

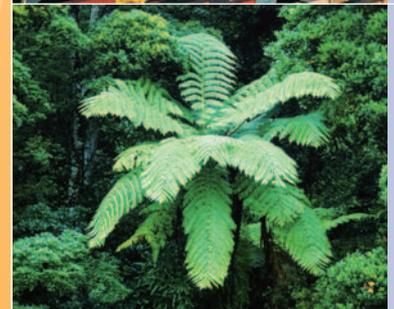
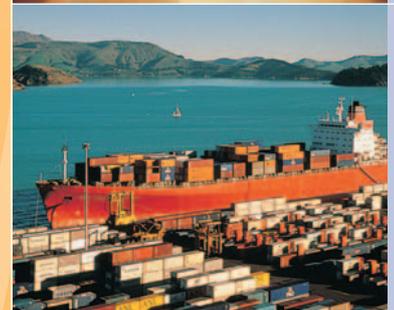


Farmer Level Marketing:

Case Studies in the South Island, of New Zealand

Ross K. Bowmar

Research Report No. 305
May 2008



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May 2008

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Executive Summary

The purpose of this study was to learn about how and why red meat farmers incorporate farm level marketing activities into their operations. The major themes examined were the motivational factors behind marketing involvement, personality attributes, the process by which opportunities were identified, how marketing strategies were implemented, the role of relationships, and the impacts and risk associated with the incorporation of advanced marketing strategies into the farming operation. The ultimate goal of this investigation was to gain insightful information that would be helpful to farmers contemplating a greater involvement in marketing at the farm level.

Using a qualitative research case study approach, five farmers were interviewed. Participants were chosen based on their current or past demonstration of having incorporated advanced marketing strategies into their farming operation.

Farmers were motivated to become involved in marketing because of a combination of three factors: drive for greater economic returns, desire for greater control, and the urge for a novel challenge. Three further factors are closely linked to marketing involvement: entrepreneurship, a perception that marketing is a valuable business function, and a sense of personal competency in marketing.

Opportunities for involvement in such activities were identified through informal environmental scanning and current business analysis. Farmers heavily relied on downstream supply chain partners to scan their environments, and this process often yielded significant information. Farmers were, therefore, proactive in the initiation and maintenance of such relationships. Current business analysis consisted of examining current product and market outlets.

Farmers viewed the end consumer as their primary customer, and held a focused view of their competition that appeared to be associated with the degree of product differentiation. All of the decisions in the marketing mix were made with end consumer requirements in mind, and the competitive position derived from these decisions was reinforced through the use of branding. Farmers' relationships with downstream supply chain partners were found to be critical in the initiation and management of the marketing strategy.

The initiation of advanced marketing strategies had notable impacts on farmer operations. The most significant of these were intensification of capital requirements, reallocation of human resources, changed profitability and cashflow, and the transformation of product quality advantages into either greater economic returns or greater market share. Study participants viewed advanced marketing strategies as a source of risk; however all felt that it was manageable. A significant finding was the availability of traditional supply channels to act as a buffer for farmers' own marketing activities, allowing an easier match of supply and demand of product, and acting as a backstop if the venture failed.

Keywords: farmer-level marketing, farmer marketing strategies, New Zealand, meat industry.

Chapter 1

Introduction

1.1 General introduction

Increasingly in the New Zealand agricultural scene, the production of red meat is seen as less profitable and correspondingly a less desirable business venture. Often poor marketing by the traditional channels is blamed for the current situation. However, generally few farmers incorporate marketing as an integral part of their business operations, with the common view that marketing is very much a secondary function to production, and one that occurs 'beyond the farm gate', and outside of the realm of individual farms and farmers.

In an increasing competitive global environment, businesses that are adept at meeting the needs of consumers will survive and grow (Hobbs, Cooney and Fulton, 2000). Therefore, farmers increasingly need to consider the role that marketing plays in their business operations, and ask themselves if they could 'do a better job' than the traditional marketing channels by using more advanced marketing strategies. However, this will require a fundamental shift away from the current production oriented nature of New Zealand red meat farmers, and education on what is necessary if one is to be successful in farmer-led marketing activities. In theory, farmers that have incorporated marketing activities into their overall farming business, should represent the vanguard of such activities and be a fertile ground for management research. Learning more about these farmers and their operations could reveal insights and provide guidance and direction for others contemplating adopting similar strategies.

Thus, the purpose of this study is to build on the study completed by Harsh (2003), who carried out research into marketing activities of a range of cropping farmers in New Zealand. The aim of this study is take a more in-depth look at practitioners of farm level marketing in relation to the red meat industry, their personal attributes and motivations for becoming involved in such activities, how they identified the opportunity to do so, the ways in which they undertake marketing activities, and the impact of marketing on their farm business. These study findings can then be compared with those of Harsh, to see if any significant differences exist across industry boundaries inside the broader agricultural industry. For this study, farm level marketing has been defined as marketing activities and strategies that are internal to, and an integral part of, the farm operation and that move the farm business away from price sensitive commodity production, and towards a competitive strategy based on differentiation (Harsh, 2003).

1.2 Problem statement

It is suggested by Harsh (2003) that New Zealand primary producers may need to consider a refocus away from traditional production oriented business models towards marketing oriented business models. This may help ensure their survival in increasingly competitive agricultural markets. Many New Zealand farmers appear to give little consideration to marketing, while others appear to have fully embraced marketing as an integral part of their farm operations (Harsh, 2003). Learning more about these farmers and their operations could yield useful insights and direction for others contemplating adopting similar strategies.

1.3 Research objectives

Based on the above problem statement, the specific objectives of this study are to:

- Learn how farmers involved in farmer-level marketing identified market opportunities, and their motivation for engaging in marketing.
- Discover how these farmers capitalise on these opportunities with a specific focus on starting out, supply chain management and marketing aspects therein.
- Examine the impacts on the farming operation of following these opportunities and the interaction between marketing and production.

1.4 Research approach

A qualitative case study research approach was chosen for this study. Five South Island (New Zealand) farmer participants were interviewed between June and August 2007 (Chapter 3).

1.5 Report outline

The report has been organised into six chapters that are presented as follows:

Chapter 1 Introduction

Chapter 2 Literature Review: This chapter provides a review of literature related to basic industry characteristics, motivational factors, identifying opportunities/scanning the environment, farmer orientation, marketing strategy, marketing management, supply chain engagement and relationships, the risk associated with marketing and impacts on the farm business.

Chapter 3 Method: This chapter describes the research methods used in the study including sampling, data collection, and data analysis.

Chapter 4 Case Study Profiles: This chapter provides in-depth background on study participants, including descriptions of their operations, marketing activities, marketing mix, and strategic direction.

Chapter 5 Results: This chapter presents and analyses the results of the study and includes relevant quotations as supporting material.

Chapter 6 Discussion, Implications, and Conclusions: This chapter discusses the implications of the results, and highlights conclusions that may be relevant for other farmers that want to become more involved in marketing

Chapter 2

Literature Review

2.1 Introduction

The purpose of this chapter is to define and discuss areas of literature that are of significance to this study. The study will focus on the red meat industry, so it is important to first understand the characteristics associated with red meat industry as they relate to the agribusiness operating environment (section 2.2). The focus will then be on why farmers get involved in farmer level marketing opportunities and their associated personality characteristics (section 2.3). An investigation will then be done into how opportunities are identified and the environment scanned (section 2.4). Attention will then turn to orientation (section 2.5), marketing strategy (section 2.6), and marketing management (section 2.7). The purpose of these sections is to understand the difference between production and marketing oriented farmers, and then how farmers undertaking farmer level marketing develop, implement and manage such activities. From there, the process of supply chain engagement and importance of relationships will be investigated (section 2.8). Finally, the impacts and risk of incorporating marketing activities into the farming operation will be investigated (section 2.9).

2.2 The agribusiness operating environment

This section identifies and discusses the defining characteristics of the red meat industry as they relate to the agribusiness operating environment of the farm, market characteristics and supply chain structures, and discusses them in relation to the pressing issues currently found. The New Zealand Meat Industry is a subset of the broader New Zealand Agricultural industry, and includes the sheep, beef, deer, pork and poultry industries.

The business of farming is influenced by set of defining characteristics associated with agribusinesses, which differentiate it from general businesses (Woodford, 2002, p.1). These defining characteristics go beyond the obvious statement that agribusiness deals with production, processing and marketing within the food and fibre industries. They include long investment cycles, production uncertainty, many small scale producers of commodity products, unique issues of quality management associated with perishability and food safety, and substantial trade barriers associated with the politics of food and the politics of farming.

Obviously, the above characteristics lead to a lack of control, and this is the root cause of variability in product characteristics, which is a major problem according to Haines (1999, p.107), as today's consumer expects consistency. Haines further suggests that in the case of meat, what determines consistent quality and different quality attributes is not well understood. The result is customer insecurity surrounding the product.

