Collective Marketing
Selling vegetables profitably!

Marketing - does it matter?

Farmers use a broad range of skills to successfully manage a vegetable business, some of these include: agronomy, staff management, financial management, and marketing the crop.

Marketing the crop, including promoting, selling and efficient distribution, can add profit to a vegetable business. Growers with marketing skill have more opportunity to achieve a premium price.

Thus, marketing is a key skill in a vegetable business. However, many growers either do not enjoy it, or are not very skilled at it. One way to overcome this is to participate in collective marketing.

Collective marketing is where a number of growers work together to sell their combined crops. This may require additional storage, processing or packaging of the crop, with the costs shared by the collective. Collective marketing has the advantage of spreading costs over a larger crop volume, creating a larger presence in the marketplace, and focusing marketing and selling efforts.

Successful marketing requires a significant investment of time into:

- Monitoring and understanding markets and consumer preferences
- Networking with potential buyers
- Building relationships with existing buyers
- Translating market signals to farm production, e.g. producing the correct size of vegetable, or timing the crop to coincide with market demand.

The time required to develop markets and conduct marketing activities is not a priority for many growers. However, if additional profit is available from improved marketing, surely an opportunity exists for growers to share marketing costs, skills and benefits?

How can collective marketing help my business?

The clearest example of achieving a benefit from collective marketing in the past has been in the processed potato industry, which ‘marketed’ the entire Tasmanian crop to processors. This collective approach then resulted in ‘collective bargaining’ with the potato processors so that all growers could achieve a single price for the crop. The benefit was that all growers were able to market a ‘single’ large crop and achieve a price that would not have otherwise been possible. However, even on a smaller scale, there are benefits available to groups of vegetable growers.

These benefits may include:

- Improved knowledge of vegetable markets
- An ability to more closely match supply and demand to market requirements
- Marketing and selling to a larger range of purchasers, including wholesale, retail, food service and export markets
- An ability to co-ordinate management of transport, processing and logistics.

Key Messages

Marketing is a key skill and can add profit to a vegetable business. Many growers can produce a crop; growers with marketing skill have more opportunity to achieve a premium price. Marketing requires a significant investment of time into:

- Monitoring and understanding markets and consumer preferences
- Networking with potential buyers
- Building relationships with existing buyers
- Translating market signals to farm production, e.g. producing the correct size of vegetable or timing the crop to coincide with market demand.

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Marketing activities need to translate into increased profit through market access, higher sale prices or additional crop being sold than would otherwise have occurred.

Many small businesses find the prospect of increasing their marketing activities onerous, expensive and difficult. Improving marketing is a medium to long-term project. It involves some expenses and having the right skills. Often these skills will be employed through a consultant, or staff member. It makes sense that a number of small businesses might work together to employ the appropriate skills to:

1. Share the costs
2. Market a larger crop than would be possible individually
3. Add profit to all businesses.

In some instances, permission will need to be granted from the Australian Competition and Consumer Commission to collectively bargain in a marketplace.

How have other businesses used collective marketing to improve profit?

YV Fruits Inc. – growers, packers and marketers of quality fresh fruit

YV Fruits Inc. was formed in 1993 when twelve medium sized fruit growers agreed to collaborate in order to increase marketing activities and sales performance. The association was formed, in response to signals in the marketplace, including:

- Increasing volumes of fruit being sold through supermarkets
- Supermarkets purchasing directly from packers
- Supermarkets preferring to deal with larger volumes of fruit
- The centralised markets losing power and throughput
- Increased and sustained price competition from domestic and international growers
- Increasing quality assurance requirements making it difficult for small growers to implement.

Since the commencement of the association in 1993, the group has changed, adapted and diversified to market a range of crops. The association operates as a ‘not for profit’ so that all benefits are passed back to the represented growers.

The group uses knowledge and skills of the existing fruit businesses, and employs specific skills in post harvest distribution and marketing activities.

