COMMODITY RESEARCH STUDY
PROJECT REPORT

IOWA DEVELOPMENT COMMISSION

Final Report

COMMODITY DEVELOPMENT RESEARCH PROJECT

Sponsored by

IOWA DEVELOPMENT COMMISSION

With cooperation from:

Iowa Beef Industry Council
Iowa Cattlemen's Association
Iowa Corn Growers
Iowa Division, UDIC-ADA
Iowa Dairy Industry Council
Iowa Pork Producers Association
Iowa Poultry Association
Iowa Soybean Association
Iowa Soybean Promotion Board
Iowa Turkey Federation
Iowa Turkey Marketing Council

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BACKGROUND AND OBJECTIVES

Although some specialty food producer groups have operated promotion programs for many years, a recent move by producers of such major commodities as soybeans, corn, hogs, cattle and poultry to establish and fund self-help programs has created a husky new force in midwest agriculture.

Unlike the general-purpose farm organizations, these one-commodity-interest groups are narrowly based. Their memberships are restricted to producer-growers of a single commodity. Their goals are basically economic, rather than legislative-social-educational. For the most part, their funding is derived from a market deduction on units sold, rather than on a membership-dues pattern.

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Here in Iowa, although the several checkoff rates are all extremely low, farmers were investing in excess of $2 million annually by late 1972. With the advent of legalized deductions on corn and poultry, the total will exceed $3 million annual rate during 1973.

Only dairy interests of the several Iowa groups have enjoyed substantial checkoff funding for an extended period. All other units are so new as to still be in development stages. All are desirous of developing programs which will insure economic returns to their farmer-investors in excess of checkoff inputs.

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With the prior approval of these several commodity organizations, and with their offer of cooperation and assistance, the Iowa Development Commission instigated a series of studies designed to help Iowa's commodity organizations reach maximum effectiveness in behalf of the state's agriculture.

PHASES OF THE RESEARCH PROJECT

Phase I: Study of established, successful commodity organizations.

This work included in-depth personal interviews with top management officials of such one-commodity units as Sunkist Oranges, Diamond Walnuts, California Wine Council, Sunmaid Raisins, National Cotton Council, etc...14 in all.

Data sought included their purposes and goals, structures, funding patterns, long and short-range planning, staff skills, program operation, communications with investors, assessment of performance, maintenance of membership.

Purpose: to develop a profile of a model one-commodity organization using a composite of strengths.

Phase II: Study of the potential, operating patterns and techniques in modern-day marketing, promotion and market development.

Because all Iowa commodity units consider the development of increased demand as an important (in some cases, their dominant) purpose, specialists in sales, marketing, merchandising, advertising and related skills were gathered into "think session" seminars to offer professional guidelines for market expansion.

Phase III: Presentation of project results and recommendations to cooperating Commodity groups.

A. At marketing seminar July 17, for officers, directors, staffs.

B. Distribution of final written report to cooperating groups Sept. 1.

C. Conferences with individual groups to discuss guidelines, as requested.

(The complete written report of these studies will be available to press and interested organizations immediately upon its completion about Sept. 1.)

HOW STUDIES WERE CONDUCTED

Target areas for the studies were defined jointly by Dr. Marvin Lind, Research Director, Iowa Development Commission, and project coordinator, Dan Murphy. Murphy was retained because of his long experience as staff member and consultant to several commodity organizations. He is a recognized specialist in the structuring and program planning of volunteer agricultural organizations.

Phase I involved the interviewing of some 30 top administrative and operational officials of 14 well-established commodity marketing organizations. Most interviews were followed by visits with staff members, tours of facilities, and a review of marketing strategies and promotional materials. Dr. Lind and Murphy conducted the in-depth interviews.

Summaries of these interviews, together with a composite "profile" of the "ideal" commodity organization were prepared jointly and have been reviewed by agricultural, agri-business and educational leaders familiar with commodity organizations.

In Phase II, a team of nationally known professional marketing specialists were brought together, under assignment to develop basic guidelines for establishment and operation of effective marketing project by the several farm commodity organizations.

After the planning sessions, the guidelines were summarized, reviewed and refined by the marketing specialists. To assist commodity officials and their staffs in making maximum use of recommended procedures, a day-long marketing training school was held in Des Moines, with a team of six of the consultants serving as resource people.

Phase III involves the preparation of summaries in this report, distribution of same to the cooperating organizations, and such initial consultations with those groups as may be requested.

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SPECIAL THANKS go to the following, who have given generously of their time and knowledge to these studies:

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Canning Peach Assn.

Ann Williams Cross
California Foods Research Institute

Walter Englund
Bureau of Marketing
California Dept. of Agric.

PROFILE: A COMPOSITE OF ORGANIZATIONAL STRENGTHS

Unlike the general farm organizations, whose role covers broad areas such as self-education, public policy, commercial services, health and other social needs, the commodity organizations are quite narrowly based. Typically, those farmers who produce a given commodity are organized to protect and expand their own economic interests.

In this study, the strengths and weaknesses of well-established commodity organizations were explored with this purpose in mind: to develop a profile for an "ideal commodity organization," based on a composite of the structural and operational strong points which have led to success.

Be reminded that no one organization exactly fits this profile. However, those units which are best satisfying the needs of their producer-investors do resemble the profile in most respects.

For uniformity, negative factors were reversed and stated positively. One example: commodity organizations operating without benefit of precise and long-term planning tend to fractionalize their energies and funds over a broad list of activities, and thus handicap progress toward their major goal. This weakness was reversed and stated thus: "Develop and follow a specific plan to attack the basic problem."

PROFILE -- BACKGROUND

Two overriding factors are vital to the development and operation of commodity organizations:

1. Producers/growers of a commodity face a problem which is:

   A. Substantial enough to justify extensive group effort and funding, and
   B. Not being solved by existing entities.

2. Producers/growers support an organized effort because they

   A. Clearly recognize the need for a commodity-wide effort,
   B. Believe that a self-help program could solve the problem, and
   C. Expect economic returns from their investment.

With need clearly established and understood, and with substantial numbers of producers willing to organized themselves and to fund a common problem-solving venture, a commodity group has a potential for success.

The profile of an "ideal" commodity organization is presented in two sectors, structure and operations.

The several items in each section are listed at random, with no attempt to portray priority or chronological order.

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PROFILE -- STRUCTURE

The "ideal" commodity organization would be built on these foundation blocks:

1. A clear, concise STATEMENT OF PURPOSE, understood by investors
2. A specific PLAN to attack the commodity's basic problem
3. A PROGRAM designed to carry out the planned solution
4. An investor-controlled POLICY-MAKING BODY
5. A strong ADMINISTRATOR to carry out policy
6. Staff SKILLS geared to exact program needs
7. FUNDING on a scale sufficient to accomplish purpose
8. A TIMETABLE for growth, progress, step-by-step results
9. Mechanism for regularly ASSESSING results of programs
10. Strong two-way internal COMMUNICATIONS, flowing from investors to organization, and from organization to investors

While the dimensions of each organized structure are and should be peculiarly its own, the odds for effective results apparently are substantially improved if the above "blocks" are built in.

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PROFILE -- OPERATIONS

IN OPERATION, the ideal commodity organization tends to:

1. Restrict its activity to one or two major tasks

2. Follow a long-term, comprehensive plan to keep programs on target

3. Leave flexibility in its short-term planning to move with economic, marketing and other changes

4. Keep staff numbers and overhead costs low, so that maximum budget can be used for programs

5. Avoid a buildup of "carryover" funds

6. Guard against duplicated effort, but look for tie-ins and cooperative projects to stretch budget

7. Use skilled specialists part-time, rather than full-time "utility men"

8. Look at processors as allies, rather than as the "opposition"

9. Stress commodity/product image, rather than producer image

10. Concentrate on marketing rather than production research

11. Make mistakes, admit same, and learn from error

12. Conduct regular information-training programs for officers, leaders

13. Be completely frank with investors regarding plans, programs, funding needs, results, rate of progress

14. Follow sound, careful business practices...especially in handling and accounting for its funds

15. Enjoy a growing support from its producer/investor, financially and otherwise

Profile -- Operations (Cont'd)

16. Succeeed in solving its major problems

Depending on the nature of their goals and programs, most commodity groups could add operational steps to the above. But these factors seem to be "standard" to the more effective organizations.

PROFILE COMMENTS -- STRUCTURE

Newer, still-developing commodity groups may be interested in brief comments regarding the (probably over-simplified) outlines on structure and operations. For older, established groups, the material may be useful as a periodic checklist. The following remarks are admittedly editorial in nature, resulting from comments and observations of the research people and the several consultants involved in these studies.

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1. Need for concise statement of purpose, the targeting of exact goals, stems from the usual practice of organizations to show a broad purpose, "anything necessary to protect, improve and promote XXX commodity" in official articles and bylaws. For effective use of always-limited funds, priorities must be developed to target major problems.

2. A specific PLAN must be laid down before the vital problem can be attached. If your goal is to expand total output by five percent per year without breaking price, your broad plan would be to increase demand by five percent. You'd decide whether the new demand could best be developed in the existing market, by creating a new product use, by improved packaging, by looking for markets overseas, or whatever.

3. Program development, geared to your careful plan, becomes a matter of assembling and using the necessary inputs for expanding total use in parallel with production growth.

