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Growing for Profit – Managing Crop Mix According to the Market

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There are no magic answers for running a profitable horticulture business. Everything you do in business must start with a “marketing philosophy” to MEET YOUR CUSTOMERS’ NEEDS, not merely to sell products. Making cropping decisions plays an important role in carrying out this marketing philosophy, and you should not be simply growing what you grew last year. Your crop mix is the primary vehicle by which to transform your marketing opportunity into customer loyalty, growth in sales and, most importantly, profits. However, the process can be complex. There are more varieties than ever for growers to choose from. Today, growers can find more than 30 varieties of tomatoes in seed catalogs and choose from more than 80 poinsettia varieties in many shades and patterns. The key is to keep focus on the opportunities, select new products, and be willing to change your product lines to develop the sales and profits these opportunities offer.

Knowing the Trends

Knowing industry trends is the first step to identifying opportunities in the market. The market for horticultural products is becoming more diversified. Increasingly, consumers are buying more of their basics from discount merchandisers for the competitive prices.

Nonetheless, more consumers are also willing to pay higher prices for desired services and

product features – quality, uniqueness, convenience, locally grown, organic, etc. For instance, while competition from mass marketers is intense, sales of more expensive options, such as bigger perennials, potted annuals, antique or unusual fruit and vegetable varieties, or branded products, are stronger than ever with independent garden centers and farm markets. Knowing market trends will help you segment your customer base and decide how to satisfy their needs and wants.

Develop a Process

What does all this mean to growers when selecting crops to grow for the coming season? Selling customers what they want to buy is an easier task than selling customers what you grow. Your production plan – what you plant, when you grow, and how you merchandise – must be a process of identifying: (1) who your customers are (discount chains, independent retailers, or consumers); (2) your customers' needs; (3) an intuitive understanding of what your customers might need and buy if it were available to them; plus (4) which of the identified crops you can grow. This is an entirely different marketing philosophy than growing what you like or what you prefer to grow and trying to sell them.

The Product Portfolio

Your product mix is like an investment portfolio. As you study your investments and the returns they bring, you often transfer one investment to another, or you increase the amount of investments by adding new investments to manage the portfolio for optimum returns. The same principles apply to managing your product mix. One solution to guarantee profitability is to know your costs and be able to set the selling price to generate a profit. However, today's growers are often faced with the reverse in some market sectors. The large retail chain buyers often set a price they'll pay, and growers must figure out how to produce the product at that price for a profit.

Moreover, growers often need to carry a broad product line including some unprofitable products to remain an attractive supplier to big chain buyers or to become a destination site for retail shoppers. Therefore, if a low-margin product is important to the product mix, it needs to be evaluated to see if it can be purchased less expensively than you can grow it. If so, that might be a good option for you. It is important to know the profit margin of each product and to

optimize your return by selecting a good balance between low-margin or unprofitable but highly desirable crops and high-margin crops to satisfy your customers' needs. You should not carry the product mix if you cannot sell it at a reasonable margin. Remember, sales generating zero margins cannot offer you any profit no matter how much more you sell.

Knowing the Competition

Finally, it is becoming more important to keep tabs on your competition to stay ahead. If you offer only what your competitor offers, there is little reason for a customer to deal with you unless you have the lowest price. In today's economy, positioning your business as the low-price leader is a vulnerable competitive position. As you plan your crop mix for the coming season, remember that you can't carry everything for everybody. Knowing what your target market wants and providing a mix of crops and services that will differentiate you from your competitors will ensure that you are growing for profit.

"Smart Marketing" is a monthly marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews the elements critical to successful marketing in the food and agricultural industry. Articles are written by faculty members in the Department of Applied Economics and Management at Cornell University.

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