

Non-Traditional Agricultural Markets: A Few Trends and Examples



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Why Non-Traditional Markets?

- Traditional markets are commodity-based
 - Favor large-scale, low-cost
 - As profit/unit shrinks, increase production
 - Economies of scope vs. economies of scale



Why Non-Traditional Markets?

Non-traditional markets are value-based

- Favor smaller-scale, personal touch
- Goal is to maximize profit/unit
- If profit shrinks, switch markets or products
- Size of operation may increase but survival is not dependent on growth



Trends = Opportunity!



Keep in mind this caveat:

“Trend is not destiny.” *-Rene Dubos*



Hot Trends

- Cheap food—and very cheap commodities—making higher-priced, value-added ag products affordable for consumer and profitable for farmers



Product	Retail Price	Farm Value	Farm's Share
Apples, red delicious, 1 lb.	92¢	19¢	21%
Potatoes, 10 lb.	\$3.80	66¢	17%
Corn flakes	\$2.14	9¢	4%
Frozen, cut broccoli (1 lb.)	\$1.37	17¢	12%
Eggs (1 doz.)	91¢	48¢	53%

Farm Share of the Consumer Food Dollar (*from USDA-ERS 2000*)

Meat Products:



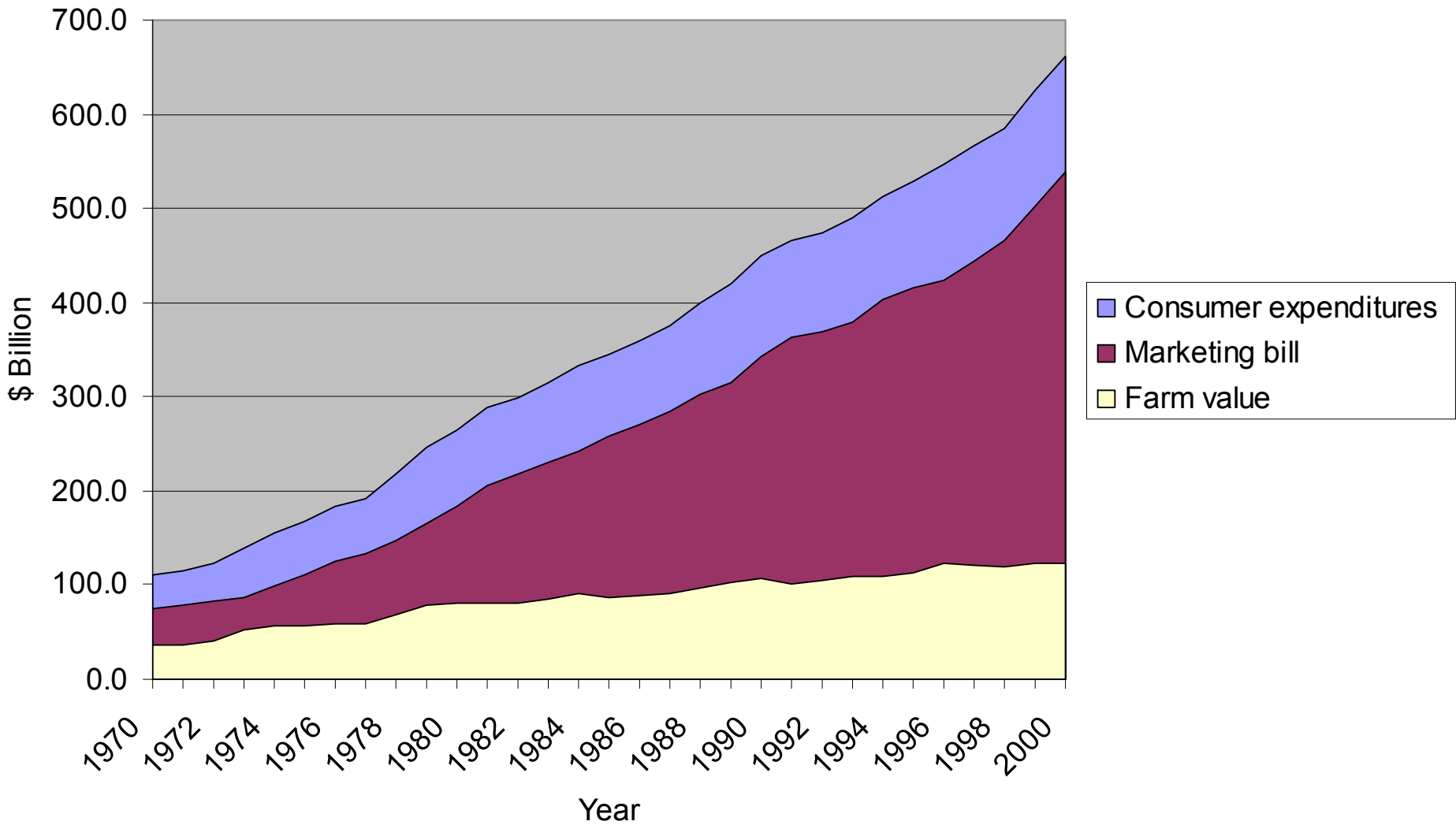
1946 Farmer share 73%

1956 Farmer share 52%

1998 Farmer share 12%

Average farmer share of all foods in
2000: 19%

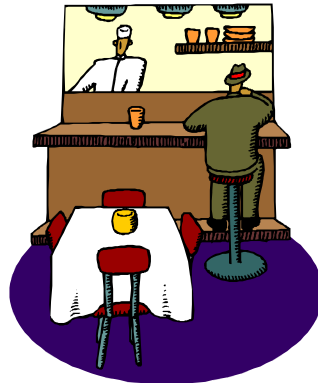
Trends in Food Spending, Marketing Bill, and Farm Value, 1970-2000



Source: USDA-ERS, 2000

Hot Trends

- More than 80% of consumer food dollar goes to “marketing;” 19% to the farm
- More than 40% of the consumer food dollar in 2000 was spent on meals consumed away from home



Hot Trends

- Small is Beautiful!