Profile Comments -- Structure (Cont'd)

4. Investor control of policy is not only desirable, but nothing else makes sense. Under the self-help philosophy, the investor can kill off his organization at will...by simply withholding his funds. His voice on policy direction is, therefore, vital to his acceptance or rejection of the organization itself. Even though most producer-funded commodity groups are semi-governmental, majority control on the policy-making body should and does rest with investors.

5. Administrative skill is so vital it needs no further comment.

6. Whether a commodity is involved in market development, quality control, price bargaining or the removal of trade restrictions, the level of technical skills on staff directly affects the success of each program. (We queried the three top staff officials of a major commodity unit regarding the plant population of their commodity per acre. None could answer. But they were superbly competent about product distribution domestically, retail merchandising and Asiatic markets respectively.)

7. Lack of funding on a <u>scale sufficient to accomplish purpose</u> is often the major threat to young commodity groups. Most of the organizations surveyed have, after demonstrating their competence on a pilot scale, recommended and obtained additional funding when required to "do the job." Well-

informed farmers recognize that small tools cannot do the big jobs. If the goal is a nationwide growth of consumption at a planned rate of five percent per year, this goal is simply unattainable if budget will only cover a good marketing program reaching ten percent of the consumers. Inadequate funding could result in a "little money wasted"...where a realistic checkoff could create the growth and pay the investor the expected dividends.

8. Timetables are a vital prod to progress...in business, education, commerce...and in organization work. Things simply do not get done on a "sometime" basis. Set up realistically by joint agreement of policy unit and staff, and reviewed regularly, timetables are a powerful stimulant to produce results.

9. The best of the commodity groups pay careful attention to the measurement of performance. Where goals are stated in units of product, and where timetables are established, analysis is simplified. On September 1, thirty-nine percent of the product has moved out of warehouses into distribution... six percent behind schedule. Additional programming...or correcting leaks in the on-going programs...is indicated. Such assessment puts pressure on administration and staff, but it is an accepted function of the policy-making group.

10. Communications could be used as a measuring stick for

organizational effectiveness. The best organizations from a performance standpoint seem to be doing the best job of listening to, and talking to, their investors. Repeatedly we heard from top administrators: "Tell your people the story. Often. In detail. Good news and bad. Write them. Call them. Meet with them. Use public media. But tell them...and when it's their turn, listen to them. They're paying the bills, and they have a right to hear and to be heard."

PROFILE COMMENTS -- OPERATIONS

The operational patterns listed in the condensed profile are not unusual in any organizational pattern. Some, however, seem to have significant advantages for one-commodity units... either because they improve the effectiveness of the programs or because of investor-staff relationships.

1. By restricting itself to a narrow goal, the organization benefits from concentrating its planning, activity and funding on the high-priority problems.

2. In a related way, long-term planning (most units use a "rolling" five or ten-year plan) permits the group to anticipate situations, to act early in a preventive way rather than to wait for trouble to hit and then re-act...too late.

3. The need for flexibility on short-term operations is clearly demonstrated in a 1973 period in which many commodities are in short supply...and hard-sell marketing needs to be sidetracked in favor of protecting consumer good will, salvaging shelf space, and other soft-sell approaches.

4. Food and fibre producers seem to be agreed on one basic principle: they favor...and insist on...most of their funds being used for programs aimed at solving problems, rather than on a "big staff, small program" approach. Most of the 14 groups studied manage to keep salary, office, and other overhead expenses at a level below ten percent of gross budget.

5. Investors in commodity units, we are told, are strongly

insistent that funds be used as collected for stated purposes. One administrator told us: "My people see no need for carry-over money sitting in a bank." In the California pattern, budgets call for no carry-over higher than ten percent of annual budget.

6. Cooperative projects -- including shared staff, projects and consultants -- are common. Advertising-merchandising-marketing tie-ins are set up, both with other commodity groups and with brand-name and trade units.

7. Because product marketing is so highly competitive, many groups use consultants to help plan and develop their several programs. They've found, through experience, that this use of specialty skills on a part-time basis is less costly than hiring such professionals on full-time staff.

8. By recognizing that the entire food industry is interdependent on its several sectors, commodity groups have done much to erase long-time suspicions about the several "middlemen." Beneficial cooperation usually results.

9. Stressing product image, rather than building producer image, is apparently a sign of organizational maturity. As one official said: "The homemaker doesn't care whether the farmer is fat. She only cares if the pork chops are fat." Diamond, Sunkist and others are extremely quality-conscious about their products...but worry not about how the consumer

views their growers.

10. Almost without exception, commodity leaders feel that supply can be increased without special effort if demand has been built...that the critical shortage is on the marketing, not the production, end. Most groups allocate budget for production research in a substantial way only if an emergency threat arises: a new plant disease, insects, restrictive regulations, etc.

11. Asked, "Do you have projects that flop?", commodity officials regularly said, "Certainly. Anyone who is actively fighting for more markets fails occasionally. If we didn't bomb out occasionally, our people would figure we weren't even trying."

12. Although recognizing that a policy-making board should not be involved in program details, most organizations feel that planned briefing sessions for leadership people are useful ...and they take special pains to keep leaders updated on economic factors, trends, market-building plans and programs.

13. Credibility is apparently as important as performance in maintaining a solid investor-organization relationship. Organizations which keep information flowing have relatively little trouble with referendum votes, with appeals for increased rates of checkoff, with reaction to the occasional (sometimes expensive) flop.

14. A well-run business with sound accounting for funds

needs no further comment.

15. The best operated organizations find that investor interest and support grows in direct relationship to overall organization performance. Some units which process and distribute product actually have to restrict membership.

16. Naturally, the organization which is soundly structured, and operates efficiently in pursuit of goals, does succeed.

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SHORT SUMMARIES RESULTING FROM INTERVIEWS WITH OFFICERS OF THE INDIVIDUAL COMMODITY GROUPS, AND DATA REGARDING THOSE ORGANIZATIONS, ARE INCLUDED LATER IN THIS REPORT, STARTING ON PAGE 42.

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THE CALIFORNIA MARKETING ORDER PLAN

California, with its long history of successful producer-financed commodity units, has over the years developed a quite stable general plan for self-help programming. This plan, and particularly the strong points which it features, should be helpful to Iowa's agricultural commodity organizations. A brief review follows.

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A number of food commodity groups in California operate programs under a single piece of umbrella legislation -- the California Marketing Act -- which dates back to the 1930's.

This legislation permits qualifying groups to undertake any or all of a specified list of activities, including: volume regulations; quality and/or size requirements; advertising and sales promotion; research in production, processing or marketing; and unfair trade practices.

Interested parties representing any food commodity may petition for a hearing to establish themselves under the Marketing Act.

If at the public hearing a need is clearly established, the petitioning commodity group is invited to develop a proposal for attacking its problems. This proposal includes the selection of the specific activities it deems important to meeting the commodity's needs.

The Director then authorizes and conducts an industry-

wide referendum, which requires the favorable vote of 65 percent of the producer-growers representing 51 percent of the commodity -- or 51 percent of the producers representing 65 percent of the total output.

Upon successful passage of the referendum, the Advisory Board is nominated by producers and appointed; a manager is employed; selected activities are programmed and costs established.

Finally, an assessment (checkoff in our language) is established on a pro-rated basis according to volume, at a level which will cover the program costs.

Assessments are collected by the Director of Agriculture. Once the referendum has been passed, no refunds are permitted.

Strong points of the California pattern:

1. The "umbrella" legislation established a workable path by which any commodity group can establish self-help programs without repeat appeals to the legislature.

2. The Act spells out specific activities possible under the legislation.

3. Because specific need must be established in the initial step, and because "anti" forces must in effect be "sold" <u>prior</u> to the referendum, pockets of opposition tend to be neutralized early.

4. With need established and agreed upon, the Act calls

for precise advance planning regarding program activity. This means that producer-growers know -- <u>before they vote</u> -- how their funds will be used. This puts program control in the hands of investors BEFORE they invest.

5. By requiring a clear-cut majority of ALL producers, the Act in effect demands that an adequate information-explanation program be carried to ALL producers prior to the voting. (In Iowa, one percent of the producers could carry a referendum...leaving 99 percent either uninformed or not supporting. Programs here thus may face jeopardy in upcoming referendums.)

6. The assessment (checkoff) level is geared to specific program costs. It is flexible. If advertising-marketing can be reduced in the year of a short crop, the assessment is reduced. Or...a bumper crop, coupled with a heavy carryover, might require an accelerated marketing program...so the assessment is hiked to move extra product and protect price.

7. The philosophy of the California pattern centers not on supply alone, not on price alone, not on demand alone... but on that <u>combination</u> of economic factors which provide a <u>net profit.</u>

Volume regulations include determining the existence of a surplus, elimination of same via a number of routes, and an orderly flow to market of the marketable quantity. Surplus may be diverted to other than normal marketing channels; they

may seek a market overseas; they may be eliminated in the field. Close adherence to quality standards is one key to resolving the surplus problem.