Seasonality of supply as a result of the natural environment is viewed as variability by today's consumers, who, due to urbanisation are now less in touch with farming systems and the factors causing seasonality of supply. The consumer is also becoming more health and safety conscious, and therefore there is increasing demand for complete traceability, food safety and animal welfare assurance. Ultimately what is required is increased quality management (Woodford, 2002, p.3).

Furthermore, at the farmer level, there are many small farm operators producing an almost identical product, which essentially means farmers produce a commodity product (Woodford, K., 2002, p.3). Prices for commodity products are set by supply and demand as there are no distinguishing characteristics to justify one supplier receiving a premium over another (Haines, 1999, p.28).

In addition, almost all farmers lose control over their product when it leaves the farm gate. Livestock are sold to meat processing companies who manage the marketing mix of the supply chain to best meet customer specifications. According to Haines (1999, p.3) this presents an “opportunity for better marketing that lies in the fact that barely a quarter of farm output reaches the consumer in the state in which it left the farm”. He goes on to say “most farmers know this, but they underestimate the marketing effort and the value added by the downstream marketing sector, and the missed business opportunity which this represents” (Haines, 1999, p.3). The difficulty in this is that processing plants (where the vast majority of value is added to product) are highly capital intensive and therefore it is difficult for the individual farmer without high throughput to make this an economically viable option.

The supply chain also has problems in effectively relaying product specifications demanded by customers. Haines (1999, p.109) states that, this problem results from the current classification system being devised for intermediary buyers. The current classification system is based on the primary variables of size and fat covering of the carcass. This correlates to a schedule of prices determined by market demand. However, there are other attributes (e.g., ease of preparation, tenderness, taste and colour) that the consumer looks for and that play no part in meat classification. The classification system has led to a focus on maximising production potential behind the farm gate and the implementation of a cost leadership competitive model. However, as agricultural markets continue to become more competitive, farmers may need to turn their attention away from cost leadership to a greater focus on differentiation. (Harsh, 2003, p.2)

The major issue, according to Harsh (2003), is that although New Zealand farmers understand that marketing is an important factor, they primarily see it only as a means to sell their product and to reap the revenues, and do not understand the principles behind how to successfully market their products so as to maximise these revenues. Haines (1999, p.4) also states that added value enterprises “require a better understanding of the marketing system than most farmers possess, and a much greater willingness to co-operate with the downstream sector and other producers”.

Another point is that, due to a relatively small domestic population the New Zealand, the red meat industry is strongly export orientated and therefore prices received on farm are strongly influenced by the international market prices and exchange rates. More importantly however, is the point raised by Haines (1999, p.215) that export supply chains are more risky, due to vulnerability to interruptions outside of managements control.

Furthermore, Martin (2005, p.135) states that product characteristics effect the likely marketing positions to be taken up by farmers. For example niche strategies are more likely with wine grape growers, while dairy farmers are likely to be commodity producers. This is due to the level of differentiation that is easily obtainable; however, it is conceivable for any product to be differentiated.

2.3 Motivational factors

According to Giera (1999, p.113) the motivational factor for entering into direct marketing is usually increased profitability. Increased profitability is often seen by 'would be' direct marketers as achievable through taking the middleman's share of customer expenditure. However, according to Haines (1999, p.153), this hope is rarely realized and is never a sufficient reason to enter into direct marketing. Haines (1999, p.4) states that "the main benefit to be derived from added-value enterprises is not profit but better customer feedback and greater influence over the post-farmgate use and destination of output".

Farmers who enter into direct marketing are generally regarded as entrepreneurs. Giera (1999) found that entrepreneurship manifests itself in different ways, with the main avenues being: advanced marketing, production, and processing. This agrees with Harsh (2003) who noted that it is possible that a link exists between entrepreneurship and marketing activity in farmers. Giera (1999) found that the personal attributes commonly found in entrepreneurs are: determination, perseverance, a willingness to try new things, a tendency towards innovation, and a high level of motivation.

According to Giera (1999), the characteristics of entrepreneurs are high risk tolerance and foresight as to benefits rather than problems associated with risk taking. The entrepreneur also views information gathering as a vital part of decision making and likes to be surrounded with advisors and literature. The entrepreneur has a large circle of contacts both within and outside their own field of interest, thinks in strategic terms and devotes considerable time to planning and management. Information gathering is an important facet in identifying opportunities/environmental scanning and thus deserves greater analysis.

2.4 Identifying opportunities/environmental scanning

Clearly, farmers involved in direct marketing identified the opportunity to do. This is primarily done by a process called environmental scanning. Environmental scanning is the process by which a firm observes, analyses, and takes into account the happenings and changes in its operating environment (Harsh, 2003, p.13). It includes the actions of competitors, changes in customers, shifts in major economic parameters, societal trends, etc. Environmental scanning is described by Capon and Hulbert (2001, p.47) as a major responsibility for marketers, and a key aspect of searching out new opportunities and directions for a business to pursue. Haines (1999, p.33) suggests that successful businesses are those that are able to effectively scan their environments for change and new ideas, and make corresponding operational adjustments. He then states that good environmental scanning is likely to help a firm to reduce uncertainty in planning, deal with changes, and capitalise on unexpected opportunities.

To understand the role of environmental scanning and analysis in marketing, it is important to define and understand what is meant by the term 'operating environment' (Harsh, 2003, p.13). Miller (1998, p.75) divides a firm's operating environment into two broad realms: the general environment, and the competitive environment. Miller states the general environment consists of six dimensions: demographics, socio-cultural trends and issues, political/legal parameters, macroeconomics, technology, globalisation. In Miller's view, the competitive environment (i.e., the situation faced by a firm in its specific area of operation or industry) is best described by 'Porter's Five Forces Model' (1980). The Five Forces Model divides the competitive environment into five sectors: new entrants, buyers, suppliers, substitutes, and rivalry. Any of the above dimensions and sectors can hold either threats or opportunities for a firm (Barney 1996, p.68).

In terms of the internal environment within a business, (Haines 1999, p.15-31) stated these to be new opportunities, areas in need of improvement, profit centres, and unprofitable enterprises, all of which can be revealed through current business analysis. Such analysis deals with the examination of a firm's resources, capabilities, products, and the markets that a firm utilises.

Environmental scanning is closely aligned with market research, defined by (Harsh, 2003, p.5) as "the process by which a firm identifies a new opportunity by examining and interacting with the market (customers), hence determining what the market requires". He goes on to state "the ultimate goal of performing market research is to gain insight into the desires and drives of customers, which in turn allows producers to design product offerings accordingly". A market opportunity could be described as the gap between the present situation and what the consumer truly desires.

The most fundamental issue of market research according to Martin (2005, p.124) is to identify who the consumer of the product is likely to be, what characteristics of the product the consumer desires, how stable their demand for this product is likely to be, and who else can provide it to them.

Harsh (2003, p.7) stated, "Once a firm has identified a market opportunity (i.e., a market segment that is currently under served and where the firm can compete), it must consider how it will exploit this opportunity". This involves the second task of marketing, marketing management which includes the marketing mix.

According to Haines (1999, p.161) producers who have done their own market research and product development should be the best salesmen as they have all the relevant information at their fingertips. He notes that when starting out, direct marketing is usually done, as gaining market access generally requires personal selling. He claims that personal selling is an unrivalled opportunity to explain distinctive attributes and particular benefits of a product to the customer (Haines, 1999, p.161).

In summary market research involves gaining an understanding of customers driven by wants and needs, the purchase decision and marketing segmentation. Market segmentation is the process of dividing customers (or potential customers) into groups based on discriminating criteria, e.g., geographic, demographic, psychographic, and behavioural. Therefore, market research requires marketing rather than production skills (Haines, 1999, p-79-87).

2.5 Marketing orientation

Marketing orientation is defined by Haines (1999, p.9) as "a management reorientation which ensures that a business activity is demand led not production driven". Haines identified characteristics of production and marketing orientated businesses (1999, p.9) as outlined in Table (2.1).

Martin (2005, p.124) states that there are a number of basic marketing decisions that all farmers have to make whether they pursue a production or market orientation. Decisions such as when to put to the ram out and who to sell to are aspects of marketing that even the least market orientated farmers must consider. It is possible for a farmer to be highly market orientated, while still maintaining a strong emphasis on production (Harsh, 2003, p.13). Likewise, according to Haines (1999, p.105) a farmer whose strength is in production and has limited time for market research will be better off by focusing on production modifications, with a focus on better meeting the needs associated with supplying the existing markets.

