

Marketing Strategies for Small Farms: Missouri Goats First on Internet Auction

Emmanuel I.S. Ajuzie, Ph.D.

Lincoln University Cooperative Extension
Jefferson City, MO

REASONS FOR FOCUSING ON MARKETING STRATEGIES:

1. Labor Income

In the decade of the nineties, we have witnessed a gradual rise in labor income of the manufacturing, service, and information sectors of the economy. This has followed a past trend and if that past is anything to go by, we will continue to expect labor income to rise over time. Things are quite different in the agricultural sector, especially for the small farmer. Labor income for the small farmer particularly, and the agricultural sector generally, has either remained stagnant or decreased over time. In other words, rate of return to labor and total income in the agricultural sector are comparatively low. The disappearance of small family farms and farmers in the country can be attributed to these reasons and many more.

2. Competitive Advantage

Competition in the agricultural sector between large and small farms places the latter at a great disadvantage. Because of the disparity in the volume of products produced, prices are so low that the small farmer hardly makes any profit selling in the same marketplace as the large farmer. On top of that, rates of return to agriculture are low compared to other economic sectors. Additionally, agricultural commodity prices decline in real terms over time. The impact of all of this is always harsher on small family farmers.

3. Investment Infrastructure and Commodity Policies

Agricultural infrastructure investments and commodity policies are known to favor larger farms than smaller ones. For example, the various land reservation programs and crop subsidies have always been known to benefit larger farms. Because small farmers do not have enough land resource, they fail to participate in such programs. Different government projects, such as water in Western United States and elsewhere, have always been advantageous to large farms as opposed to small ones.

4. Inaccessible Factor Markets

Factor markets in agriculture include productive input and

loan funds markets. These markets are in most cases out of reach for small farmers. For productive inputs, prices are prohibitive and in most cases, small farmers may not need the heavy equipment in the market. In order to secure loans for farm operation, financial institutions, like the bank, may require collateral, which the small farmer cannot afford.

Based on the above, small farmers are encouraged to adopt alternative marketing strategies for sustainability both economically and socially.

OBJECTIVES OF A FARM OPERATOR:

The small farm operator needs well-defined objectives in order to counter the negative effects of the adverse conditions that militate against him as briefly stated above. Some of these objectives are as follows:

1. To know who the competition is.
2. To find new customers.
3. To open new markets.
4. To improve exposure to the product.
5. To improve customer service.
6. To increase profit margins.

The farmer can achieve these objectives wisely through cooperation, with other farmers, to avoid steep competition among themselves. Because of the perfect competitive nature of the agricultural sector, such competition can only lead to reduction in prices of farm products. This scenario will further impoverish small farmers, leading to continuous failure of small family farms.

CONVENTIONAL (DIRECT, ETC.) MARKETING STRATEGIES:

1. Location is very essential

The location of a market or any business, for that matter, determines whether or not the operation will succeed. A farmer has to find a good location for the type of market he desires to establish. The factors that are important in determining if a location is good or not include the following: the nearness of the market or operation to

main transportation arteries, accessibility of the location to customers, availability of parking spaces at the location, and attractiveness of the location to customers. To further emphasize the importance of location, one can say that the three essential determinants of the success of a market are location! location! location!

2. Increase price and sell more of the product

The farmer should know his market in such a way that he/she can find ways to increase the prices of his/her products and still sell more. This could be achieved by product differentiation through labeling and packaging, at minimal additional cost relative to increases in revenue.

3. Advertisement

Success in marketing a farmer's product(s) also depends on how the farmer advertises. He should be able to advertise his product(s) using different news groups, local stores, civic events, church groups, and word-of-mouth. It may not be advantageous to advertise through any group that is in direct competition with a farmer.

4. Sell value not price

The farmer should make sure that his/her product is of high quality. This general product characteristic makes the product valuable to customers. Once quality is high, customers in the community would be drawn to the farmer by word-of-mouth and he/she can ask for higher prices without driving away customers and potential customers.

5. Know the size of the market for the product

In order for a farmer to establish a reasonable price, it is recommended that he determines the size of the market for the product in question. If, for example, the size is large relative to supply, he/she can afford to raise the price of the product given that it is of high quality.

6. Pricing the product

The product should be priced based not only on cost and demand or size of the market, but also on the economic and emotional value to customers. It means that, in addition to some other factors that go into price determination, the farmer should attempt to find out the economic and emotional value of his/her product to customers.

7. Good marketing communication with customers

A farmer, who wishes to market his/her product successfully, should be able to have good customer

relations. In other words, he/she should be able to communicate well with customers. Some of them are, at times, looking for someone to listen to them. It is through these interactions that one can discover, among other things, the value of the product to these customers.

8. Use services to increase sales

It will help to attract customers to a market if the operator can go the extra mile by providing some services to his/her customers, especially the elderly. It may be in the form of helping them to put purchased products in their vehicles. These services keep customers coming back. They may even recommend the market to friends and acquaintances.

9. Networking is important

The importance of networking among small farmers cannot be overemphasized. It is through this process that they can find where demand for certain products is high. They can discover the going prices for various products, especially the ones that pertain to individual farmers. They can learn the latest profitable marketing methods and production practices.

10. Product promotion

Distribution of new recipes that use a farmer's product is a way of inviting customers to buy and try his/her product. Once they like the taste, the word will spread and there will be an increase in demand for the product. This same objective could be achieved by using the recipes to prepare food to be served at civic or church events. The farmer should call attention to the food and be prepared to hand out the recipes there.

