

An Analysis of Marketing Needs and Strategies for the Fruit Industry in New York and Marketing Programs at Cornell

Wen-fei Uva

Department of Agricultural, Resource, and Managerial Economics
Cornell University, Ithaca, New York

In 1999, United States economic expansion continued at nearly the four percent rate of 1997 and 1998. Strong profits, low interest rates, and profitable business opportunities brought robust growth in spending for business equipment and software. Solid consumer spending growth continued as real wages and stock market returns rose. The gains in domestic spending more than offset the effects of growth in the trade deficit. These are some of the economic reports we hear from the media, but what do these factors mean to the agricultural industry or, more specifically, to the fruit industry in New York? This article analyzes the strategic marketing needs for the fruit industry in New York and provides an overview of the marketing programs at Cornell University that address the needs of the fruit industry.

Marketing Trends and Challenges

Marketing of fruits is more dynamic than that of most agricultural products because it brings you directly in touch with consumption and food distribution trends. Knowledge of these trends will help you win battles in the global marketplace. Ushered by the greatest economic growth in United States history, American consumers are spending money where their mouths are. They are eating more and demanding more varieties, better quality, and greater convenience. According to United States Department of Agriculture reports, in 1999,

Americans spent \$789 billion for food and another \$96 billion for alcoholic beverages, up from \$565 billion and \$73 billion in 1990, and \$308 billion and \$45 billion in 1980 for food and alcoholic beverages, respectively. Per capita consumption of fruits reached 320 pounds (fresh farm weight) in 1997, a 25 percent increase from 1970. They are feeling richer in terms of food consumption. The percentage of disposable personal income spent on food declined from 13.8 percent in 1970 to 10.4 percent in 1999. Away-from-home meals and snacks captured 47 percent of the United States food dollar in 1999, up from 39 percent in 1980 and 34 percent in 1970.

Figure 1. Distribution of food expenditures.

The New York fruit industry is facing a "crisis" for survival. To resolve the crisis will require building trust among industry members to adopt collaborative actions on marketing and take necessary risks to avoid threats and seize opportunities. This is the time for change at both the farm and industry level in order to revitalize the industry's competitive advantages, capture higher shares of consumer dollars, and improve long-term sustainability.

Although the United States retail food expenditures increased five-fold in the last two decades, farm receipts have not caught up with the trend (Fig. 1). The cost of providing food processing and marketing services beyond the farm gate is the most persistent source of rising food



Figure 2. United States dollar spent for food paid for in 1998.

expenditures. While consumer expenditures for domestic farm food grew 3.2 percent in 1998, farm value fell 2.5 percent in the same year, and the marketing bill grew 4.8 percent. Marketing costs accounted for 80 percent of the \$585 billion consumers spent for domestic farm foods, not including imported foods, in 1998. Only the remaining 20 percent, or \$119 billion, represents the gross return paid to farmers (Fig. 2). While America's desire for convenience foods drives marketing costs, it presents a great value-added opportunity for the fruit industry in New York.

According to the Census of Agriculture, the New York fruit industry ranked sixth among states but accounted for only 1.5 percent of the total value of fruits and nuts produced in the United States in 1997. However, in addition to low farm returns, the New York industry is confronting the challenges of increasing world supplies, growing numbers of fruit varieties in the market, volatile and sometimes depressed prices, changing market demands, and concentration in the retail sector with relatively low market power. When prices are high, who cares about marketing? The New York fruit industry is facing a "crisis" for survival. The Chinese expression for "CRISIS" (pronounced "wei-ji") is a combination of risks ("wei") and opportunities ("ji"). To resolve the crisis will require building trust among industry members to adopt collaborative actions on marketing and take necessary risks to avoid

threats and seize opportunities. I would argue that this is the time for change at both the farm and industry level in order to revitalize the industry's competitive advantages, capture higher shares of consumer dollars, and improve long-term sustainability.