The specific benefits have been:

- Introducing economies of scale
- Sharing knowledge, resources and equipment
- Marketing and selling a diverse range of crops through a single business
- Employing a business manager to achieve specific outcomes
- Creating an effective brand
- Investigating and adopting post harvest technologies.

The collective marketing approach has been profitable to the growers involved through reducing marketing, selling and distribution costs and accessing different markets with higher prices. The approach taken by YV Fruits Inc. demonstrates the benefits of long term collective marketing, an effective brand, and growers working collaboratively to share marketing skills and costs to benefit members.

Tasmanian Agricultural Producers Pty Ltd

Tasmanian Agricultural Producers Pty Ltd (TAP) is a company that was established in 2006. TAP was originally established for a group of farmers to export Canola, with the first export of non GMO Canola to Japan occurring in 2009.

The business has grown in recent years to become a hub for grain trading in Tasmania and provides a valuable service to grain growers and grain buyers. TAP has also acquired grain handling and storage facilities to help manage seasonal grain stocks. One of the key selling points TAP has adopted is that of ‘clean and green’ and Tasmania’s GMO free status.

The business has provided marketing and sales opportunities to grain farmers that previously did not exist when farmers were individually representing themselves.

Some of the benefits include:

- Bulk storage to keep costs low
- Accessing specific export markets
- Building relationships with international grain traders
- Applying market skill to a large volume of grain.

Farmers are able to access markets that were historically unavailable due to the small scale of grain production in Tasmania and the lack of grain traders. Farmers can now access better domestic and export markets to increase profit through collective marking of larger parcels of grain.

*If additional profit is available from improved marketing, surely an opportunity exists for growers to share marketing costs, skills and benefits...*
How can I benefit from collective marketing?

There are benefits from marketing larger quantities of crop, developing business relationships and seeking out new buyers for larger volumes of produce. However, marketing and collective marketing is not a quick fix, it requires investment and a medium term time frame. The following points may help growers to understand the approach to collective marketing.

1. **Understand the market and supply chain**

A thorough understanding of the vegetable market and supply chain is critical. Knowledge of the major players, how prices are negotiated, what consumers are looking for are all useful starting points. This information can help provide an understanding of competitors and the relative strengths and weaknesses that exist in the supply base. For example, one advantage for growers in Tasmania is production of summer crops that is difficult in other regions of Eastern Australia.

If necessary, jump on a plane to visit other producers in other states, investigate wholesale markets, and talk to importers and exporters of similar crops.

2. **Consider the collaborators and competitors**

Consider the existing businesses that may compete for sales of similar crops, they might be a potential collaborator! Consider other growers who are professional and trustworthy who could be a partner in both investing in, and benefiting from collective marketing. It will be important to have a broad range of skills involved. Skills such as post harvest handling, logistics, market knowledge, business management, and finance will all be useful to improving market access. Openly discuss the opportunity with potential collaborators and seek some professional advice as to how the opportunity can be realised.

3. **Clearly define the objectives from collective marketing**

If interest exists among a group of growers, or in the supply chain, to investigate collective marketing and collaboration, then clearly define and document the objectives of the group. Document the likely costs that will be incurred with, for example employing a business manager, and then also define the anticipated benefits or networks that need to be developed over time. Marketing requires a dedicated focus and it is important to keep on task, even though building relationships, networks and market intelligence takes time.

4. **Persevere, adapt and change as necessary**

There is no quick solution! There are significant advantages and profit to be realised from collaboration and marketing larger parcels of farm produce. It is imperative that you continue to understand the market and consumers requirements and deliver it to them over time. Thus, success requires dedication and perseverance. A good idea for collective marketing today, may not be possible, but it might be achievable next year or with a different group of collaborators. Continue to investigate ways to access different markets for produce.

**Tools and further resources**

Further resources available that may be useful to consider collective marketing include:

- Increasing Productivity - Achieving economies of scale in vegetable production
- Scale of Vegetable Production - Profit calculator
- Land Leasing
- A New Business Structure - The options and benefits
- Collaborative Business Models
- Legal Business Structures

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