8. Because the goal is the creation of reasonable net income <u>every</u> year, producer-investors are willing to invest considerably higher portions of their gross sales to the several program phases of the Marketing Act. For example, <u>assessments for advertising-promotion may be as high as four percent of the gross sales price of the products.</u> <u>The Sunkist growers put seven percent of their crop value into marketing their oranges and lemons.</u>

9. We were repeatedly impressed with the professionalism at staff and supplier levels. Most of the Advisory Boards, for instance, use a foods-presentation specialist to prepare their product for promotion photographs. Marketing people were educated, trained and experienced in food marketing and distribution. Several use training specialists to conduct schools for fruit-vegetable managers and stockboys in retail stores. Design artists are used to develop new packaging, retail display materials, can labels, etc.

10. We noted a widespread willingness to cooperate with other commodity <u>units in tie-in advertising</u>, cooperative promotions, even in the pooling of field personnel who contact food brokers and chain headquarters. (Many possible tie-ins

could be pursued by Iowa commodity units with the California groups...to the mutual advantage of both states.)

11. California groups do an excellent job of informing their producer-investors. They use well-planned, year round patterns for keeping the investor tuned in. One unit with only 1,600 growers assigns one-third of the time of their five fieldmen to keep growers informed. Cal Dairy issues monthly reports on total and per capita consumption of milk, issues a financial and program progress report in detail each month. The Dairy people buy two-page spreads in the state dairy magazine every other month, issue their own publication in the "in between" months. As a result, investor questions and complaints are virtually never received.

12. Their planning is superb. They establish precise 1-year, 3-year, 5-year and sometimes 10-year goals. They develop plans to meet these goals on schedule. They set assessment levels to fund the programs. (Their performance can thus be measured in terms of their timetable and their goal.)

One example: Cal Milk set a goal of a four percent increase in consumption for 1972, to be obtained without reducing price. They actually exceeded both goals: consumption up nearly six percent, price up 45 cents per hundred.

Another example: Sunkist worked for two years to erase a Japanese embargo on lemons. This was removed last year.

They then revamped their export goals, which now call for export increases averaging eight percent per year for five years. They know they could increase exports by twenty percent in any one year -- but don't think it wise to expand production too fast based on a still-uncertain long-time market abroad. THEY DON'T LOOK AT OVERSEAS MARKETS AS A DUMPING GROUND FOR OCCASIONAL SURPLUSSES, BUT AS A PART OF THEIR YEARLY OVERALL DEMAND.

MARKETING -- BACKGROUND

The term marketing, as used here, covers the broad range of activity which is generally used to "move product to consumption." While many producers think of their commodity organizations as "promotion" groups, marketing involves a number of approaches which include promotion: market research, consumer research, packaging, consumer relations, media advertising, in-store merchandising, buyer information, direct and broker selling, institutional distribution, sales analysis, and, of course, the stunts, sampling, publicity, personal endorsement and the like -- which usually fit into the "promotion" term.

While the several commodity groups each produce a "commodity," their marketing support in many cases centers on the processed "products" of their output. Hogs are a commodity. Pork chops are a product.

While the principles of marketing are the same, the approaches used in developing demand for <u>branded</u> products differs somewhat from those used for <u>non-brand</u> products. Much of the producer-directed and producer-funded marketing effort centers on the non-brand items...because it is difficult to label eggs, soybeans, beef livers, pork shoulders.

One other difference should be understood. Marketing support for branded items nearly always aims at obtaining a larger share of <u>existing</u> market. Farmers, as producers of

non-brand commodities, are basically interested in creating additional total demand -- which potentially both strengthens price and permits a profitable expansion in their output levels.

For the marketing phase of these studies, a group of professional marketing specialists -- most of them the marketing executives in important business and industrial firms -- were asked to jointly develop a set of guidelines for the creation and activation of effective marketing programs by the several still-young commodity organizations.

The panel of marketing professionals was briefed on the objectives of the commodity groups, the farm products to be marketed, and given a general idea of the funding available for the organizational activities and programs.

THE ASSIGNMENT

The panel was issued this assignment: "Imagine that you have just been hired to direct the marketing efforts for a new Iowa commodity group. Starting from scratch, how would you set up a marketing program which could convert checkoff dollars into net profit for your producer-investors?"

Specifically, the panel was asked to aim at two goals:

1. To move current output into consumption at profit-level prices.

2. To develop demand which would permit orderly growth of total output without breaking market price.

Certain assumptions were made regarding the commodity organizations:

A. A genuine need exists for self-help programs

B. Each commodity has a capacity for increasing output

C. Distribution systems are adequate, if not excellent

D. Products are not new to most consumers

E. Products will be marketed as non-brand items

THE MARKETING OUTLINE

Deliberations of the panel, which met seminar style in Chicago, included literally dozens of ideas, suggestions and recommendations for setting up a sound commodity marketing project. The summary of their discussions covered 77 typed pages.

With their help, these 77 pages have been boiled down to a dozen specific, high-priority recommendations...the initial steps the panel would take to develop a solid, effective program for creating markets, enlarging demand, merchandising and selling farm products.

These steps are:

1. Define precise objectives for your marketing effort.
2. Establish long-range goals in terms of volume and price.
3. Set a timetable for progress, with short (probably one year) goals.
4. Establish the structure to reach goals.
5. Start with basic market information.
6. Analyze your equity in your commodity/product.
7. Use test approach for your early projects.
8. Be realistic about your budget.
9. Use budget-stretching techniques to multiply your funds.
10. Be flexible about your marketing approach.
11. Pool resources with other commodity groups when possible.

The Marketing Outline (Cont'd)

12. "Sell" your member-investor on a non-stop basis.

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MARKETING GUIDELINES

1. Define precise objectives. The panel emphasized that this is both the most vital and the most difficult step in a marketing pattern. It involves determining the priority purposes in the producer-investor's mind. Does he want his money spent to improve <u>his</u> image, or that of his <u>product</u>? Does he basically seek production information so he can produce more... or does he want emphasis on the "selling" end to protect his price and income? Does he prefer marketing support in periods of overrun...or does he want non-stop marketing on a scale to permit orderly growth in volume with profit-level prices stemming from strong demand?

2. Establish goals. If your priority objective is protect and create profit by enlarging existing markets and creating new demand for your product, state this in terms of volume and price: "Our goal is to expand total output by 50 percent in the next 10 years...marketed under demand factors which will maintain price at X dollars, plus or minus inflation factors."

3. Timetable for reaching goal. Based on the goal quoted above, that organization might adopt short-term goals like so: "We're going to spend our first year getting our marketing information, setting up our overall program to build demand, and testing in four markets. The second year, we'll shoot for a four percent growth in effective demand, the

third year for five percent..."

The panel noted that without a timetable for progress, and without specific short-term goals, the organization has little basis on which to show its investors that it is making his investment in checkoff pay off for him.

4. Building the structure needed to reach goals. The panel decided that the "structure" requires at least six foundation blocks, stated as follows:

A. Development of specific programs aimed at goal

B. Management to direct these programs

C. "People skills" to make program effort succeed

D. Funding

E. Techniques for analyzing results of programs

F. Strong two-way communications within the organization

Although these points are standard operating procedure for most businesses and most organizations, they are sometimes taken lightly in the natural urge to "get going immediately." The panel, for instance, noted that voluntary organizations often dilute their efforts toward a major goal by establishing numbers of projects which are not directly helpful to the original purpose.

Management of a high caliber is a "make or break" factor, need no further comment other than the panel's observation that "really good management people are very hard to find."

Marketing Guidelines (Cont'd)

In a competitive economy, where upwards of 10,000 items may be competing for the consumer dollar in a single food store, the creation and maintenance of dependable buyer demand is no task for amateurs. Each phase of a sound marketing program calls for professional skills.

Funding. This input could have been listed first. However, our marketing professionals tend to look at funding as a tool, rather than as a statistic in a budget. In their marketing world, the sales goal is established and they are assigned to move a minimum volume in a specific period. They build their program plan to reach that goal, fix its cost in advance, and are given the money tool they need to sell product.

Analyze results. Obviously, no on-going program, marketing or otherwise, can be justified, maintained nor improved without periodic assessment of results obtained on the basis of funds and efforts spent. The panel felt that regular "rating" of program performance is especially important to groups like the commodity organizations, where member/investor can wipe out funding if not satisfied with results.

Communications. Again, the nature of the commodity organization places special emphasis on the need for two-way communication. The marketing structure should be aware of and responsive to the needs and wants of the investors...and should make certain that investors are regularly "tuned in" on

plans, program activity and results therefrom.

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> The four initial steps in developing a sound marketing program are centered on internal operations...getting set up to move into a marketing effort.
>
> The following steps involve the operation of the marketing effort. Admittedly basic in nature, these steps are aimed at the still-new commodity marketing organizations. The panel felt that may have some value to established organizations as a "check list" for continuing operation.

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5. Start by obtaining basic market information. This step is a necessary forerunner to the development of the marketing approach. It normally involves gathering dependable data on such matters as: current and projected supply and demand; the impact and trend lines of competitive products; consumer attitudes and buying habits affecting demand; distribution patterns; the economic atmosphere, domestic and overseas; market potential in such areas as new uses, etc.; and the effects of regulatory forces on production, trade, health standards and such.

The panel noted that much of this basic information has been collected and is available from such sources as major media, USDA, trade associations, distributor studies, university research.

Marketing Guidelines (Cont'd)

6. Analyze your equity in your commodity/product. What "plus values" does it have for marketing purposes? Does a consumer preferance exist because your commodity is produced in Iowa? Is your crop cleaner, higher in protein, more accessible to transport? Does the "trade" prefer to handle your product than that of a competition item? Do you have price, seasonal, quality or other advantages? If the "produced in Iowa" label does not presently carry a plus image to the consumer, can you -- and should you -- attempt to develop such an image...as per Washington apples, Idaho potatoes, New York strip...?