Alternative Marketing Strategies for the Fruit Industry in New York

The fruit industry in New York includes commodities that rely heavily on national and international markets to sustain current investments in land, buildings, machinery, equipment, and human resources. These commodities include apples, tart cherries, juice grapes, and wine grapes. The challenge with these commodities is to maintain competitiveness by improving efficiency of production and developing marketing systems that take advantage of consistently high-quality products at a large volume supply to meet competition from other regions and the demands of an increasingly concentrated retail sector. Another group of crops includes those for which there is either a lack of volume produced in New York, or those which are not competitive in national and international markets. These include a long list of niche products such as small fruits, organic fruits, and specialty products, etc. This group can include many of the same commodities that are mentioned in the large volume products in which New York competes in national and interna-

tional markets but are marketed directly to consumers, e.g. wine produced by small wineries. The challenge for growers and marketers producing these products is to achieve sufficient differentiation so that a higher price can be obtained to offset high costs inherent in producing and marketing these products. There is also the avenue of developing value-added options that allow capturing more of the final users' dollar.

Successful strategies to address the marketing needs of the fruit industry in New York require a balanced blending of programs and skills of the industry, New York State Department of Agriculture and Markets, and the Land-Grant University at Cornell. The marketing strategies should enhance the marketing effectiveness of fruit producers in New York. The following is a list of selected strategies to meet the marketing needs of the fruit industry in New York.

Marketing Strategy 1: Diversification and Differentiation

While the dynamics of the produce market are increasingly commodity-like, with producers maintaining the role of price-takers, product differentiation and diversification, including new product introductions, is still a key strategy for expanding sales in the fruit and vegetable market. For example, the fresh tomato category has been differentiated to more than 10 offerings, and the introduction of specialty fresh fruits and fresh-cut products has opened new opportunities

for domestic producers. To exploit such opportunities, it is important to continuously conduct research and disseminate information regarding the benefits of New York produced fruits, develop new fresh fruit varieties and processing products, evaluate economics and market sizes of these new products, and identify marketing trends and alternatives for New York fruits. More importantly, it needs innovative entrepreneurs to join this market arena and take advantage of alternative marketing tools and new information technologies.

Marketing Strategy 2: Expanding Market Access and Increasing Market Penetration

The fruit industry in New York often cites closeness to market as a major advantage. However, closeness to market also has its disadvantages. Because it is feasible for small marketers to reach the market, it tends to promote a fragmented industry, where it is difficult to control quality and coordinate marketing efforts (Anderson 1989). Strategic alliances among industry members is essential to expand market access and increase market penetration for all New York fruit producers in the northeastern markets. With supply and quality commitments, an alliance of producers is well positioned to pursue major wholesale as well as retail buying groups, including restaurants and food service. Collaboratively, producers can strengthen farm-to-market relationships with potential buyers at restaurants and hotels by identifying and promoting the varieties and volume of products available from a group of specialized producers. Promotional efforts developed through trade associations and the New York State Department of Agriculture and Markets targeting northeastern regional markets could increase the awareness of and stimulate demand for New York products in the market.

Marketing Strategy 3: Identify Existing and Emerging International Market Opportunities for Fresh and Processed Fruits

The growing global demand for year-round availability of a broader line of high quality fruits is stimulating the growth of international trade, since no country produces all fruits all year-round. A source of contact should be established for producers to obtain information about exporting, including market information, trade issues, standards, certification, and logistics. Communication should be es-

tablished with the United States Foreign Agricultural Service representatives in countries that have the strongest potential for export. Joint efforts should be encouraged among the New York State Department of Agriculture and Markets, independent growers, trade associations, and cooperatives to attend domestic and international tradeshows, to connect with international buyers, and to deliver market information to producers.

Marketing Strategy 4: Increase the Volume and Variety of Locally Produced Products Merchandized through Wholesale and Retail Channels in New York

Sales of New York fruits through New York marketing outlets can be promoted by expansion of agri-tourism, agricultural awareness programs, and ag-based economic development initiatives. Raising consumers' awareness of New York agriculture and helping them identify New York products can increase demand for New York fruits. Research has shown that when informed, consumers would prefer to buy a local fruit if it were readily available with acceptable quality and competitive prices (Campbell and Feenstra, 1998). Formation of selling networks would facilitate supply and distribution to New York fruit buyers and support marketing negotiation with large market multipliers. Relationships with retail partners present opportunities to raise consumer awareness of New York fruits. It also means taking advantage of the retail partner's promotion resources. Moreover, direct marketing is one way for New York fruit producers to capture higher shares of consumer dollars and further increase consumer accessibility to New York fruits. State and industry organizations should identify and support educational awareness programs and Ag-in-the-Classroom projects for the creation and delivery of balanced and up-to-date information regarding agricultural issues in New York.