Table 2.1: Characteristics of production orientated vs. marketing orientated farmers

| |
|--|
| If you are production orientated: |
| <ul style="list-style-type: none">• ‘Marketing’ means disposing of what happens to have been produced.• The management focus and emphasis are on production.• Products are ‘over engineered’ to satisfy own standards, regardless of customer requirements or willingness to pay.• Marketing research and planning are almost non-existent.• Price tends to be cost-based, with value and competitive considerations largely ignored.• Cost reduction efforts dominate, and may sacrifice product quality and customer service.• Instead of adapting to customer needs, other buyers are sought for the same products. |
| If you are marketing orientated: |
| <ul style="list-style-type: none">• The focus is on the marketplace: customers, competitors, and distribution.• Monitoring the market is a routine part of business.• Change is recognised as inevitable and manageable.• Management is committed to strategic business and marketing planning and creative product planning.• The emphasis is on profit – not just volume, with profit and growth kept in balance. |

Source: Marketing for Farm & Rural Enterprise (Haines 1999, p.9).

McLeay, Martin, and Zwart (1996), in a study of the marketing and strategic behaviour within the Canterbury (New Zealand) intensive cropping sector, identified five distinct groups of farmers: stability, production/production flexibility, production/market outlet focus, arbitrage, and differentiation

2.6 Marketing strategy

Marketing strategy is defined by Kotler, Brown, Adam & Armstrong (2004, p.132) as the marketing logic by which a business hopes to achieve its marketing objectives. Marketing strategy consists of specific strategies for target markets, marketing mix and marketing expenditure level. The objective of marketing strategies according to Haines (1999, p.12) is to “achieve the best possible match between resources and market opportunities, and ideally to establish a long-term competitive advantage by securing a customer base loyal to the product and the supplier”.

Porter (1980; 1985) states that competitive advantage can be derived from one of two broad generic strategies: cost leadership, or differentiation. Cost leadership is often associated with the production of commodity type products, and based on a specific set of resources. Alternatively, differentiation involves a unique product or set of attributes that can ideally be protected from duplication. The strategy must be sustainable if truly lasting competitive advantage is to be achieved (Barney, 1996).

A firm determines how it will compete in a given industry by first understanding its environment (see section 2.4). Harsh (2003, p.8) states that “in developing a marketing strategy a firm takes into account: competitors, substitute products, targeted market segments, product maturity, and various other marketing parameters, to yield a comprehensive direction for product marketing based on current capabilities”. By scanning and understanding the environment a firm builds, and protects competitive advantage (Barney, 1996). A sustainable competitive advantage is described by Barney (1996) as robust and not easily duplicated. For a competitive advantage based on cost leadership, this means ensuring that a firm remains the low cost producer of a given product (within quality specifications) in the market place. A differentiation strategy requires that products must be unique, or possess unique attributes, that separate them from others in the market, and that are ideally protected by the use of a brand (Barney, 1996).

Competitive advantage is the basis of an effective marketing strategy (Capon & Hulbert, 2001, p.16). Firms use competitive advantage as a starting point for marketing activities, and then strengthen and secure their advantage through marketing activities. For competitive advantage based on differentiation, this will require investment in advanced marketing activities, while for cost leadership, it is likely that less advanced marketing activities will be required (Capon & Hulbert, 2001).

According to Haines (1999, p.12) four basic marketing strategies exist which involve different levels of innovation and risk: market penetration, market development, product development and diversification. The appropriateness of these strategies needs to be evaluated in every situation according to Haines (1999).

2.7 Marketing management

Marketing management can be viewed as the means by which the strategy is put into operation. Kotler et al. (2004, p.16) define marketing management as “the analysis, planning, implementation and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives. Thus, marketing management involves managing demand, which in turn involves managing customer relationships”.

Harsh (2003, p.2) defines farmer level marketing as “the marketing activities and strategies that are internal to, and an integral part of, the farm operation and that move the farm business away from price sensitive commodity production, towards a competitive strategy based on differentiation”

This section will first discuss the relevance of a target market and then the ways in which the marketing mix of product, price, place and promotion can be managed to meet the needs of the target market. Kotler et al. (2004, p.109) define the marketing mix as “the set of controllable marketing variables that the company blends to produce the response it wants in the target market”.

2.7.1 Target market

According to Haines (1999, p.27) a marketing strategy depends on the following strategic decision. Whether to address the total market for a product with a single marketing mix to match their separate needs, or whether to research and identify market segments which may be supplied with a different product and marketing mix to match their separate needs.

The former is known as undifferentiated, commodity or mass marketing; the latter is what farmers know as niche marketing, and what marketing theory refer, to as differentiated marketing or market segmentation. The target market is the identified market segment for which the marketing mix is designed to meet the needs. Haines (1999, p.30) states ‘it is generally assumed that it is better to identify an under served segment rather than to confront existing competition on its own ground’. Furthermore, Martin (2005, p.124) states, “extent to which an individual farmer should focus on consumer needs and market research will depend on the degree of his or her involvement in marketing and his or her role in the supply chain.”

2.7.2 Product

Kotler et al. (2004, p.8) define a product as “anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need”. Dunne (1999, p.61) refers to a product as ‘the physical product or service, that a firm produces, and includes both its functional (what the product does) and non-functional features of the product (size, colour, packaging, brand, etc.).

The product decision according to Haines (1999, p.95) identifies exactly which product attributes must be provided in order to target an identified demand, and the management implications of supplying it. Haines (1999, p.95) states, in the farming context the basic product decision – what to produce – is limited by the natural environment and physical situation. He notes that product choice is further restricted by: legal, social and land-use constraints which either prevent certain types of development altogether, or increase the costs and operational problems; designated area planning constraints which may entail higher building costs, impose access restraints, limited opening times, quiet activities, etc; compliance with public health and hygiene requirements which may entail prohibitive plant, equipment and labour costs that rule out a processing enterprise. The individual product decision must also be made in relation to the consistency and credibility of the total business offer, their potential impact on overall revenue, costs, and profitability, and their implications for resource allocation (Haines, 1999, p.95).

Before making the product decision, it is important, to understand the purchasing decision. Haines (1999, p.95) states “a customer purchasing any product buys a combination of functional attributes, functional services and psychological benefits which can be modified to encourage purchase”. Haines presents the following examples to illustrate the statement above: Functional attributes – fat content, organic source, different flavours; Functional services – doorstep delivery, monthly accounts, eco-packaging; Psychological benefits – reliability, friendliness of deliveryman, product assurance.

In relation to agricultural produce the decisions about the physical aspects (functional attributes) of a product include: initial choice of product to supply an identified demand: for example the right livestock breed, and the production implications: fertiliser/feeding regime (Haines, 1999, p.97).

Demand for products is dynamic, and the competitor offerings and marketing environment change over time, and hence the product decision is not a once only task. Product development is a continuous process which responds to (and ideally anticipates) changes in demand and competitor activity according to Haines (1999, p.96). He then states that, it is rarely the case that existing products cannot be modified and re-positioned in the market to add value and gain a competitive advantage.

Sustaining a competitive advantage with a product is often associated with branding, which is described by Haines (1999, p.99) as “the ultimate expression of a product with a strong psychological content and which communicates the benefits customers can expect to derive from purchasing a product”. A brand identifies known product attributes and the quality assurance guarantee. Branding reduces customer effort and risk and for the supplier it creates a customer base loyal to a brand. Haines (1999, p.99) states that, there must be strict adherence to the standard set (brand consistency), and that only small deviations from the standard are likely to be tolerated, and only then on the understanding that any such change will be reliably managed without loss of customer satisfaction. However, problems are often encountered according to Haines (1999, p.100) on scaling up operations as standards may no longer be under owner/operators control only. One example of this is a marketing group that supplies quality finished sheep risks its reputation by marketing poor store stock.

Haines (1999, p.112) concludes that in a competitive marketplace of branded products, the aim is to establish a clear product identity which guarantees consistent quality and encourages repeat purchase, and allows promotion of the product’s functional and physiological attributes. He states that, for raw materials, quality improvement coupled with labelling may be the best that can be achieved, possibly augmented by post-production systems generally linked to quality assurance schemes.

2.7.3 Place

Placing the product involves all the activities necessary to make products available for purchase and to inform customers they are available for purchase (Haines, 1999, p.135). Placement includes the physical distribution (logistics) which includes transportation, storage, sorting, packaging, stock and order control, and the corresponding information flows along a supply chain (Haines, 1999, p.135). The placement decision is an important one, according to Haines (1999, p.135), as simply placing the products in the right outlets may gain a quality premium and adding value may be simply the choice of another buyer or distribution channel. Haines (1999, p.135) states, “distribution must be viewed as the management effort to maximise revenue from production”. The purpose of the placement decision is to get the product to the right place at the right time via the right marketing channel in the required form (Haines, 1999, p.135). The related questions that must be asked are: When to sell? How to sell? In which form to sell? and Where to sell?

In the agricultural context, this element requires farmers to interact with various distribution channels that are made up of channel facilitators (wholesalers, brokers, exporters, etc), and product modifiers (processors) (Dunne 1999, p.64). These interactions are managed through relationships (see section 2.8). Information flows are important as it allows quick feedback of market requirements and modifications of the marketing mix to meet changing demands.

The placement decision is not a one off as the role of a distribution channel and functions it performs continually evolve in the search for competitive advantage and improved efficiency, and in response to technological change. Haines (1999, p.165) states, the key is to deliver required level of service at minimum cost.