Very large companies are trying to look like they are very small





“Hand-crafted in small batches”

“Brewed by five generations of the
Leinenkugel family”

“Brewed in Chippewa Falls,
Wisconsin by 73 people who care”

What the label doesn't say:

Leinenkugel Brewing Company is owned by SABMiller plc, which is one of the largest brewers in the world (second only to Anheuser-Busch) and has operations in 40 countries.



Hot Trends

- Small is Beautiful!

Small, unique, artisanal companies are very popular, particularly—not necessarily-- with more affluent consumers



A very small on-farm bottling plant near Phillips, WI

Hot Trends

- Anything that fits the Atkins diet protocol
 - Lots of meat
 - very little carbohydrate
- “Compromise foods” for kids
 - Granola rather than sugar cereal
 - Drinkable yogurt
 - Other products?





Hot Trends

- Functional foods
 - Health benefits as well as nutrition
 - Not new, just different
 - Adding vitamin D to milk
 - Fortified bread

Beans -cholesterol, heart, blood sugar, hypertension	Spinach -heart, cancer, eye health
Blueberries -heart, cancer, healthy skin	Tea -immune system, heart, cancer, osteoporosis
Broccoli -immune system, cataracts, bones, birth defects	Tomatoes -cancer, skin, eye health
Oats -cholesterol, heart, diabetes	Turkey -immune system
Oranges -heart, cancer, diabetes	Walnuts -heart, diabetes, cancer
Pumpkin -cancer, healthy skin	Wild salmon -heart, cancer
Soy -heart, cancer, osteoporosis	Yogurt -heart, strong bones

Source: SuperFoods Rx: Fourteen Foods that Will Change Your Life by S.G. Pratt

Also, cranberries, cherries, ginseng, honey, farm-raised fish!