Marketing Strategy 5: Strengthen Trade Associations and Cooperatives and Encourage Strategic Alliances and Collaboration

I would suggest that what gives fruit growers in the western United States and some overseas countries so much power in the market is their collaborative organization. Although members of the fruit industry in New York have successfully worked independently in the past, changes in the world market are sufficient to warrant the industry to take a hard look



Peaches may offer an attractive diversification option for NY apple growers.



Unusual fruit, like ribes (gooseberries and currants) may offer niche marketing options for NY fruit growers.

at collaboration in marketing as well as production and distribution. A unified fruit industry is also the most effective way for fighting trade battles since organized producer commodity groups are most successful at influencing their government officials to defend their trade interests. Collaboration requires the willingness of all parties to work together to achieve a common goal, maximize impacts and increase marketing options for individual members. Strengthening existing organization, including trade associations and cooperatives, and confronting conflicts with mutual interests in mind are the first steps to effective industry collaboration. Although it is not easy, becoming **interdependent** is the key to remaining **independent** for members of the New York fruit industry!

Marketing Program at Cornell

Numerous programs at Cornell work directly with the fruit industry. Here are descriptions of some of the Cornell programs that address marketing needs of the fruit industry by various research and extension activities. Although only campus programs are mentioned in this article, it should be noted that additional marketing programs are initiated by county extension offices throughout the state.

Agricultural Cooperative Enterprises <http://www.cals.cornell.edu/dept/arme/cooperatives/index.htm>

The Cornell Cooperative Enterprise Program focuses on cooperative strategies, structure, board/management relations, marketing, and finance. Educational programs are designed to improve decision-making skills, to create a positive corporate culture within organizations, and to increase the economic performance of cooperatives. Several events are co-sponsored with the Northeast Cooperative Council and/or CoBank, ACB. For groups interested in forming new cooperatives, analysis of the economic viability and feasibility of their business concept is encouraged. Prospective new cooperatives are also encouraged to include in their certificate of incorporation all necessary provisions to assure long-term organizational soundness. Its target audience are cooperative directors, management and members; cooperative employees; future cooperative leaders; producers considering cooperation; and extension educators. Outreach activities are coordinated with The Pennsylvania State University and with other Land Grant Universities across the United States, as well as with the National Council of Farmer Cooperatives. The faculty contacts for this program are Brian Henehan and Bruce Anderson in the Department of Agricultural, Resource, and Managerial Economics.

Economic Outlook

Economic outlook for agricultural commodities and the general economy is a major activity in this program area. An Agribusiness Economic Outlook Conference is held annually in December. Outlook news articles are prepared for the Agricultural News Service. Outlook for the Northeast is prepared for the *American Agriculturist*. The program objectives are to increase public understanding of forces affecting supply and demand conditions for agricultural commodities, enhance

public understanding of policy alternatives, and improve knowledge of future trends in key economic variables to permit better planning by producers and agribusiness people. The faculty contact for this program is Robert Milligan in the Department of Agricultural, Resource, and Managerial Economics.

Food Industry Management

The focus of the majority of the research in the Food Industry Management Program is the manufacturing and distribution (i.e., wholesaling and retailing) sectors of the food industry. Extension of this research assists food retailers and wholesalers in better managing their firms and understanding the economics of their markets. In addition, consumers and growers learn how the wholesale and retail food sectors impact them. Improved understanding of the activities of these companies is critical to formulating appropriate marketing programs for producers and informed shopping decisions for consumers. Results from this research are communicated with the above clientele groups through various reports, articles in county extension newsletters, numerous state and national workshops and seminars, and several executive education programs for food industry managers. The faculty contacts for this program are Jim Hagen, Ed McLaughlin, and Meg Melloy in the Department of Agricultural, Resource, and Managerial Economics.