2.7.4 Price

Price is defined as the amount of money charged for a product or service, or sum of the values consumers exchange for the benefits of having or using the product or service. Price has

obvious relevance for enterprise viability, since price and numbers sold determine revenue received (Haines, 1999, p.115).

It is therefore important to understand how price is set. A firm is either a price maker or a price taker according to Haines (1999, p.115). The price received by a price taker, such as commodity producers, is derived from the market price, which is set by supply and demand. Conversely, the price received by a price maker is set based on their pricing objectives, which is a derivative of their business objectives. The business objectives could be business survival, sales maximisation, current profit maximisation, product quality leadership, or some combination of these, according to Haines (1999, p.115).

Essentially there are two issues surrounding the price decision (Haines, 1999, p.115). These are, price level (how is or can the general price level for a product be determined?), and variation around the price level, reflecting quality/quantity purchased, time/place of sale, use values, distribution costs (e.g., extra remote regions), product forms and sizes within a range.

Various approaches can be used to determine price, such as competition orientated, cost-orientated, profit-orientated and demand-orientated (Haines, 1999, p.118). Competition orientated pricing is set by supply and demand. Cost-orientated pricing relates price received to costs incurred. Profit orientated pricing is most common, and occurs when a business is looking for a certain return on investment. Demand orientated pricing relates to price discrimination and perceived value pricing; that is different prices are charged for different customers. Harsh (2003, p.8) notes that “in the agricultural context some producers set the price for their products, others use contracts, and some utilise open markets to discover prices”.

When pricing, perceived value is an important factor, according to Haines (1999, p.125) “as customers purchase psychological benefits as well as intrinsic product attributes, and hence they may pay a higher price for a product which maximises their perceived value”. He then states the perception may be based on tangible product improvements (e.g., taste) or solely on the customers’ perception. The latter is often associated with a brand name, and the higher price of the branded product is part of the benefit it confers (i.e., if it is more expensive, it must be better, or it shows off purchasing power). Conversely, if a product is cheaper some customers will assume it is inferior.

Haines (1999, p.125) states that price highlights the importance of market research, as it allows judgements to be made about common attitudes to price and product requirements, and the need and scope for price competitiveness. The price decision, once made, can be altered and often price modulation features prominently in the marketing strategy (Haines, 1999, p.125). He states that the important criterion is value for money, which is a combination of price and quality factors.

2.7.5 Promotion

According to Kotler et al. (2004, p.110), promotion refers to activities that communicate the merits of the product and persuade target customers to buy it. It is described by Dunne (1999, p.65) as a way to increase product visibility mainly through advertising, publicity, and personal selling. Everything a business does communicates something to the customer, whether or not it is intended: product packaging, premises, vehicle livery, business manner and style, personal delivery of service products. However, the key point is that promotion must transform customer interest into product sales (Haines, 1999, p.169). In relation to the

agriculture, the sales skills required for promoting ones product are commonly underestimated (Haines, 1999, p.153).

The purpose of promotion, according to Haines (1999, p.171), relates to both short run and long run objectives. The short run objective is to achieve sales by gaining a high degree of customer recognition for the product in competition with comparable offers. The long-run objective is to achieve a customer base loyal to the product and the supplier, which reduces marketing effort and cost, and provides a basis for sustainable trading.

There is two types of promotion strategy according to Haines (1999, p.173), the push strategy which persuades those further down the supply chain to stock your product, and the pull strategy which targets promotion direct to consumers (mainly through advertising and direct marketing). Usually the strategies are used simultaneously.

Promotion involves transmitting a clear and informative message that identifies what is essentially different about a product and the particular benefits the customer will derive through purchase (the unique selling proposition) (Haines, 1999, p.173). All of the above implies branding. The investment in production effort and financial support for the brand will be repaid in the form of secure market access and often a premium price (Haines, 1999, p.172). Brand establishment is difficult (Haines, 1999, p.28), particularly in a highly competitive sector, and tends to be expensive.

The difficulty with promotion is in the calculation of the cost relative to the effectiveness, which is difficult to measure (Haines, 1999, p.184). The main focus of promotion should be the target consumer group identified by the market research. The nature and extent of the target audience existing knowledge and attitudes towards a product and supplier needs to be identified if promotion is to be well targeted (Haines, 1999, p.176). Hence, promotion is an integral part of market segmentation and product positioning.

2.8 Supply chain engagement and relationships

The concept of a supply chain has already been raised in regards to the place decision. The supply chain is defined by Hobbs, Cooney and Fulton (2000, p.9), as “the entire vertical chain of activities: from production on the farm, through processing, distribution, and retailing to the consumer”.

Farmers engage with the supply chain either through vertical integration or relationship management (Martin & Jagadish, 2005, p.7). Vertical integration requires capital investment and so increased revenue must be compared to increased costs including own resource (Haines, 1999, p.153). If the job cannot be done as effectively and as cost-efficient as it can be by specialist intermediaries, then they should be used, which then requires building supply chain relationships (Haines, 1999, p.153).

The concept of relationship management has become integrally linked with supply chain management. For example, Hobbs, Cooney and Fulton (2000) believe that supply chain management entails the process by which a group of vertically aligned firms seek closer integration to improve product flow and information sharing (both up and downstream), with the ultimate goal of increasing customer orientation. Often the term supply chain is used interchangeably with the term value chain. Value chain refers to the alignment of firms along the chain in order to create value for the final consumer, and includes distribution of margin between firms (Hobbs, Cooney & Fulton, 2000, p.9-11). They say a value chain moves beyond the traditional way in which agricultural chains organise themselves to become “a

vertical alliance or strategic network between a number of independent business organisations within a supply chain” (p.9). The distinct attributes of value chains as opposed to traditional agriculture chains are shown in chart 2.2.

Table 2.2: Traditional vs. value chain business relationships

| | Traditional | Value Chain |
|--------------------------|--------------------|------------------------|
| Information Sharing | Little or none | Extensive |
| Primary Focus | Cost/price | Value/quality |
| Orientation | Commodity | Differentiated Product |
| Power Relationship | Supply push | Demand pull |
| Organisational Structure | Independence | Interdependence |
| Philosophy | Self optimisation | Chain optimisation |

Source: Value Chains in the Agri-Food Sector (Bouma 2000 in Hobbs, Cooney, and Fulton 2000, p.11)

Relationships are of the utmost importance in value chains; their maintenance and development having become a main component of many firms operating strategies, and a significant topic of discussion in agribusiness and supply chain management literature (Harsh, 2003, p.18). Relationship management is defined by Morris, Brunyee, and Page (p.18, in Harsh 2003) as: “A strategic orientation by both buyer and seller organisations, which represents a commitment to long-term mutual beneficial collaboration”. Morgan and Hunt (1994) focus on commitment and trust, and hold these factors as important in successful inter-firm relationships. According to Morgan and Hunt (1994) commitment and trust in relationships encourages managers to resist short-term actions in favour of long-term commitments, work co-operatively to preserve their mutual relationship investment, and to engage in potentially high risk actions in the absence of opportunistic behaviour by relationship partners. However, Speckman, Kamauff, and Myhr (1998) found that healthy, committed supply chain relationships are more valued by sellers than buyers.

According to Dunne (2002) the degree of development of supply chain type relationships can be determined by examining the nature and volume of information exchanged among firms in a given chain. The exchange of simple transaction data is a sign of weakly integrated relationships, while sharing of more advanced information (i.e., costs, margins, quality, and production information) shows strongly integrated relationships.

Haines (1999, p.155) states that ideally firms involved in a relationship should share business objectives and values, as this will allow the establishment of a long-term relationship. He mentions that strong relationships yield the main advantages of direct selling (control of distribution and effective customer feedback, resulting in faster and better modification of the marketing mix) without the costs and risks which it involves.

2.9 Impacts and risks of marketing

The farmer level marketer is responsible for a wider range of functions within the marketing channel for his or her product than would be the case if product went down the conventional marketing channels where they are undertaken by a number of intermediaries (Haines, 1999, p.153). Therefore, there is no doubt that incorporating marketing activities into the farm business has specific impacts on its operations and the associated risk.

Haines (1999, p.153) stated that “the increased complexity associated with such activities enhances the need for resource management by the owner/operator”. Accordingly, the biggest constraint is often resources available to the farmer level marketer. Likewise Haines (p.153) states that “direct selling can contribute to lower cost levels, but at the expense of increased management commitment which may adversely affect the owner managed business (decreased product quality, missed deadlines, timeliness of farming operations etc)”.

According to Martin (2005, p.132) the further down a supply chain a farmer operates, the more time they must divert from production to marketing activities. She goes on to say, that when this occurs, they may need to delegate aspects of production or marketing to others. Therefore the incorporation of marketing activities often results in increased staffing. Likewise, Martin (2005, p.135) stated “farmers may need to take on increased debt to finance their marketing venture”.