Hot Trends

- Consumers Demanding Traceability
 - Food scares have heightened concern about food sources
 - Consumers want some sort of warranty of food safety: Organic; eco-labeled; direct from the farm
 - Relative cheap cost of food in the US makes it affordable



Hot Trends

- Organic Production and Marketing
 - Market has been growing more than 20%/year for more than a decade
 - Now available in 73% of supermarkets nationwide
 - Huge companies getting into the business: Dean Foods; General Mills; Unilever

(Source: Organic Agriculture in Wisconsin: 2003 Status Report by the UW-Madison Center for Integrated Agricultural Systems)

Hot Trends

Organics (continued)

- National Organic Program implemented in '01
- Certification is costly (\$350-750 initial cost), requires paper trails
- Exemption for less than \$5,000 annual sales
- Wisconsin has \$ assistance available through DATCP





- Based in LaFarge, WI
- Started 15 years ago as an organic vegetable coop
- Now, one of the largest organic brands in the US
 - 633 farmers in 17 states, 95,000 acres & 20,475 COWS
 - \$156 million in sales in 2003

Hot Trends

■ Eco-Labels



Food Alliance

1829 NE Alberta, Suite 5, Portland, Oregon 97211 Tel. 503.493.1066 Fax 503.493.1069



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Hot Trends

- Eco-Labels

- Certification process similar to organic but looks at “sustainability” factors rather than chemical use
- Can be very expensive: One agency charges \$500 initial fee plus an annual fee on a sliding scale beginning at \$350
- Consumers may not trust the label if they suspect “green-washing”

Hot Trends

- Locally Produced Food
 - A product claim that can not be made by a multinational organic food company
 - Gives a Wisconsin grower a huge competitive advantage



An Example



Shoe and Sal's Farm Fresh Meats, Beaver Dam, WI



Hot Trends

Farmers' Markets

- Number of markets increased 63% in last decade
- Sales per customer: \$17.30/wk, \$306/yr
- Sales per vendor: \$11,773
- 34% increase in customers from '96-2000
- 67% of customers live within 10 miles of their market

Source: USDA-AMS [U.S. Farmers Markets-2000; A Study of Emerging Trends](#)



Hot Trends

- 80% of Americans say that environmental safety of a product influences buying decisions
- Older people are more likely to research eco practices and more likely to buy from eco-friendly companies
- Young people (under 35) are most apathetic about eco-products

Source: “Eco-Friend or Foe?” In American Demographics, Oct. 2003

Hot Trends

People are more likely to buy “sustainable” foods if:

- Products are perceived as genuine and trustworthy
- Addresses their concerns about pesticides, etc.
- Labels are understandable
- Price, taste, quality and convenience expectations are met





Hot Trends

■ People Looking for Opportunities to Visit a Farm

Farm-based bed
and breakfast

Rent out a guest house

On-farm educational
workshops

Bus tours -
School groups
and seniors

Roadside stands

On-farm weddings

Farm tours and gift shop

Agri-tainment - The
cornier the better!

On-farm processing with
demonstrations

Cross-country ski trails

Mountain biking

Holiday craft sales

Sledding

Lease hunting/fishing rights

Example:

Nanchas Elk Ranch, WI Dells, WI



Hot Trends

- Offering new products or services according to consumer trends
 - Gift baskets
 - Ready-to-eat farm products
 - Processed products
 - “Branded” products
 - Unique crafts
 - Anything featured on Food Network



Examples



Shannon "up to her ears" in holiday gift boxes

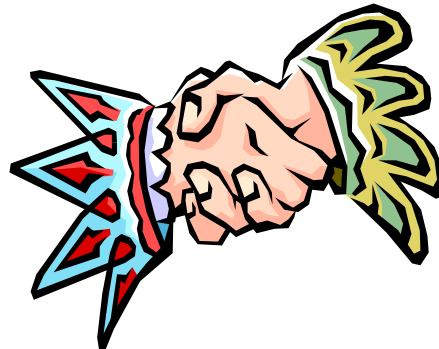
Cates Family Farm Beef sells hundreds of gift boxes during the holidays



Eydie Ridder, Baraboo sells painted birdhouse gourds, popcorn, dried beans, etc.

Hot Trends

- Finding alternatives to direct marketing
 - Produce auctions
 - High-end wholesaling
 - Selling high-quality, small volumes to retailers
 - Marketing in collaboration with other farmers (Home Grown Wisconsin, for example)



Example of High-End Wholesale



WI River Prairie Honey, Prairie du Sac, WI
marketing through Michael Fields Ag Institute,
Home Grown Wisconsin and others



Questions or Comments?

Thank you!

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