A listing of those factors which add to or subtract from the task of developing added market for your product will guide your program pattern. You'll stress the strong points, the advantages...and seek to offset, explain away or redesign your product to offset disadvantages.

7. Use a "test approach" to find out what kinds of program work best. The suggestion was that you develop perhaps 4-5 projects for "starters"; that you invest perhaps half of your marketing budget into these projects; that you carry the test projects out rapidly, measure the results of each, compare results against costs; and that you use the tests to guide your longer-term marketing efforts.

In this respect, the panel reminded commodity leaders

That careful selection of the test market itself is important if results are to be measured with dependable accuracy. Not all markets lend themselves to such testing.

8. Be realistic about budgeting. The panel felt that, while your purpose may be to hike consumption on a nationwide basis...or to develop volume markets overseas...you'd be unrealistic to shoot for a nationwide marketing program with funds which might only cover a fourth of the market. One quote: "It takes a million dollars to sell beer in Los Angeles alone. A $500,000 budget to market a food item simply won't cover the nation."

This point, the panel felt, will protect against investor disappointment that his program isn't "doing the job." By being realistic, and by being frank with the producer-investor group about budget limitations, the organization can choose between paring program back to existing funding...or seek funds on a scale which can develop the desired demand on the desired scale.

9. Use budget-stretching techniques to make available marketing dollars produce maximum results. The specialists mentioned a number of possibilities for multiplying limited funds. These include joint marketing ventures by "natural teammates" in the food business...such as bacon-eggs, corn and corn-fed beef; tie-ins with branded products, as pork is

currently tying to Dole Pineapple for a fall campaign; by pooling the marketing efforts of several one-state organizations...such as an Iowa-Nebraska Beef campaign.

A second budget-stretching suggestion involved the use of professionals in planning and directing marketing efforts. The panel believed that such specialists, either on staff or retained part-time as needed, will make fewer dollars produce more results.

Third, the panel endorsed the use of "people power" for such one-shot "promotions" as special "months," special "days," shopping center sampling, commodity speakers' bureaus to service civic and service club programs, distribution of recipes and other materials carrying consumer or product information.

10. Be flexible about marketing approach. This step permits the marketing program to respond to changed circumstances. A current example: with most of the commodities in at least a temporary position of product shortage, hard-sell marketing could be more harmful than beneficial. With flexibility built into a continuing program plan, the commodity groups can concentrate on reassuring consumers about supply, maintaining the good will of handlers and buyers, stress quality improvement, seek more efficient distribution patterns, etc.

Here's one example of the need for flexibility: bad weather so shortened the supply that raisins have disappeared

from store shelves and will be absent for some 3-4 months. The raisin group quickly redesigned its approach, and is concentrating on the twin objectives of regaining the shelf space they've lost in the store...and reminding consumers that "raisins are back again."

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> The remaining two points in the marketing outline are more directed at operations of the organization than at commodity/product marketing...although both relate quite directly to the success and continuation of strong marketing programs.

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11. Pool resources with other commodity groups when possible. Aware that staff numbers are very limited in the Iowa organizations, and that checkoff levels will not and should not permit the luxury of duplication, the panel suggested that the several Iowa groups may find it helpful to pool resources where possible. Mentioned were such matters as sharing office space and business machines, cooperatively retaining a full-time economist to provide vital marketing information, sharing the cost of personnel who call on the "trade" representing Iowa-produced foods. (Our earlier interviews with out-state commodity units indicated that such "sharing" is in fairly wide use.)

The panel recognized that each commodity must do its

own market development, and that such marketing effort may well position beef against pork or turkey -- but felt that competition at the retail counter need not lead to enmity on the production level. (In fact, it noted that Iowa farmers individually produce products which are competitive.)

12. "Sell" your member-investor on a non-stop basis. The panel made special note that your first "target audience" is the man who puts money into your program. One specialist said, "You have to sell the investor first, and second, and last. The consumer kind of comes in the middle."

Another panelist said, "At the end of the year, your investor is going to ask what you did to improve his market and profit situation. You're in trouble if you can only say, 'We don't know for sure, but we did put out this pretty material.'"

The group feeling was that your investor expects measurable economic gains from his checkoff dollars...that you'd better perform for such gains...measure the gains created... and inform him in detail.

There was strong feeling that "the more an investor is involved in helping to determine general policy and direction for his organization, the more sure he is to maintain his interest and financial support.

The panel had a final suggestion on this matter. It

believes that each investor needs to be thoroughly familiar with the self-help philosophy on which these organizations are based...and then he needs proof that his self-help investment is paying off. "When he's sold on both philosophy and results, no organization need fear a referendum."

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A SERIES OF QUESTIONS RAISED BY THE IOWA COMMODITY LEADERS DURING THE JULY 18 MARKETING SEMINAR, AND ANSWERED BY A PANEL OF THE MARKETING PROFESSIONALS, ARE INCLUDED IN THIS REPORT, STARTING ON PAGE 77.

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INTERVIEW SUMMARIES

Foregoing profiles of commodity organizational structures and operations are, as stated, a composite, the strong points noted in in-depth studies of a dozen established organizations.

Each interview with top officials covered such areas as revenue sources, rate of farmer investment as a percentage of unit price, mechanics of collecting the checkoff, control of the spending, and some unit history.

Program questions centered on purpose and priorities, functions and activities, financial and staff investment directed at chief goals, development of plans, division of policy-making and of administrative duties, budgeting practices, fund carry-over, and a review of specialty skills on-staff and retained to make program effective.

Communications patterns were studied and discussed, from both an investor-to-organization and from organization-to-investor standpoint. Officials were queried regarding analysis of performance, reporting on disposition of funds, and ultimate investor-control via referendum.

Short summaries of a number of these commodity interviews follow.

Diamond Walnut Growers, Inc.

Interviews with: W. H. Libbey
R. J. Tutt

Diamond is a non-stock cooperative. It exists primarily to serve its grower-members by marketing their walnut crop.

The cooperative was formed in 1912.

Need for the organization centered on wide price fluctuations, lack of quality standards, lack of a wider, more systematic distribution, and a generally unsound economic business basis.

Steps were taken to meet those specific needs.

The Diamond brand was established to identify quality, and strict quality standards and inspection systems were adopted. Vigorous selling and advertising campaigns were initiated, backed by strong consumer education. Selling policies were established to meet the requirements of the grocery trade, in recognition of the fact that ultimately the concern is for the reaction of the consumer.

The cooperative now numbers some 3,800 growers, who produce 54 percent of the crop. Sales have grown to $50 million annually. Quality control is guarded carefully, and the brand name is used only on top in-shell nuts.

Price incentives are used to encourage grower emphasis on quality. Pricing is established which makes it non-profitable to offer inferior walnuts.

Diamond Walnut Growers, Inc. (Cont'd)

Marketing costs are assessed against the member-growers. The usual rate is one cent per pound for in-shell nuts. With output averaging around 1 1/2 tons per acre, the grower usually pays about $30 per acre.

We found top management thinking to be very modern and sophisticated. Management is aware of changes in demand factors, packaging, merchandising, distribution. Marketing plans are based on a "rolling 10-year" forecast of supply, demand, trade potential and other economic factors. One example: projections indicate that marketing can move the output of 5,000-7,000 acres of new trees per year over the next 20 years. Part of these new plantings are offset by the projected annual loss of 3,000-4,000 acres of trees to old age, urban development, etc.

Domestic marketing is entirely directed from headquarters in Stockton, using Diamond men in four major distribution centers (New York, Chicago, Los Angeles and Kansas City.) These staff people call regularly on 85 domestic brokers who sell Diamond Walnuts to grocery wholesalers and the food chains. By going the "broker route," Diamond utilizes a sales force of 750 men who call on buyers, arrange for and set up retail store displays, etc.

Advertising, sales promotion, publicity and market research are developed in Stockton to support a year-around

selling effort.

The cooperative is guided by a 16-member board of directors, elected by member-growers, and this board is utilized for both in-and-out communications to make the operation "go."

Within the past 5-6 years, an overseas market has been developed for 12-13 percent of the crop...an important share of the market and potentially a sizable growth factor for growers.

Is the cooperative successful in providing a stable, profitable market for the walnut crop? There is one good answer. Walnut growers have enjoyed net-profit prices for 17 consecutive years.

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Sunkist Oranges -- Lemons

Interviews with: Roy Utke, President
Bob Autenrieth, Marketing Director

One of the first precepts of the Sunkist people is "get a good name"...and then always to insist on quality to maintain that good reputation. "Quality is the one continuing edge a product can have in the market," they say. At Sunkist, they utilize marketing orders to control output. All off-standard fruits are eliminated...in the midwest we use the word "cull" for the same procedure.

As a cooperative, Sunkist does its own marketing for 8,500 of 11,800 growers. Forty-one regional sales offices are maintained and every market differs. As a result, there is virtual autonomy in each office; local managers have much leeway in their markets.