Furthermore, good marketing management implies good management of market risk, according to Martin (2005, p.133). She defines market risk as variability in output prices and input costs, and states that many factors can underlie price variability. These can include changing consumer patterns and quality requirements, instability and poor performance within the marketing chain, the behaviour of competitors, overseas trade barriers, and changes in government policy.

Martin noted that risk in general was managed by two strategies: lower a firm’s exposure to risk (i.e., smoothing out prices and yields), and controlling the impact of risk on the firm (i.e., lowering leverage, raising total profitability). In relation to different degrees of marketing, Martin (2005) suggests a range of strategies (see table 2.1) to reduce the likelihood of a risk event and to control the impact of risk should an event occur. In practice, most producers will use a combination of strategies. Furthermore, risk management practices are likely to vary according to the producer’s degree of involvement in marketing.

Table 2.3: Market risk management for different degrees of involvement in marketing

| High Involvement | Moderate Involvement | Low Involvement |
|---------------------------------------|----------------------------|---------------------------------------|
| Enterprise diversification | Enterprise diversification | Enterprise diversification |
| Control over supply chain and product | Forward contracts | Market information |
| Extensive market information | Spread sales | Have an ability to absorb market risk |
| | Market information | |

Source: Martin (2005, p.143).

A study by Martin (1996) found that NZ primary producers were very concerned about market risks and that all farmers cited long term flexibility as being important in dealing with market risk. Other popular risk management strategies included crop and venture diversity, market information coupled with short term flexibility to allow for opportunism, and financial buffering against price fluctuations.

Martin (2005, p.135) also claims that, by establishing their own supply chain, farmers are reducing the market risk that emanates from low and uncertain prices offered by existing marketing channels. However, they are replacing this with the risk that their venture will not appeal to consumers, or that they are not able to deliver the right quantity to the right place at the right time. Martin (2005, p.134) also states that gaining more control over a marketing channel may be an effective risk management strategy. This is due to increased information flows and the quality of the information specifically in relation to prices and market requirements. She also cited very active management of the whole production and marketing

process as a critical element in reducing the risk of failure. Enterprise diversity was also seen by Martin (2005, p.135) as an effective risk management strategy. That is, selling a range of products, and being prepared to change the mix as consumer demand changes, will reduce the market risk associated with the venture on the rest of the business.

If entering into marketing activities reduces overall risk load, it may allow an increase in risk from another source to be tolerated. For example, it may allow farmers to correspondingly expand their production activities. However according to Martin (2005, p.135) risk is more likely to rise in the early stages due to the factors mentioned above. But this is unlikely to concern farmer led marketers due to their less risk adverse nature. However, Martin (2005, p.135) states that farmers will be aware that it is a high risk venture and that they will need to do everything possible to avoid failure. In summary, Martin (2005, p.135) stated that producers deal with risk in different ways, and the key is to ensure risk exposure remains at a tolerable level.

2.10 Summary

In conclusion, it is expected that the defining characteristics of the red meat industry, particularly in relation to ease of product differentiation, may give different results to those found in the study by Harsh (2003) which was conducted on a range of cropping enterprises. However, it is possible that many other similarities may exist. From the literature, it is suggested that farmers are likely to be motivated to get involved in farmer-led marketing activities because they have a desire for increased profitability or more control over their product. Furthermore, the literature suggests that farmers may identify opportunities for such activities through informal environmental scanning.

The literature found that, if marketing oriented farmers had developed a marketing strategy which was implemented through marketing management. This included strategic decisions on the target market, product, place, price and promotion. The significance of engaging with the supply chain and associated relationships and their management was emphasised in the literature, and advantages of doing so were highlighted.

It is suggested in the literature that focusing on marketing activities rather than solely on production has impacts on the farm business, and these impacts bring with them associated risk. However the literature also suggests that, farmers who enter into farmer-led marketing believe that they have competence in marketing and that their risk is manageable.

Chapter 3

Method

3.1 Introduction

The aim of this study was to learn more about how and why farmers incorporate marketing into their operations at the farm level. Emphasis was placed on exploration of what motivated farmers, personal character attributes, identification of new opportunities, target market, customer views, and the marketing mix. It also included a focus on how farmers engaged with the supply chain, impacts of marketing activity on the farm business and risk involved. To accomplish this, a qualitative research approach was utilised. Five semi-structured farmer interviews were conducted from the period of June to August 2007.

This chapter explains the decision to use a qualitative research approach for this study, the implications of such an approach, and describes the methods used for data collection, organisation, and analysis.

3.2 Research approach

Prior to the study carried out by Matt Harsh (2003), limited formal information existed on individual farmer's marketing activities and strategies in New Zealand. Actions and attitudes surrounding marketing at the individual farm level involves more than just the farmer making simple decisions about farm produce, and market channels. Marketing is part of the complex 'whole farm system', and thus needs to be considered in the proper context, and examined in a holistic manner.

As the study is similar to that conducted by Harsh (2003), it was deemed appropriate to follow the same method since this allowed comparisons between the two studies to be made. This method was an inductive, qualitative research method. Like the study conducted by Harsh, this study was designed to begin the exploration process of the issues associated with the application of marketing at the individual farm level, and in doing so, to gain insights that would be relevant to other farmers that desire to implement more active marketing programs. Patton (1987, p.44) states that, "qualitative methods are particularly oriented toward exploration, discovery, and inductive logic." Woodford (2000) also noted that qualitative research methods are well suited to management issues in agriculture (such as marketing), as they allow for topics to be examined in a natural and whole system context, and for the study of farmers, "doing what they do normally". Therefore the method used by Harsh (2003), a qualitative case study research approach, was selected for the study.

Yin (1994, p.13) defines a case study as "an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident". Harsh (2003, p.24) stated that "in many ways, this definition is an accurate depiction of the challenges faced when studying farm-level marketing, as such activity is inextricably linked to the farm and the farm operator". Harsh (2003, p.24) also found that "the case study approach provided a vehicle for the proper examination of the essential and peripheral issues faced in farm level marketing, in an appropriate contextual understanding".

Evidence for case studies can be obtained from six distinct sources: archival records, documents, direct observation, participant observation, physical artefacts, and interviews (Yin, 2003, p.83). For this study, in depth, open-ended, semi-structured, qualitative interviews were used for data collection.

3.3 Sampling issues

Following Harsh (2003) purposive sampling was utilised in this study to maximise the amount of information that could be gained from a limited number of study participants. According to Patton (1987, p.52), “the power of purposive sampling lies in the selection of ‘information rich’ cases”. Patton goes on to define information rich cases as “those that yield a large amount of in-depth information pertinent to the central purpose of the given study”.

Lincoln and Guba (1985, p.233) recommend that sample size in qualitative research should be determined by redundancy (i.e., including new cases until all of the issues and topics relevant to the study have been fully covered and no new information is to be gained). However, given the limited time frame and resources allocated for this study, it was decided to predetermine and limit the number of study participants, with a serious attempt being made to select a range of highly ‘information rich’ cases that fitted with the purpose of this study.

Therefore, five study participants were identified with the assistance of the Lincoln University Farm Management Division. Participants were chosen because of demonstrated activities of advanced marketing strategies at the individual farm level. An effort was made to ensure all farms were representative of the diversity of red meat farming operations, as well as giving an appropriate geographic distribution.

Although the number of participants for the study was predetermined, five appears to have been appropriate number. By case five, no appreciably new or different information was gained, and therefore it was felt that redundancy had been reached.

3.4 Data collection and analysis

Easterby-Smith, Thorpe, and Lowe describe in-depth interviewing as the “most fundamental of all qualitative methods” (1991, p.71). “Qualitative interviews are conversational in tone, and can run the gamut from completely non-directional and open ended, to well structured and based on a rigid questionnaire” (Easterby-Smith, Thorpe, & Lowe 1991, p.72). Semi-structured, open ended interviews are of an informal conversational nature; this allows respondents to share their experiences and give a wide range of responses, without the interviewer imposing pre-existing expectations (Patton 1990, p.281). This type of interview also allows greater flexibility, and the ability to ‘follow up’ issues and interesting lines of questioning that arise during the interview process that may otherwise not have been raised in a highly structured setting (Patton 1990, p.282). Following the method used by Harsh (2003), while the interviews for this study were in depth, they were not completely non-directional. Instead they were semi-structured, as opposed to non-directional style of interviewing. This provides a basic structure to the interviewing process, which helps to avoid obtaining poor data that is difficult to analyse (Easterby-Smith, Thorpe, & Lowe 1991, p.75).

Data was collected through personal, semi-structured interviews with each of the study participants. Study participants were initially contacted by email, which was followed up a few days later by telephone, and interviews were arranged at the convenience of the farmers. All interviews took place at the farmers’ place of operations (i.e., ‘on the farm’), and

generally lasted about two hours. Yin (2003, p.72) recommends that interviews be conducted in a significant place where respondents feel comfortable to facilitate more meaningful answers. The general interview guide approach (Patton 1990, p.280) was utilised in the questioning process. In this approach, an interview guide outlines the general topics and questions that are to be covered in the interview, but a specific wording or order of questions is not used. A set of loose questions and related topics formed the basis of the interview guide for this study (see Appendix 1), and was used to ensure that all relevant topics were covered. Interview questions were varied for each participant, and tailored to their particular circumstances.