Food Industry Management Distance Education Program

<http://distance-ed.arme.cornell.edu/>

The Food Industry Management Distance Education Program provides educational materials and programs to assist food industry companies in developing managers and associates for the purpose of improving food distribution efficiency. For over 35 years, the program has offered non-credit correspondence courses leading to Certificates of Achievement and workshop and seminar programs for food industry managers and associates. Currently, the program offers 26 supermarket oriented courses, eight convenience store courses, and five distribution center courses. Courses are completed primarily through independent study with correspondence via postal mail, e-mail, or fax. Computer-based training (CBT) modules have been developed in the areas of food safety and effective teamwork. The Food Industry Internship Program is a

partnership of the Program, food industry companies, high schools, colleges, and cooperative extension to allow high school juniors and seniors to explore careers in the food industry via a coordinated academic and work-based program designed as a school-to-careers experience. The faculty contact for this program is Rod Hawkes, Director, in the Department of Agricultural, Resource, and Managerial Economics.

Horticultural Marketing

<http://www.cals.cornell.edu/dept/arme/hortmgt/index.htm>

This program is designed to enhance the competitive position of the New York fruit, wine, vegetable, and ornamental horticultural industry through research and targeted, curriculum-driven educational programs. The program recognizes the strategic importance of these sectors in the agricultural industry and seeks to capitalize on the opportunities to promote economic development by increasing the profitability of producers and marketers of fruit, vegetable and ornamental horticultural products and services. Program objectives include selecting products and quality control measures needed to meet large volume, graded and temporal needs of buyers, assisting in developing innovative marketing mechanisms applicable to horticultural businesses, and identifying opportunities in local, national, and international marketplaces for different size horticultural operations. The faculty contacts for this program are Wen-fei Uva and Gerald White in the Department of Agricultural, Resource, and Managerial Economics.

Farming Alternatives Program

<http://www.cals.cornell.edu/dept/ruralsoc/fap/fap.html>

The Farming Alternatives Program is Cornell's agriculture development and diversification program. Program staff engage in a variety of applied research extension, and community leadership development activities supporting agriculture development in New York and the Northeast. Focal areas related to marketing include marketing innovations for family farms such as on-farm processing, ethnic markets opportunities in New York City, farmers' markets, small-scale fruit and vegetable cooperatives, and cultivating farm-neighbor relations. The contacts for this program are Heidi Mouillesseaux-Kunzman (Program Coordinator) and Duncan Hilchey.

Value-Added Processing Apple Products in the Northeastern United States
<http://www.cals.cornell.edu/dept/arme/hortmgt/research.htm#development>

This project includes faculty and staff in five Cornell departments (Entomology; Plant Pathology; Agricultural, Resource, and Managerial Economics; Food Science; and Horticultural Science) and Cornell Cooperative Extension, as well as a significant amount of industry cooperation through several commercial partners. The objective of this project is to improve apple growers' and processors' likelihood of success in new and emerging opportunities in apple product marketing via enhanced understanding of marketing options, customer preferences, and strategic factors. The marketing and economic analysis component of the project will provide information to the industry on new product feasibility, consumer trends, costs of production, and marketing options. The faculty contacts for this project are Gerald White and Brian Henehan in the Department of Agricultural, Resource, and Managerial Economics.

References

- Anderson, B. 1989. Strategic Alternatives for the New York Apple Industry. A.E. Res. 89-15. Department of Agricultural Economics, Cornell University, Ithaca, New York.
- Campbell D. and G. Feenstra. 1998. Marketing Local Agricultural Products as a Sustainable Community Development Strategy: The Case of PlacerGROWN. University of California at Davis.
- Economic Research Service, United States Department of Agriculture, Food Expenditure Data: <http://www.econ.ag.gov/briefing/foodmark/pend/data/data.htm>, May 24, 2000.
- Economic Research Service, United States Department of Agriculture, Food Review, September-December 1997 and September-December 1999.

Dr. Wen-fei Uva is a senior extension associate in the Department of Agricultural, Resource, and Managerial Economics and directs horticultural marketing extension programs for New York.