Sunkist distributes about 35 percent of their fruits outside the U.S.; 13-14 percent goes to Canada, 20 percent to Asia and Europe. Most profitable is the fresh fruit, but a great share of their marketing is in processed (frozen, concentrates, etc.) Dollar support for all marketing amounts to 7 percent of crop value. This works out to 14 cents on a box of oranges, 17 cents on a box of lemons.

The entire budget for oranges and lemons in 1973 was \$8.9 million for advertising. Of this, \$1.2 million was allocated to the advertising budget for lemons, and the entire

amount was spent with Ladies Home Journal. Throughout the year, 30 full-color, two-page spreads will appear in 12 editions. The entire budget for oranges -- $7.7 million -- centers on prime time TV. Much emphasis centers on selling oranges as a snack food, pointing out that they are a natural food, healthful for everyone.

The Sunkist goal in their marketing support is to maintain dominance in the fresh citrus field. (Florida makes most of the concentrates.) Last year, sales were up 13 percent to $349 million. Of this, $79 million was in citrus products, from juice to pharmaceuticals -- up $9 million from a year ago. Sunkist expects to reach $555 million gross sales by 1975-76.

In 1964, the removal of lemon import quotas in Japan opened a new market and shipments increased by 15 percent to 33 percent. Slightly more than four million cartons of Sunkist lemons were shipped to Japan.

The greatest increase in Sunkist sales was in foreign markets, and the officials interviewed expect additional expansion on overseas markets. They are working to remove quotas on juice, oranges, and citrus by-products.

One problem which Sunkist members are working to correct is the extensive damage to fruit in store. They are often bruised, off-color, and not good in appearance, especially

Sunkist Oranges -- Lemons (Cont'd)

if allowed to stay on the shelf too long. Seminars are conducted to train produce managers and to urge them to maintain fruits of quality day after day.

Peaches

Interview with: Bill Hoard, Manager

Peaches are a $40 million crop. The Peach Advisory Board handles a nationwide peach promotion effort which relies heavily on staff contacts with major buyers -- chains, institutionals, and in some cases, major end-users.

Media advertising is fairly light, limited in fact to some 30-second TV commercials. This organization much prefers to use the non-advertising steps in marketing. It is especially noteworthy for its carefully done and widespread product "tie-ins" with other foods in its merchandising.

The crop itself is valued at the orchards at around $80 per ton. The assessment runs from $2-$3 per ton -- 3-5 percent. The usual budget ranges from $1.2 to $2 million a year, depending on volume to be sold, price trends, buying trends, etc. The Peach group allocates about $160,000 for education...mostly materials. They offer store kits costing about $5 each -- but feel they must move 100 cases per store to make this worthwhile.

Peach people do a great amount of "educating" -- aimed at store management in many cases. They offer regular market tours for key growers to keep the "producer end" informed of competition, market planning, programs and results. They theorize that with 8,000 retail items in stores, and with wholesalers handling perhaps 4,000 items, nobody much cares

about one more. "It's a tough job to get an aisle-end display in any store."

Therefore, they lean heavily on a professional marketing staff, which covers the nation by districts and sees major chain buyers, institutionals and food editors in person. Peach men call on the top 100 buyers every month, the next 200 often.

These seven stateside market men cost $150,000 a year. They are not campaign planners, but take campaigns to the trade, arrange in-store displays, move peaches through wholesalers and grocers as well as the chain headquarters.

An interesting innovation: the Peach people also work directly with some major end-users. By offering "peaches with..." campaigns, they get into 800 Kresge lunch counters, the Howard Johnson chain, United Airlines kitchens, etc. Peaches also maintain a staff of four men in Europe (out of a Brussels headquarters) and one in Japan. They have developed overseas markets for up to 20 percent of their gross sales, and budget $200,000 a year for this overseas sales growth.

Bill Hoard stresses the value of brand and one-state labeling. Building a "name" is worth hard cash, he insists, saying that high-reputation Washington apples bring $5 a bushel where exactly the same kind and quality of non-labeled

Peaches (Cont'd)

California apples will bring only \$3.50.

From the Peach people, we learn that non-advertising aspects of a sound marketing plan can get the job done for grower-investors. Peaches, incidentally, would welcome opportunities to work out cooperative programs with midwest food product groups.

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Prunes

Interviews with: Ray Jewell, Manager
Tom Ferree

This is not a huge crop. It operates under a State Marketing Order, is basically concerned with developing a growth market for the product at profitable grower prices. (In recent years, production has been hurt by long-distance "drift" of spray chemicals, which have been known to damage the crop as much as 55 miles distant from the spray application. A turn-around on production has been accomplished and output is higher after this problem has been "partially" solved.)

Yield ranges are possible up to seven tons per acre, but the industry averages only about two tons.

Processing costs are high. When $300 worth of fruit is processed and packaged, its cost is about $500.

Assessment on the grower is currently $12 per ton. Field price averages about $265 per ton...so the checkoff runs from $22 to $44 per acre, or about five percent of the on-farm price.

Consumption is up 3-6 percent the past two years.

The Prune Board uses the services of Sunland, a promotional agency formed to handle the dried products, prunes, raisins, apricots.

Budget includes $70,000 per year for public relations, which covers color mats, in-store paper, film, TV materials.

The advertising budget totals $950,000, with $750,000 of

this going directly to media, $200,000 to in-store and trade merchandising.

The marketing plan is aimed first at older women. They buy stations hitting the 35-59 age group. Their appeal is on the health side, diet side, which includes 35 percent of the population. The Prune Board buys its radio in two flights of 12 weeks each. They regularly use a professional research firm (A. C. Neilson) to check product movement resulting from ad support in selected markets.

Prune people are skillful merchandisers. They make their staff work extend by cooperating with Cling Peaches in staffing merchandisers who call on institutional distributors offering both products.

We were impressed with their pinpointed selection of consumer groups, their careful use of advertising "pitched" to their heavy-sell factor, and their grower willingness to support the promotions with a relatively high assessment level.

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Florida Department of Citrus

Interviews with: Ed Taylor, Executive Director
Marvin McNail, Assistant Director

Florida's citrus growers support perhaps the most sophisticated one-state commodity program in the nation. Operating as the Department of Citrus, and directed by a Citrus Commission of twelve members, the Florida people utilize an annual budget in excess of $20 million to make citrus fruits and their products profitable.

Checkoff assessment levels vary from commodity to commodity, with orange growers paying 10 cents per 90-pound box, and with grapefruit, lemons and other products at relative levels.

The Department of Citrus is a government agency, not a part of the Department of Agriculture, and uses the Department of Agriculture for such related needs as inspection and regulatory work.

Non-marketing spending by the Commission include administrative functions, certain "general projects," scientific and economic research, legal and regulatory functions, and fiscal administration. Regulatory activity includes labeling, registering shippers, and supervision of plants and facilities.

Heavy emphasis is put on scientific and economic research, designed to evaluate economic implications of the several matters pertinent to the industry. These include consumer

Florida Department of Citrus (Cont'd)

demand for orange juice, profiles of trading in frozen concentrated orange juice futures markets, long-run supply estimates for oranges and grapefruit.

Scientific research is aimed at devising new uses and interests in citrus product. Some of this research has resulted in federal patents for new products. Also being studied are jellied citrus salad, plus a number of cultural practices including mechanical harvesting and pesticide research.
Direct marketing activity receives the primary portion of the total budget, with advertising taking about two-thirds of the marketing budget. Major vehicle for orange juice is network TV, featuring Anita Bryant commercials which reach 80 percent of all housewives. Grapefruit support was placed in 50 leading women's publications, using a "Time to Shape Up" theme. Messages on nutrition go out to more than 2,000 daily papers, serviced by twelve syndicated groups reaching 50 million consumers. The Commission also uses mobiles (The Orange Bird), the Rolling Orange Float, etc.

Heavy attention is also paid to merchandising, hitting hardest at larger chains. The goal, to strengthen in-store promotional support for Florida citrus products, and to explain the profit levels built into frozen concentrated juice. Market-wide promotions, trade incentive projects and in-store displays keep Florida Citrus before national, regional, and

local chains, food brokers and distributors. (A series of 250 sampling demonstrations helped double shipments of honey tangerines over the previous year.) Florida Citrus participates in four major conventions, including National Frozen Foods, United Fresh Fruit and Vegetable Super Market Institute and NARC.

Institutional marketing effort created a major breakthrough in the drive-in area during the past year. One example: McDonald hamburger "bought" a continental breakfast program offering orange juice in more than 400 units, and the special breakfast idea was extended to other away-from-home eating places with considerable success.

Sales incentive programs are highly successful, with 459 such promotions recording an average sales increase of 27 percent.

Florida Citrus also "works" the school lunch market with vigor, holding school lunch workshops in major cities and participating in professional home ec conventions and meetings.

Publicity patterns include the Sunshine Pavilion at Disneyworld, the Orange Bowl parade and game, Florida Citrus Invitational Golf Tournament at Orlando, and the supplying of powdered orange juice for Apollo flights to the moon.

Overseas marketing is based on a three-way partnership with FAS, Florida Citrus and overseas marketing establishments.

Florida Department of Citrus (Cont'd)

This "partnership" is working in 34 marketing plants in ten countries, most heavily in Europe and Japan.

Although output last year was at near-record levels (197,000,000 boxes), wholesale prices were established at the peak level for the year previous.

The Citrus Commission operates a big, well-planned, well-funded and imaginative total program. An excellent "balance" is maintained for scientific, economic and marketing research; advertising; merchandising; institutional activity; foreign sales; publicity.