Interviews were recorded on audiotapes to ensure total accuracy in the data collection process, and also field notes were taken during the interview process. Audio tape recordings were subsequently transcribed to provide a complete written record of each interview and to facilitate data analysis. Transcripts were prepared with extra wide margins for ease of annotation and coding in the latter stages of data analysis.

After transcription, interviews and field notes were evaluated to identify preliminary themes and issues. Several important themes (headings) were ‘predetermined’ by the semi-structured nature of the questionnaire, while others emerged from the data during analysis. A coding system was developed (i.e., headings were colour coded) whereby interview text was critically read, annotated, and assigned to appropriate headings. Using Microsoft Word software, interviews were then ‘cut and pasted’, with all of the text related to a given heading collated for further analysis. These were then analysed on a cross case basis for themes that were common and divergent.

Additionally, a case study profile (see section 4) of each study participant was developed in order to give an appropriate ‘feel’ for each operation’s ‘whole farm’ system, and to understand the current role of marketing within that system. These profiles consist of: information on each operations physical attributes (i.e., size, general location, farm type, etc.), evaluation and description of participants’ ‘marketing mix’, and analysis of the operations overall strategic and marketing directions.

3.5 Confidentiality

Every effort has been made to protect the confidentiality of study participants. Participants were assured that all information shared in the course of interviews (particularly that which could be considered proprietary) would be used only for research purposes, and any reference to their specific operation would be omitted from the study’s final write-up. Farmers were assigned a representative letter (A-E) for identification in the data organisation, transcription, analysis, and final write-up processes and only the supervisor was given privy to the letter/farmer relationship. Any un-coded reference to specific operations was removed from tapes, notes, and transcripts used in the study. Study documents and materials were stored in a secure location at all times, and were accessible only to the researcher. Upon completion of the study, documents and materials (notes, transcripts, and tapes) deemed no longer necessary were destroyed, and any relevant materials (a confidential appendix of interview transcripts) were properly documented and archived.

Although at no time are study participants or their farms specifically referred to in the final study presentation, it may be possible to infer their identity from information or quotations used in this document. Participants were made aware of this prospect and gave their approval to proceed. Every effort has been made to minimise the possibility of this occurrence.

3.6 Strengths and weaknesses

Like all research methodologies, qualitative research has both strengths and limitations. Harsh (2003) noted that qualitative research is an excellent method to gain in-depth knowledge of the study's subject matter within the limited means and scope of the overall project. He argued that qualitative analysis on this topic allows the study to have significant depth in spite of its limited breadth. Patton (1987, p.9) states that: "qualitative methods are particularly useful for the study of selected issues, cases, or events in depth or detail". The full value of qualitative methods to a study such as this one is to provide validity. In other words, it is the degree to which a study's subject has been accurately examined. The qualitative case study style of research has given a level of insight that would have been unlikely with other research methods.

Furthermore, case study research provides distinct advantages for the purposes of this study. Case study research allows the researcher to ask questions of the study participants, and then follow the conversation wherever it leads (Yin, 2003, p.72). Harsh (2003, p.28) found the case study approach provided not only unfiltered answers, but also the identification and exploration of research issues not previously contemplated by the researcher, which added to the overall quality of this project. Also, the case study method allows the research subject to be considered within the context of the 'total farm' system. This is an important consideration for the full and proper evaluation of agricultural management related topics, as often the boundaries between farm, farmer, and farm operations, are difficult to distinguish.

However, qualitative evaluation is not without its limitations. Notable among these is the issue of limited transferability and generalisability (Marshall & Rossman 1999, p.191-198). It is often argued that the small sample sizes and purposive sampling used in qualitative case study research makes the generalisation of results inappropriate (Yin, 2003, p.10). Thus, the specific outcomes of this study are only directly applicable to study participants, and caution should be taken if generalising or adapting to fit wider populations. However, the aim of this study is not to 'solve' the issues of farm level marketing, but rather to provide insights and knowledge that others may find helpful, and to begin the process of exploring farmers' marketing activities at the individual farm level.

Additionally, case studies cannot be easily replicated (Yin, 2003, p.10). The unique nature of each case study and the specific interactions that interviewers have with study participants makes replication difficult, thus adding to the limited applicability of outcomes. However, as with the study conducted by Harsh (2003), it was not the goal of this study to produce results that could be replicated, but rather to produce insights that may be informative and helpful to others in agriculture actively seeking to become more involved in marketing.

Time constraints proved to be a limitation to this study. During data collection, it is unlikely that all aspects and intricacies of farmers' marketing activities were fully explored within a two hour interview. Also, the need to complete this study within the limited time frame effectively limited the number of study participants to five. Although all of the issues and aspects of farm level marketing that were initially discovered and conceptualised were explored, it is possible that other issues and aspects may have been discovered through the interview process if the number of study participants had been larger. However, this is not necessarily a major limitation to this study, as the method was used by Harsh (2003) and therefore the results could be compared.

Chapter 4

Case Study Profiles

4.1 Introduction

This chapter provides a brief profile of the five farmers who participated in this study and their operations. Profiles have been developed solely from the information gained through the interview procedure. Farm size ranges from 160 to 1300 hectares, with a geographic distribution from North Canterbury to West Otago in the South Island of New Zealand. All of the farmers are owner operators. A wide range of farming operations are represented, ranging from traditional sheep and beef farms to intensive finishing farms. Product is marketed through various distribution channels from selling domestically on a small scale to exporting through vertical integration by the container load. Farmers have been given a letter designation to protect their anonymity, and to allow for easy reference in the results section of this report.

The profiles are designed to give an overview of both the production and marketing activities of each operation. The basic elements of each farmer's marketing mix are addressed (i.e., product, place, price, and promotion), and a brief discussion of overall marketing and business strategic direction given.

4.2 Farmer A

Farmer A is a pastoral farmer in North Canterbury. The farm is 648 hectares and currently runs a commercial flock of ewes, as well as a stud flock, cattle stud, deer finishing, and barley for own use. Produce is sold through a range of channels. This study will focus on two of the lamb channels which are considered farmer marketing.

The first channel, through which product flow has ceased, involved direct selling of lambs to several supermarkets. The channel ceased due to a change of buying system by the supermarkets. The second channel is a farmers market; this is a formally organised event where a range of food products are sold directly to the end consumer. The product is stored on the property in processed form and sold in individual cuts at the market. In both cases livestock were processed through accredited local processing facilities. Distribution channels in place by the processors are utilised by the farmer. The remainder of produce including a portion of the lamb is sold through traditional channels. The farming system has altered slightly as these alternative channels require larger animals. The farmer has plans in the pipeline to sell beef alongside the lamb at the farmers market.

Prices obtained were, and still are set by the market. Lambs were sold on contract at price per kilogram to the supermarkets. The price varies per cut at the farmers market. Lamb prices follow a seasonal pattern based on availability of supply. Product was branded under a breed label in both distribution channels.

Farmer A focuses on income and marketing is viewed very much as a hobby that doubles as a way to add value to farm produce. Should returns from traditional channels increase dramatically this farmer states that she would most likely retract further from the alternative channels and focus predominantly on maximising revenues from increasing production.

4.3 Farmer B

Farmer B is a cattle finisher and exporter of beef. The farm is 160 hectares and located on the outskirts of Christchurch. Farmer B has a range of other interests most notably in the wine industry and restaurant industry.

Beef is exported to a prestigious delicatessen in Germany. The animal is sold to a meat processor on schedule and the farmer buys back the primal cuts (tenders, rib eye, strip loins) which he then exports.

The prices obtained are set by end customer demand, and prices do not show the traditional patterns of fluctuation associated with seasonality of supply. Actual return is affected by currency fluctuations against the Euro.

The farmer has a well established label in the market place and with his interest in the wine industry he has a complimentary product under the label. Wine is also sold under many other brands in the United Kingdom. Promotion is based around the idea of selling a foreground story.

Farmer B is market orientated as the focus is on delivering what the market place expects with the brand image that has been established. The farmers' philosophy reinforces this orientation "identify a target and supply goods and services to client satisfaction and your profit". However, one must note that the farmer is very entrepreneurial and that the exporting of beef is a small part of his overall business.

4.4 Farmer C

Farmer C is an organic farmer located in West Otago. The organic property is 500 hectares; the farmer also owns another 800 hectares which he is currently in the process of converting to organics.

