
5%	Insect free
3%	Packaging issues

ADVERTISING AND "SALES BULLETS"

*Unless the public knows about the grower's product they won't buy it!

*Also, the grower's product must be better than other's for the consumer to want it!

*Remember, in the case of tomatoes, open field tomatoes are cheaper than greenhouse hydroponic tomatoes. So the grower must convince the consumer that it is worth the added price to buy their greenhouse hydroponic product!

*One advertising technique is to use what are called “sales bullets”.

Sales bullets = short phrases that emphasize a particular positive factor or attract a particular audience.

- Pesticide free
- High in cancer-fighting lycopene
- Sunshine sweet
- Nature sweet
- Nature’s finest
- Vine ripened
- Vitamin rich
- Hand picked with care
- Arizona grown
- Arizona sunshine
- Hydroponically grown
- You’ll love every healthy bite
- Tomato eaters make better lovers
- Grown in Wildcat country

These “sales bullets” can be added to advertising or packaging to promote the product.

REFERENCE MATERIAL

1. **Marketing Presentation.** 2000. Fried DeShouwer. United 2000 Agricultural Trade Show, Phoenix, AZ.
2. **Proposed Federal Marketing Order On Greenhouse Tomatoes:** 2000. As proposed by the Arizona Department of Agriculture in conjunction with the United States Department of Agriculture (USDA).
3. **Protected Agriculture: A Global Review. Part 4. Economic Factors.** 1995. M.H. Jensen and A.J. Malter. The International Bank For Reconstruction and Development/The World Bank. 1818 H Street, N.W., Washington, D.C. 20433. World Bank Technical Paper ISBN 0-8213-2930-8.