Although grower investment is quite high, the program is paying off in net returns each year.

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The National Cotton Council

Interview with: Earl Sears, Program Coordinator,
Assistant Vice President

The Cotton Council is the central organization of the cotton industry. It is pursuing a clear-cut goal: to increase consumption of U.S. cotton, cottonseed, and their products.

The Council is made up of the seven basic interests in the industry: producers; ginners; warehouses; merchants; cottonseed crushers; cotton cooperatives and cotton manufacturers.

The Council covers fourteen state units representing all nineteen states where cotton is grown. All seven interests are represented in a delegate body of 285, and by a board of 35 directors with each interest electing five members.

Financing is voluntary, with all seven interests investing on a per-bale or per-ton-of-seed basis.

Program development comes out of four committees: technical; foreign operations; public relations and promotion; industry practices and policies. The programs are executed by staff in Memphis, a Washington office, trade representatives abroad, and field service personnel working with cotton and related groups in major cotton states.

The Council supports and services Cotton, Inc., the receiving organization for research and promotion funds which

currently are based on a $1 per bale grower investment plus certain matching funds from USDA. The total budget runs to about $20 million a year.

Cotton programming starts with the most extensive research -- product, market and consumer -- found in our studies. Market research was the first division staffed by the Council. It keeps tab on quantities of cotton going to some 418 end-uses, as well as the economic factors affecting cotton: prices, textile imports, textile labor, foreign prices, acreage, consumption and production; cotton stocks abroad; cotton supply and takeoff; production prospects; incentives to plant and payment limitations; public understanding.

On the consumer side, research pinpoints exact market potential, competition, "why" factors in industry buying, advantages of competitive synthetics, style trends, industrial use potential, etc.

Mr. Sears emphasized that "the consumer is NOT an enemy," and that "we can't take any market for granted." Efforts are, therefore made to keep growers and the industry well-informed on the economics and trends in cotton, and aware of program efforts to sell cotton.

Communications include a weekly publication "Cotton Week," which is heavily devoted to legislative effort; weekly radio tapes to several hundred radio stations; regular and special

news release materials to papers and magazines.

The Cotton Council supplies its fieldmen with slide materials, film and printed materials for use at both grower and processor meetings...and stresses the importance of making every meeting "truly professional" in planning, facilities, materials, staff and presentations.

The Council uses trade missions to develop overseas demand. Key components of the textile and industrial-user industries are brought here to our U.S. cotton facilities and meet with U.S. suppliers. Three such missions are conducted annually. European groups come one year, far east the next.

The Council sponsors in -- and cooperates with -- a number of overseas promotion programs. The Maid of Cotton is featured in many overseas trade and style shows, and overseas staff people "sell" cotton on a year around basis.

Sears reports that producer influence is getting stronger in cotton industry. Growers are more sophisticated about marketing, and more articulate. The industry believes it is too heavily dependent on subsidy programs, but is moving toward self-sufficiency.

Breakthrough items include adoption of a standard size bale; a new system to extend the ginning process which saves two-three cents a pound; progress on boll weevil control and elimination of chemicals on-farm; and heavy research effort

is being directed at developing a "no-ironing" product, a flame-resistant cotton and other consumer features to keep cotton competitive.

Export sales were up from 24-33 percent last year. Unfavorable planting conditions for the 1973 crop have helped to drive cotton futures to the highest levels in 101 years.

Summary: major input is strong research. Investment (of gross) is used like this: 5-6 percent research; 3-4 percent promotion.

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Sun-Maid Raisins

Interview with: Jim Vandiveer, Account Executive

The raisin growers invest about $1.3 million annually in support of their products. Most of the crop is marketed under the Sun-Maid brand.

An interesting sidelight crops up with raisins, avocados and apricots. These three relatively small commodity groups have turned their promotion-marketing work over to a specialty management-promotion firm, Sunland. By going this route, each has access to a highly competent professional staff -- which none could afford singly.

The raisin "approach," like Sunkist oranges and Diamond Walnuts, maintains strong support for the Sun-Maid brand name and quality. Raisins operate for distribution through 87 food brokers. Much of their market support is tailored to help the broker and the trade. Vandiveer reports that solid consumer research has dictated major changes in packaging. The "snacks for kids" market segment is highly profitable, and profit potentials have been pinned down for 1 1/2, 1 and 1/2 ounce packages. This segment gets part of the $1 million advertising-promotion budget.

Raisins are also packaged in bulk for ingredient use... covering home, institutional and manufacturing users.

Advertising-promotion is concentrated in the eleven western states, where research indicates that the "market

already is."

Vandiveer's major contribution to this research is his insistence that profitable marketing support can be had for a good product on a modest budget...if all available "budget stretchers" are used.

The attached "working chart" offers clearcut evidence that even the lesser commodities find substantial growth, consumption and profit gains when compared with non-promoted products in parallel categories. Basic research, even for relatively low-budget association, is vital if funds are to be spent wisely, he insists. The raisin people invest about $30,000 a year in such research, using both traditional and live "probe panels" to determine precise consumer buying factors.

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PER CAPITA CONSUMPTION
CANNED AND CHILLED FRUITS
(SOURCE - USDA)

	5 YEAR AVERAGES (Pounds Per Person Per Year)		
	1952-56	1967-71	CHANGE
NON-ADVERTISED OR PROMOTED			
Cherries	1.4	0.9	-36%
Apricots	1.0	0.9	-10%
Berries	0.4	0.1	-75%
Figs	0.1	0.05	-50%
ADVERTISED AND/ OR PROMOTED			
Salad & Cocktail	2.3	2.9	+26%
Apples & Apple Sauce	2.7	3.6	+25%
Pineapple	3.3	3.4	+ 3%
Peaches	5.4	6.0	+11%

Florida Commodity Pattern
(Peanuts, tobacco, soybeans)

Interview with: Forest Heseltine

Florida does not have umbrella legislation for marketing. Like Iowa, separate Acts have been obtained for these three commodities. However, the three Acts are quite similar, and will be treated here as a single pattern.

Purpose: to correlate more effectively the marketing of the commodity, to establish and maintain orderly marketing, to provide methods for developing new and larger markets, to reduce economic waste, and to provide for marketing orders (each a clarification of the marketing law and its operations.)

The marketing order in no way limits production of the commodity, unless the commodity comes under the federal farm program.

These three commodity organizations are all comparatively new, having been started since 1970. Directions are not yet clearly established. In general, half of the checkoff is used for research, half for promotion. No programs have been developed (as of January 1, 1973) for tobacco. Peanut research is directed to improving varieties. Some funds from both peanuts and tobacco have been granted for promotional research seeking better packaging of the products for commercial use. In soybeans, some funding is going to American Soybean Association, the rest has not yet been

committed.

Checkoff rates are as follows: peanut, $1 per ton; tobacco, $2 per acre; soybeans, 1/2 cent per bushel. Control and supervision, at least in these very early stages, is handled by the State Department of Agriculture. This interviewer feels that while the Department is currently responsive to the needs and wishes of the commodity groups, their growth and program expansion will probably require changes at the administrative level.

As in the California pattern, producer understanding must be obtained prior to the enabling referendum. The Florida Acts require a majority (50 percent) vote of commodity handlers (based on volume handled).

Producer approval is accepted only via a favorable vote of 51 percent of the producers AND 65 percent of the total crop.

Like California, the assessment level is based on programmed costs, and is established by the Department of Agriculture. The Act may spell out a top limit for assessment levels.

Interestingly, the Florida Act also provides that producers may be required to deposit individual assessment funding (or a bond) in advance.

Heseltine feels that the key to a successful commodity

program hinges directly on establishing and following a specific plan. He believes that with such a plan, and with adequate funding, a commodity program should be producing measurable economic results for the commodity within a two-year period.

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Wine Advisory Board

Interview with: Dan Turrentine, Manager

The Wine Advisory Board, dating back to 1938, conducts an educational, promotional advertising and merchandising program for California wines. All costs come from an assessment of one cent per gallon collected at the winery. The main purpose: to increase net returns to the growers.

The marketing order requires the written approval of 65 percent of the state's wine growers, by number or by volume of wine produced. It has been renewed successfully every three years since 1938.

Current budget runs to about $2 1/2 million annually. Of this, five-ten percent goes to research for improving wine and vine culture. Additionally, substantial funds are invested in medical research, to determine the medical values of wine as a food. A director of medical research places research projects in universities, medical schools, clinics and other centers throughout the country.

Since wine has such "plus" factors as nutrition and appetite building, a substantial part of the Board's information-public relations efforts is directed at use of the 22 journals which reach 320,000 physicians, 7,100 hospitals, 14,000 nursing homes and a million nurses.

Major problem: the "trade barriers" which results from a great variety of beverage taxes and limitations in the

several states. The Board and the Wine Institute, which conducts nationwide publicity and public relations programs under contract to WAB, uses all kinds of media and materials to tell the wine story.

Cards, posters, consumer booklets, banners and other p.o.p. materials are distributed for use in retail stores. Special programs are designed to help hotels and restaurants promote California wines, including suggesting for arranging wine storage, improving menu design and wine lists.

A free Wine Study Course is offered for wine industry people, retail stores, hotel and restaurants. A second Wine Study Course is offered to consumers (for $1), and includes a diploma for those who complete the by-mail course.