The two properties run 15000 stock units consisting of beef cattle, commercial flock and three stud flocks. The business is built on a three pronged operation under one brand. Business operations consist of farming, genetics and marketing. The farming focuses on developing farming systems that people can convert to liveable farming or organics. Genetics encompasses the studs which are sold both within New Zealand and internationally. The idea behind it is that people who want to convert to organics can be supplied with genetics, and the focus has been on worm resistance. The third part is marketing which has allowed them to market produce under their own brand. In the future, the strategic plan incorporates the idea of marketing other people's produce under the brand they have developed. This report will focus on the marketing of lamb, beef, and mutton meat products.

The product is sold into top end restaurants in New Zealand, and through a local farmers' market. Animals are slaughtered at a local processor and carcasses then go through a set aging cycle of seven days before going to a selected butcher for further processing. At this stage most produce is still going through the traditional channels. Farmer C is currently investigating further markets for his product both domestically and internationally.

The price obtained for the product is set by the market prices. A premium is obtained on the organic produce sold both under the farm business brand and through traditional channels.

Farmer C is clearly market oriented with his overall strategic business and marketing direction. However, production efficiency and control of costs are important factors in the success of this operation. New and innovative strategies and product developments are initiated wherever appropriate. The farmer clearly views his role as developing the organic industry through growth of his personal business.

4.5 Farmer D

Farmer D runs a 750 hectare sheep and beef property located in West Otago, carrying 7500 stock units consisting of a commercial flock breeding own replacements, and breeding cows of which progeny are finished.

Farmer D has tried two channels of farmer level marketing both of which have currently ceased. The first channel consisted of exporting lamb to a wholesaler supplying prestigious hotels, restaurants and delicatessens in Hong Kong. The second channel was on the domestic market where farmer D worked in with a local butcher to market lamb products to a similar target market. In both cases stock were processed through a local processor. The processor did the cutting of the carcass for the export market, and the product was air freighted.

Prices obtained were set by the wider market with a slight premium obtained for the benefits associated with the operation. Product was branded under a label representative of origin.

Farmer D has been market oriented with both of his attempts at farmer led marketing. He currently finds himself focused on production efficiency due to the difficulties associated with such activities. Farmer D is always on the look out for alternative distribution channels for his produce and currently has an export option in the pipeline.

4.6 Farmer E

Farmer E runs an intensive finishing farm in Canterbury. The property is 540 hectares, of which 20 hectares is a lamb feedlot. The feedlot finishes between 30000 and 50000 lambs a year, and the farm between 20000 and 30000 lambs. Approximately 1000 cattle are contract finished for a local processor, and 80 hectares goes into cereal production each year.

The farmer finishes grain finished lambs on contract (without taking ownership) for a processing company of which he is part owner with three others including the manager of the business. Other lambs are sold through traditional distribution channels to the highest bidder.

The processing company markets its products under its own brand in the United States and sells unbranded product onto the domestic market. On the domestic market product is sold into supermarkets, restaurants, and the catering trade. In the United States lamb is sold to a distributor who sells into prestigious areas, especially those where lamb makes up part of the cultural diet. The processing company is currently expanding into branding product on the domestic market.

Price is set by the wider market, with a slight premium obtained from differentiation of the product. Returns from exporting the product are influenced by the exchange rate against the United States dollar. The company has retracted from exporting several times in the past due to the high dollar.

Farmer E is both market and production oriented. The grass finishing operation is production oriented as the focus is on finishing for a margin. The feedlot is market oriented through vertical integration with the processing operation.

Chapter 5

Results

5.1 Introduction

This chapter presents the results of the study obtained from cross case analysis. The factors that were identified and explored through this analysis process are:

- Motivation for Greater Involvement in Marketing
- Personality Traits
- New Opportunities
- Marketing Mix
- Relationships
- Impacts of Marketing Activities on the Farm Business
- Risk

Representative quotations are provided where appropriate to support results. Each quotation has an associated letter (in brackets) that indicates the cited interviewee. A total of five farmers were interviewed in the South Island of New Zealand that represented a range of enterprises, and have a geographic distribution from Canterbury to West Otago. A more comprehensive description of these interviewees can be found in Chapter 4 – Case Study Profiles.

5.2 Motivation for greater involvement in marketing

Of the farmers interviewed, all have, or still are, following market based marketing strategies. Various motivations have been identified for these farmers entering into such activities. While the specific impetuses for assuming a greater role in marketing activities varied across the interviewees, three basic, common motivations were found to inspire their actions: a drive for greater economic returns, a desire for more control, and the urge for a novel challenge.

A drive for greater economic returns commonly stemmed from dissatisfaction with existing marketing channels. This was commonly a result of the dissatisfaction with the returns delivered.

“I sent a draft of lambs away and there was one big one and I got \$33 for it, and I thought about it, and thought there must be something better than this”. [A]

“Well I got hacked off with the lamb prices, when they were back a little bit, and we were being price takers, and I got a bit hacked off with this. You used to hear all these farm consultants talking about up your production, and what you could do to up your revenue and it was always up your production, or up your production such as lambing percentage, and never did you hear anybody say sell it for more so I thought stuff this, we will have a crack at selling our produce for more”. [D]

Greater wealth was also often seen as obtainable through farmer led marketing. Clearly, greater economic returns will generate greater wealth.

“We want to at the end of the day, that if we were really successful our brand will be worth more than our farm, so we want to develop our brand, our brand strategy, and to do that we have got to get out into the market”. [C]

Also, the drive for greater economic returns often manifested itself as a need to increase viability and ensure the survival of the farming operation. A change in economic policy brought about this driver in the case of Farmer B.

“I was one man farming operation for ten years and we were always looking for ways to improve that, but one day the opportunity was forced on me, that’s why I say that Rogernomics is probably the best thing that ever happened to the economy of New Zealand, because it made people like us think.” [B]

A desire for greater control over farm produce post the farm gate was expressed. This relates to the need for greater economic returns.

“What we’re after is ownership of our key markets, farm ownership rather than company ownership so we can control our destiny and put those funds back to our farmers rather than the head office of some company”. [C]

“If you send it to the works, through an agent, and then it gets to the works, and they take their cut, and then it goes to someone else, who actually sells it, so they have got their cut and then the wholesaler and then the shop. So that means you have got at least five other people making money out of that before the farmer gets anything, they only get what is left, they don’t start there and add on. One of the advantages is taking out the middlemen”. [A]

Furthermore, the desire for greater control was seen as obtainable through disintermediation (‘taking out the middlemen’). The advantages of disintermediation, increased supply chain visibility and increased customer satisfaction were cited as a further motivational factor.

“I like seeing where my product goes, and likes of these ones who have bought lamb off me lately almost all of them have rung up to tell me how good it is”. [A]

The third common motivation, the urge for a novel challenge was communicated in a number of ways. These included the desire for a new challenge, marketing as an alternative to on-farm operations, and the need for thrills and self satisfaction.

“I enjoy creating new things and getting them up and going, I probably don’t enjoy the day to day stuff as much”. [C]

“For a producer it has just about got to be the ultimate to see their produce dished up in fine dining establishment or top hotel, you couldn’t get much better than that I would have thought” [D]

Participants were asked if their motivational reason for involvement in farmer led marketing had changed over time. Farmers A, B, C, and E stated that they had not. Farmer D, although not involved in marketing activities at present, pointed out that the same factors still exist in the environment.

“Pure satisfaction has not changed...” [B]

“You still hear these farm consultants saying up your production...” [D]

In summary, farmers felt that the motivations justified their marketing activities. Marketing was viewed not only as a way of increasing operational income, but as a way of gaining greater control over their products and their business. They also viewed it as an alternative challenge to their on farm operations, and a means by which to realise greater self satisfaction.

5.3 Personality traits

Farmers appeared to display similar personal attributes with minor variations. Universal attributes seemed to include need for thrills and self satisfaction; enthusiasm and interest in their operation both on-farm and marketing activities; an emphasis placed on contacts and networking; and a proactive nature. However, divergent attributes were observed in relation to persistence and determination, and risk tolerance levels. Farmers were also asked why they believed they and not other farmers, had got into farmer level marketing, and invariably, they emphasised the attributes associated with their personality.

5.3.1 Similar attributes

The need for thrills and self satisfaction could be viewed as a personality attribute as well as a motivational factor. This invariably leads to farmers exhibiting a willingness to try new things and go against the flow, and to do the things they perceived as being appropriate for their operations, despite the challenges, which they inevitably thrive on.

“...I love a challenge and the bigger the challenge the bigger the success the bigger the buzz”. [B]

Participants also commonly felt underutilised in terms of their capabilities. Often capabilities referred to the ability to handle risk and increased work load associated with carrying out farm marketing activities.

“I soon realised however that doing what I was doing wasn’t going to keep me amused for very long...” [B]

“I consider myself an entrepreneur most definitively, because this is all new stuff and no-one’s been there by and large and our big vision is that you have got to be a special person to want to do that because of all the risk and all the hard work”. [C]

Similarly, all participants seemed to have an underlying enthusiasm and interest for both their farming and marketing activities. Associated with this, farmers exhibited and exploited high levels of product knowledge.