11. Community building through Community Supported Agriculture (CSA)

This is another strategy for increasing the size of a market for a particular product. It also helps to build community understanding and relationships. It is based on trust for everyone within the community.

USE OF MARKETING EVENTS AS STRATEGIES:

Other strategies for successfully assisting small farmers to market their products could be placed under "marketing events." These include, but not limited to, the following:

Use natural and other on-farm resources to attract customers.

Recreation and alternative enterprises for eco-

- conomic sustainability, e.g., scenic tours
- Value-added product display events
- Pick-your-own activities
- On farm experiences
- Cultural heritage appreciation
- Bird watching, especially for ranchers
- Farm dinners
- Pumpkin harvesting
- Craft making/sale
- Apple and cherry blossom
- Building community through (CSA)
- Networking

Through these efforts, farmers sell livestock and crops and increase their profits by selling services, adventure experience, and value-added agricultural products. Benefits of Good Marketing Strategies:

Good marketing strategies have been known to provide exceptional benefits to small farmers. These include the following:

- Increase in sales
- Improved service and customer satisfaction
- Improvement in community building and relations
- Reduction in costs
- Expansion of marketing opportunities
- Expansion of customer-base
- Increase in profit margins
- Increase in youth attraction into agriculture
- Increase in quality of life of farm families and communities
- Reduction in the loss of prime farmland

NEW AND IMPROVED MARKETING: MISSOURI GOATS FIRST ON INTERNET AUCTION

In 1998, the Lincoln University Cooperative Extension marketing program, under the auspices of the state marketing specialist, Emmanuel Ajuzie, formed a Missouri Goat Marketing Committee to explore the opportunity of marketing goats from Missouri through Internet auction. On July 16, 1998, in collaboration with Equity Livestock Cooperative (Equity) based in Baraboo, WI, Missouri became the first to auction off goats on the Internet as done at sale barns. A second sale took place on December 16, 1998. These sales were made possible because of more than 75 years of Internet marketing of livestock, except goats, by Equity. It was easy to use their infrastructure to test the market for goats and it proved to be a success.

Within that first year, more than 800 head of goats were sold. The following table will provide a clue to the initial success of this venture:

PRICES OF LIVESTOCK AT 1998 AUCTION MARKETS

Electronic Goat Market

July 16, 1998

1. Top Kid
\$59.50 per head
2. Culls
29.00 per head

December 16, 1998

1. Top Kid
\$72.25 per head
2. Culls
\$35.00 per head

The disparity in prices between the two dates above was due to a seasonal factor and event. During Christmas Holidays, the demand for goats usually increases significantly and given a seemingly constant supply, price rises. Another season when a similar trend occurs is during Easter.

GOAT CONSIGNMENT PROCEDURE:

In order to sell on Internet auctions, goats are consigned prior to the sale date. Below is the procedure for the consignment of goats:

1. Call Equity toll free at 1-800-362-9322.
2. Consign goats during the week before pool day, no later than Thursday at 4:00 p.m.
3. Consignments are taken on a first-come, first-serve basis until the load(s) is full.
4. Goats are sold in load units of 500 head or 40,000 pounds.

A producer will be asked to describe his goats accurately. Equity will ask several important questions, such as:

1. *Which pool date and location do you prefer?*
2. *An owner's name, address, and phone number.*
3. *How many head of goats are you consigning?*
Breed or cross breed of goats. Example: Boer or Boer cross, Spanish, Dairy, etc.
4. *What is the average weight?* Example: -- 25 Boer cross kids, average weight 60 lbs. each.
15 head cull angora nannies, average weight 70 pounds each.
5 head adult buck, average weight 120 pounds

- each.
5. *What is the weight range?* Example:
25 Boer cross weighing between 60 and 70 pounds each.
15 head cull angora nannies weighing 70-80 pounds each.
5 head adult buck weighing 120-160 pounds each.
 6. *What is the sex of the animals?* Both sexes are acceptable. For example, castrated or non-castrated, horned or non-horned.
 7. *What are the ages of the goats you are consigning?*
 8. *When did you last deworm your goats and apply other types of medication?*
 9. *Are your animals healthy?* Quality is important. Sick ones are not acceptable.

strategy for small farmers. One of the many outstanding benefits of the program is the elimination of expensive transportation costs incurred by producers who had traveled many hours (long distances, sometimes more than 700 miles) to sell their animals.

ACCEPTANCE PROCEDURE:

1. Call Equity the day after the Internet auction.
2. You will be given the final selling price.
You must confirm your intent to accept the price and deliver your animals to the pool location.
This is a prearranged place where the goats will be picked up by their buyers. Have a reasonable price expectation.

DELIVERY AND GRADING PROCEDURE:

1. Producers will be given the exact location or collection station along with sale dates.
Location may vary from sale to sale. It is selected with the intention of reducing transportation time and cost to producers.
2. For grading, the producer makes sure that the consigned animals are presented. If there is a dispute, discuss it with the grader. If not satisfied, please bring it to the attention of the Lincoln University Cooperative Extension marketing program and ask for Emmanuel Ajuzie.
3. After the animals are weighed, the producer will be given a weigh ticket for his/her record.

PAYMENT PROCEDURE:

Equity will issue a check in the name of the producer based upon his/her weigh ticket, less the commission as will be specified for him/her in advance by Equity through the Missouri Goat Marketing Committee. Experience has shown that Internet goat auction is a promising marketing