Motion pictures produced cover such subjects as the making of wine, wine serving, wine merchandising training, etc.

Turrentine credits the WAB with making wine a household staple...and with demonstrating that California wines deserve a first-class rating. The Board stresses moderation in wine use, believes that increases in consumer use have done much to make American drinking habits more temperate.

The Wine Advisory Board record is one of exceptional growth. Volume declines (a drop of 3 million gallons in 1938) were reversed quickly when the organized promotion

was started. Sales volume gained about 18 percent in the first year of WAB operations, had doubled in ten years, are still climbing rapidly after 25 years of growth.

The "soft sell" used so well by this industry has introduced its commodity to millions of homes, and in so doing, has made the California wine producer a steady and growing profit.

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Cal Milk

Interviews with: Ted Shields, Director of Information and with Lowry-Russow and Leeper, their P.R. agency

Cowmilkers in California number 4,100, with 2,400 of these Class I producers.

In spite of an ADA program involving $750,000 per year, total consumption in California dipped slightly in the 1964-69 period, with the per capita dropping even faster.

In 1969, producers decided to move into a California Market Order program. (It is interesting to note that an intensive 18-month program was conducted prior to the referendum to inform producers and develop support for the in-state program.)

In the referendum, Cal Milk received an 80 percent positive vote from the state's cowmilkers.

A classic approach was followed in initiating the new programming. Step 1 centered on identifying the consumption problems as they currently existed.

Step 2 involved a communications plan to reach first the dairy industry, and then the consumer.

Timetables were established for producing results. The 1970 goal was to stop the one-two percent decline in sales during 1971. This was accomplished.

The 1971 goal for 1972 called for an increase of four percent in milk sales, to be obtained without price concessions.

Cal Milk (Cont'd)

Costing out this program required the assessment to be raised from the initial 1/2 percent to one percent of the on-farm milk check. Dairymen passed this increase with an 85 percent favorable vote in a second referendum.

During 1972, Cal Dairy efforts actually brought about a six percent increase in volume while prices were being increased for fluid milk. (Discussions now center on a program extended sufficiently to require a further assessment increase to 1 1/2 percent.)

The budget breakdown for 1972 allocated about $4.2 million to direct advertising; $300,000 to merchandising-field work; $160,000 for public relations-information, produced and distributed by a P.R. agency; $135,000 for grocer seminars (where classes are held for groups of forty chain, dairy and convenience-store food managers in optimum point-of-purchase use of the dairy case.)

Intensive communications are being continued. Dairy news releases go weekly or oftener to some 1,200 media outlets in the state. Feature articles on individual dairymen are "plugged" to Dairy Journal, Cal Farmer, Hoards, Farm Journal.

To insure that dairy farmers are constantly informed on plans, programs, activities, spending and results, Cal Dairy uses two major pipelines: two-page spreads are purchased in alternate months in the major California dairy magazine to

carry information; and in the in-between months, a Cal Dairy publication goes to all producers, with key individuals receiving a "leader memo" more often.

Every three months, results of the milk advertising-marketing campaigns are surveyed. Consumers have reported as high as 89 percent awareness of the campaigns...and they try for even higher effectiveness.

Because milk is heavily a point-of-purchase item, Dairy not only offers in-store paper to 3,000 supermarkets, 800 convenience stores and 500 dairy drive-ins...but it employs a professional firm (Sanco) to install these p.o.p. materials in the stores. (Cal Milk clears with chain headquarters prior to distributing the campaigns.)

Based on well-done dairy case research, the grocer seminars pay off in-store, where repeated surveys show that improved management of the dairy case accounts for an eleven percent increase in sales.

Cal Dairy emphasized the use of professional skills in all segments of their hard-hitting programs. Much of these skills are obtained under retainer, rather than on-staff. Milk uses an ad agency; a P.R. agency; an in-store p.o.p. service; regular consumer research firms; a firm specializing in in-store art and paper...etc.

Their dramatic "turn-around" in consumption levels is

Cal Milk (Cont'd)

strong evidence that food products can be sold on a growing scale at profitable prices.

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Canning Peach Association

Interview with: Ralph Bunje, General Manager

The Canning Peach Association, unlike the so-called "promotion" units, has as its chief purpose the bargaining for commodity price with processors (canners).

The Association represents some 900 members, a few less than fifty percent of the total producers. Funding for the bargaining Association comes from a checkoff of $3 per ton... or about $0 per acre of trees. Included in the programs funded by this checkoff are grading standards and grading, and the diversion of surplusses if needed to maintain profit levels.

Total budget runs to about $1.3 million, for a combination of $300,000 combined with FAS funds for overseas selling; and $1 million for advertising in the domestic market.

Bunje reports that per capita consumption of fruits (pears, pineapple, fruit cocktail and applesauce) runs to 180-200 pounds per capita. Canned peaches compete in this market.

Bargaining involves discussion leading to price agreements with some sixteen major canners each year. Bunje says that two important levers for price bargaining rest with the producer association: the needs of the fruit trade for a supply of "dependable quality raw products grown to market specifications"...and research which provides a "better set

of economic data" than is available to the canners.

He notes that pre-pricing the crop removes from the canner one substantial cost item faced by meat packers and others: the day-by-day establishment of price. "With quantity, standardized quality and price established in advance, the peach processor can devote his energies to selling the canned product."

Bunje believes that the nation's food business is entering its "second stage"...a period of maturing. He believes that in this stage, the food industry is accepting the idea of bargaining with organized producers. (He further believes that such bargaining will allow "profitable co-existence" to replace the older tradition of adversary relationships.)

He foresees that price negotiations will cover not only terms and price of sale, but constructive approaches to deal with changes in our markets brought on by environmentalists, government regulations, consumerism and the other "inevitable" changes facing those who grow, process, and distribute food to consumers.

Following the price bargaining a step further, Bunje insists that "formulating companies must have reliable sources of materials, raw or processed." He said that these forces "cannot tolerate highly variable supplies and variable prices." Their purchases, he says, will be on the basis of

quality first, then service, then price...in that order.

Bunje urges food producers to realize that nobody else really "gives a damn" whether farmers make money; that the guy who buys from us doesn't care about philosophy; that our buyers like to hang onto the "leverage" of oversupply; and that supply management should involve every producer...rather than merely praying that "the producer in the next county has a crop failure."

Bunje believes firmly that each commodity organization must "tie down its principal reason for existing," that it must operate from sound long-term planning on a businesslike basis; and that the biggest error a commodity group can make is to promise a benefit to its producers that it cannot deliver.

"Farmers invest in commodity organizations for the basic purpose of improving their net profits. No matter how much rhetoric they get from headquarters, they expect (and rightly) at the end of the year to see on their own books where their assessment made their operation more profitable. If performance doesn't match the rhetoric, the Association should and will die."

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LEADERSHIP MEETING -- MARKETING

After our marketing professionals had developed guidelines during earlier seminar sessions, a leadership training session on marketing was conducted in Des Moines on July 17, 1973.

Officers, staff and interested directors of the several commodity organizations were invited, with 74 attending.

Six members from the professional marketing group presented their recommendations regarding the early steps in establishing effective market development programs. The specialists then served as a consulting panel for general discussion of problems involved in extending demand for non-branded products.

A representative "sample" of the questions and answers have been taken from the taped proceedings, and are included in this report. All questions came from the commodity leaders, all answers from the marketing panel. We believe this material will add some "flesh" to the marketing guidelines.

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Q. During this period of so-called meat shortage, how did (grocers) feel about adding TVP -- textured vegetable protein -- to hamburger?

A. We had mixed emotions. We didn't carry it in all stores, but only where the local market situation caused us to be protective.

Q. With the increase in soybean prices, did the TVP actually mean a price differential for the meat?

A. Not much. Actually, it reduces the cost of ground beef only about ten percent...so where you've seen a price spread of twenty cents, the retailers are probably absorbing part of the differential.

Q. We don't like to see eggs used as a loss leader. Everyone knows what eggs are, so we don't need loss leader prices to introduce them. Does this kind of pricing hurt or help eggs?

A. Loss leaders move more product. The gal with an extra dozen eggs in her refrigerator will serve them a little more often...so if your objective is to increase consumption, attractive pricing should be helpful. From a retailer standpoint, we think it good merchandising pricing -- ethical -- if it moves more people into the store. Traffic is the name of the game.

Q. What problem may we have in pushing and promoting a product at a time when it is in short supply?

A. Two answers. Newspaper talk doesn't make a shortage. Is your product really in short supply or is there merely a little less but still enough to go around? If supply is

truly short, continuing strong, hard-sell programs regardless of the economic environment could undo the good will you've built up during periods of plentiful product. You can't afford to look insensitive. But there are opportunities to do useful things right now. You can tell your customers what the supply situation really is...what is causing the temporary shortage, what the retailer's problems are. Solid information is not coming out of Washington, and it won't come out of the media unless someone puts forth the facts.

Q. Are you saying that we should adapt our approach to the market, but continue to tell our product story?

A. Yes. Marketing programs need the flexibility to move with supply-demand-price factors. We've all experienced the situation where things were going good...so the boss decides to cut out all promotion. Eventually, absence from the marketing scene will be costly. Right now, I'd suggest that your organizations do your background research, test some programs, plan ahead to be ready when the market evens off...and build some product image. Stress quality when you don't have quantity to sell.

A. Here's an example. Sun-Maid Raisins had a disastrous crop year, and raisins have disappeared from the shelves. They are not in <u>short</u> supply...there IS no supply, and won't be for months. Sun-Maid has quickly switched approaches. They are working the retail trade with a shelf-management program,

designed to get back the shelf space which has been lost. They are occasionally keeping raisins in the minds of consumers. And they are putting together a strong-sell campaign, to break the moment new-crop raisins are boxed for sale.

Q. In recent years, hog farmers have drastically improved the quality of pork, from a fat to a lean product. Beef has actually gone the other way, by widening the grade for "choice" cuts. Why is beef consumption still increasing faster than pork?

A. First, as we've just been saying, you keep on pushing your pork, short supply or heavy runs. Be realistic, tell your consumer exactly what the situation is, but work at the job non-stop. Your task, as pork producers, is to change people's appetites. You want to motivate them to buy pork... just as the beef people are selling beef.

A. May I add to that answer. Your own early studies of homemaker attitudes told you several things: pork is not considered a gourmet product, beef is. Second, the housewife asked you to tell her about pork, reassure her about trichinosis, show how to prepare pork in gourmet style, prove that your product is lean, low in calories. You've gone into three-five cities and reassured her about pork. In each case, you moved a lot more pork. But to increase the national use, you must put your marketing show into 100 cities.

A. Let me inject another thought. When people get money, they eat better. Maybe you pork producers are at a point where you

should position pork against beef. I may sound like a heretic in this room, but there is a marketing theory that you can't sell anything in a vacuum. Automobiles weren't introduced as automobiles, but as horseless carriages. They were positioned against something people already knew about. Tubeless tires were positioned against the old tires-with-tubes. Beef is a high demand product. People prefer it. It's flexible. Maybe pork should offer itself as a desirable alternate to beef.

Q. Someone said pork did increase tonnage substantially where it carried out a city-wide marketing campaign. Did these increases hold on for six months after you backed out of the market?

A. To some extent, yes. These were year-long campaigns, and they did change some eating habits as well as spur immediate buying. I don't know that the long-term results were ever measured.

Q. This is a general question. Where, from the retailer standpoint, would he like commodity organizations to direct their efforts?

A. Get directly to the consumer. She makes the buying decision. Tell her about your product, how to buy it, how to cook it, how to serve it. I think you are missing a bet in not working regularly with the food editors in newspapers. Give these gals the facts, and they'll inform the homemaker.

A. I second that advice. The shopper buys what she wants to buy at the moment she fills her cart. Therefore, a one-time message won't do the job. You must tell her about your

product over and over, all year long. Major companies got big because they never quit "conditioning" the homemaker to buy their particular item.

Q. Our product is eggs. No single-branded distributor dominates the egg business. Should eggs be branded? Would identity make them more saleable?

A. Only to the point where the brand is promoted. Swift has made its Butter-Ball turkey a recognized brand. In our stores, eggs carry our private label...not necessarily because it makes eggs more appealing. We buy from local suppliers, we furnish the cartons, and we figure they may as well carry our log.

Q. All of us in commodity organizations face one big question: what kind of program should carry high priority? What should we be doing first, and on what scale, to expand the use of our product?

A. There is no single answer which would work for all of you. Each of you must determine your overriding objective...your No. 1 goal. What do you really want to do? What is feasible? What is fundable? If your chief objective is to move a glut of product through the pipe to relieve pressure on price, you'd have on program approach. If you maintain price and consumer good will during a shortage, you'd have another program approach. But you can't start with a program. You must start by pinpointing the job you want done...and build program around that one overriding objective.

Q. How much would an effective public relations program... including consumer education...cost at a minimum on a nation-wide basis?

A. Again, there is no generalized answer. You could get some messages to some consumers for maybe $75,000 a year. But $100,000 might buy twice as much results...depending on how much "educating" you feel you must do for your potential customer. You could probably offset a single bad news-break with a $75,000 publicity effort...(for example: "We've quit using insect spray on cranberries and they are again safe.") But if you have to inform 200 million Americans as to your product's quality, availability, preparation, taste appeal and comparative value...then $200,000 wouldn't stretch to cover national.

A. Let me support that with some specific costs: Say a series of six half-page ads, used to inform rather than sell, would develop the consumer attitude you seek. You could buy these six ads in the leading newspapers in Philadelphia, Boston and Buffalo for $50,000. You'd have reached perhaps 1 1/2 to 2 percent of the nation with your public relations messages. Telling your story to the whole country is not a low-budget step.

A. May I add a comment. Useful public relations and advertising can be done with modest budgets. After long study, Sun-Maid Raisins decided to use its $200,000 budget for very selective shots at a limited but high-potential market.

They advertisied only to youngsters. Positioned raisins in one-ounce packs against candy for kiddie snacks. They ran the campaign only in the west, held it to a four-month time span, used lots of tie-ins to stretch budget...and sold the crop at excellent profit-level prices.

Q. We've talked about producers advertising to the consumer. Can we get mileage by working with the retail chains, who also advertise our product?

A. Certainly. The Fine Iowa Meats campaigns were based on a three-way venture involving the packer (supplier), retailer, and Development Commission. With both packers and retailers involved, every dollar spent by the coordinator (Development Commission), the industry spent fourteen dollars. A strong commodity campaign should always include working with, and tuning in, supplier and retailer in the campaign markets.

Q. We hear a lot about credibility these days. It seems that nobody trusts anybody anymore. How can we tell our story in a way that the consumer will believe, accept?

A. Good point. You people have an opportunity to build credibility. All it takes is someone with courage enough to tell the truth to his customers. Meat, for example, is high in the consumer mind. Probably it will stay high. She may not especially like to hear this, but she will give you points for giving her the facts. She'll respect you. This is good for your image as farmers. Product credibility is easier. Product image will be good because you deliver

the quality product you claim you have.

Q. One panelist told us about raisins being out of stock. Are the raisin people doing a promotion to get more people to produce raisins?

A. No. The shortage this year is due to two bad weather breaks which cut the crop like 40 percent. But even so, their goals are not simply to produce and market your tonnage. Their objective is more dollars per ton. They want to be on shelves, but not to flood the shelves.

Q. Are you saying that if our efforts managed to create 20 percent more demand for red meats, we still should not urge farmers to feed more hogs and cattle?

A. Well, your members who have paid to create growth might not like to urge a bunch of new producers to raise hogs. But I don't think that you'll face the problem anyhow. When you raise demand, price and profit will bring on more output... without urging anyone to do so.

Q. I've farmed for 45 years. During that entire period, the problem has been over-production. Now, finally, we have the situation we dreamed about...a supply-demand balance. We're being urged to plant all the acres, produce more. Can't we possibly flood the market again?

A. Probably can...and maybe you will. The shortage itself creates at least an immediate spurt in demand. I haven't eaten a raisin for fifteen years...but when I hear I can't find any for four months, I'm sitting here with my mouth watering for a raisin.

A. Farm production levels are determined by thousands of

individuals who make their own management decisions. Ideally, in your groups, you'll try to expand demand at a steady rate ...so that your segment can grow in an orderly fashion. Like the other man said, let's keep our eye on dollars per ton, not numbers of tons.

Q. Where would commodity programs be most helpful...do the most good. I'm primarily interested in turkeys, but this fits other meats, too.

A. You turkey people have tried to make turkey a year-around food. This idea takes a little changing of consumer thinking. Anything you can do to better acquaint her with your product, its uses, its value, etc. Someone asked earlier about how long the impact of a campaign lasts. Generally, demand goes up during the campaign, and down after it stops. But it doesn't go as low...so a series of campaigns means a stair-step affair. One promotion is not a series.

Q. We're having trouble getting turkey...and even new turkey products...into the stores. We can tell the consumer about it, but if she can't buy it, nothing is gained.

A. From a retail standpoint, I'd say there is probably no profit in handling your products. Not enough volume to be worth handling. But retailers respond to anything the food consumer demands. It has to be pioneered. We try hundreds of new products each year. If the movement isn't satisfactory... or the product deteriorates, we lose interest pretty fast. But if consumer demand is there, the product will be in the stores.

Q. Can you see any relationship between the marketing of commodities like beans and corn, and the marketing of products like meat, milk, eggs?

A. Principles for marketing meat, milk and eggs are the same as for soybeans and corn. The markets differ. Corn and beans see their growth in overseas demand. The food products mostly shoot at expanding domestic use. So each has to correctly define its market. Each has to settle on different strategies. We often think in terms of just consumers alone. Food goes to many other places; the international market... regional markets...commercial and non-commercial feeding... industrial and institutional uses. You can talk to 5,000 homemakers, or to one buyer who feeds 5,000 people daily.

Q. How would we go about capturing some of these volume markets.

A. Schools are serving 25 million lunches a day. In five years, they'll be feeding 50 million, and there are legitimate ways to capture that market. You can work with a school consultant and develop school menus...featuring your product and others as well. Do these nicely, maybe in color. Distribute the menu suggestions to thousands of schools. Non-commercial feeding. There is also the commercial feeding market...the big franchise operations. These are receptive to ideas, tie-ins, menus, marketing support. You pick your target and aim your marketing efforts at whichever segment is most likely to provide the consumption you need.

END