“I’m a very enthusiastic farmer; I don’t want to do anything else. I find meat interesting and enjoy cooking it up”. [A]

“...growing things full stop is purely satisfying”. [B]

“I would go out marketing our branded product, something I enjoyed was marketing...” [D]

“Work has to be important to you, to motivate you. A lot of people only work to get money to enjoy themselves over weekends or holidays and that will never get you anywhere. You have to want to work because you want to create something....” [B]

Participants also surrounded themselves and placed an emphasis on contacts and networking, both socially and commercially, and Farmer C went as far as specifically focusing on successful people. All participants read widely, and this included local papers, economic news and a heavy use of the internet.

“You can do anything with a few contacts...” [D]

“...it is definitely talking to movers and shakers. People who have achieved things in life, if you want to be successful in life you want to surround yourself with people who are also successful”. [C]

“I read widely in relation to business and general news....” [B]

All farmers stated that in developing their marketing activities they had been proactive. This related primarily to self promotion of product.

“Its self promotion, if you don’t promote yourself and your product, then no one else will”. [D]

5.3.2 Divergent attributes

Four of the five farmers (B, C, D, and E) showed a great deal of persistence and determination. These same four participants exhibited greater risk tolerance.

“You need to be persistent, we have had some big hits, one year the dollar moved and things got tough, we lost \$400,000 in my own business, so we built up tax losses, and we are slowly crawling back now” [E]

“I consider myself a risk taker, if you want to get ahead you have to take risks, but you have to be able to calculate those risks, you have to be out there, never take no for an answer”. [B]

“I’m not as risk averse as a lot of people and I don’t mind having a bit of a go. For every what that doesn’t go right, I would say what if it does go right, you have to look on the bright side, and a few things didn’t go right, but if your going to look at the negatives you will never do anything”. [D]

Alternatively Farmer A did not seem to exude all the characteristics above. This is possibly due to the small localised scale of marketing operations, where she relies on self knowledge, localised networking and contacts. Consequently Farmer A currently has no urge to export due to less risk tolerance.

“I have thought about exporting, but that’s a bit more scary”. [A]

Working as a team was cited as a means to strengthen personal attributes. Farmer E stated that his business partner had aided him in persevering with the marketing activities.

“Doing it as a team helps, there is always one of us who will persist, there has been times when one of us has been down and we will pull each other up”. [E]

Farmers C and E have taken a longer term view of the operation as they have invested heavily in their marketing operations and do not view retraction as an option. Farmer E stated that while retraction is possible it would undo all the investments made for marketing purposes beyond the point of brand and relationship establishment.

“If you invest thousands of dollars in an internet site, it has been quite successful when someone approaches us through it. You can’t measure financially a brand or success of a brand or marketing strategy five years down the track when it’s really something you have got to answer ten or twenty years down the track”. [C]

“Once you dig such a big hole, you can’t get out of it, and you are so committed and so much investment has gone in that it would be foolish to try and get out of it now, but I also see the potential”. [E]

Farmers A, B, and D investments have been primarily in brand establishment and relationship management and they could withdraw from marketing activities at relatively little financial cost. It is hard to establish whether these farmers would be more likely to exit from involvement in marketing activities. However, they seem to be less locked into a marketing position than farmers C and E.

“Well I have invested time in establishing the brand, and a little in the relationships, but if worst come to worst I could walk away, and it wouldn’t hurt me to much, financially that is”. [A]

5.3.3 Critical factors for involvement.

All participants’ highlighted reasons why other farmers don’t get involved in marketing activities, and this related directly to their personal capabilities. The common points they shared were, the ‘hard work’ getting involved in such activities, which included establishing contacts.

“The average farmer is not doing what I am doing because it’s too hard of work. There is an unbelievable amount of obstacles. People saying that it won’t work, or that stand in your way and I average over 100 hours a week working, and not just some weeks, every week....and for the average guy it’s too hard, they haven’t got the contacts ”. [C]

“There is a bit of hassle with documentation and emails but it can be done. It would put most people off because it’s outside their comfort zone, and a bit of a hassle.” [D]

Participants also commented that many farmers shouldn’t get involved in marketing activities. They believed that the best use of some individuals’ time is in focusing on production.

“I think you should never produce anything unless you know what the market wants, and that is by far and away where most farmers are at. The vast majority should be aiming at the general freezing works. For most people to develop markets overseas and to do what I have done is way beyond most peoples ability to stick at it to make it happen, and because they don’t have the connections. That’s not to say that it can’t be done, realistically most people can’t do it.” [B]

Some participants felt that many farmers don't think critically about their farm as a business and how profitability can be improved. Rather they believed that farmers rely too heavily on what others tell them, and fail to think about their decisions in a critical manner.

“It's the ability to think for yourself, which I think a lot of farmers struggle with. A lot of them are just like sheep themselves and do what they're told or what the vet suggests. It is a strong bonus if you can think for yourself, and develop your own systems and see what others do, and that's fine but it's what's best for you and your own setup. It's the ability to think for yourself.” [D]

“At the end of the day the biggest problem that farmers have, that New Zealand farmers have is that they are focused on production regardless of the cost of production and what they are getting for it. That's the only signals they get is to produce more, but if they produced a little less under a different production system and get paid twice as much it makes sense. There is a fine line and production is a sign of man hood and profitability is probably a better sign of a business”. [C]

In summary, farmers in this study displayed similar personality attributes, which can be related to their marketing behaviour. One farmer displayed divergent attributes, which suggests that the extent to which one gets involved in farmer level marketing maybe influenced by personal attributes. All participants are aware that they have personal attributes that differ from that of conventional farmers, and that these attributes are associated with their marketing activities.

5.4 New opportunities

The identification of new opportunities and future business direction is an important aspect of farm level marketing. Farmers in this study universally identified new opportunities through two main avenues: informal environmental scanning and analysis of current business operations. Study participants tended to do informal market research to test out opportunities before making large financial or directional commitments. Farmer C also carried out some more formal market research.

5.4.1 Environmental scanning

All study participants relied heavily on informal environmental scanning to identify opportunities for marketing activities. Although, not all appeared to be equally adept or proactive in this process, farmers generally examined both the immediate industry operations and wider operating environment.

Environmental scanning was commonly associated with personal and business relationships. It seems that one of the most critical relationships that study participants have is with their downstream supply chain partners, invariably the ones at or near the end of the supply chain, and in many cases the end consumer are particularly important in the identification of new opportunities. All farmers stated that feedback and information from these associations has helped identify opportunities.

“A lot of information gathering was done at the farmers' market, because you have three or four thousand people going past on a Saturday morning and they gave us tremendous feedback on our product as to what they liked and what they didn't, and why”. [C]

“A lot of it is just talking to people in the chain, the supply chain. Find out where stuff is moving and just going to have a look. In the States we used trade New Zealand to set up the initial meetings with people from chefs through to wholesalers”. [E]

Farmers scan the environment by proactively building tight relationships. This was most relevant when establishing marketing activities, as farmers were seeking resources essential to their supply chain success that they are unable to supply themselves.

“I heard there was somebody doing it, which there was, but he didn’t like doing it. I didn’t know all this until I approached them”. [A]

“I made some enquiries and asked at the opera who would they buy their delicatessen food from if they were to throw a cocktail party for their sponsors, and their response was that they would buy their catering from one of two companies. So we asked a delicatessen, knocked on the door, and they made us wait an hour and then they came out, and we got inside. We said, we have a labelled product for a specialist market and would they be interested in it, and their response was we have waited for a very long time for someone to offer us product from their farm, so therefore, we can count on traceability right to the farm gate.” [B]

The use of information from both the internet and other readings was common among participants. These are widely attributed by the farmers as a factor in the identification of new opportunities.

“I suppose I identify opportunities through networking and reading”. [A]

“I read the Christchurch Press, because in it you find a mixture of very good information, be it business or general, and keeps you up to date with what is going on in the world. I read bank reports, I have the National Bank foreign exchange on my screen all day, because it affects my business” [B]

5.4.2 Analysis of current operations

All of the farmers looked at their current operations (particularly from a financial standpoint) as part of the whole supply chain for clues about new opportunities. Once they understood the opportunities inherent in their resource base, they could begin to match this with opportunities in the market place, which invariably led them to become involved in farmer led marketing. For example, Farmer D could see the opportunities in the overseas markets in regards to the retail end of the supply chain.

“More affluence today, when I went to Hong Kong you would see the wealth and I thought there must be a chance here...and that’s only one town”. [D]

Farmers C and E in particular looked at their operations to see where the opportunities were most prolific. Invariably this led farmer C away from traditional farming to pursue organic farming; and farmer E to change his traditional cropping farm to intensive lamb finishing.

“... I done my project on the potential for organic sheep farming and the figures stacked up”. [C]

“We have had quite a change from a mixed cropping operation with a balance of ewes and arable, I could see where the money was to be made, it wasn’t in that game.” [E]

Farmers C and D are also continually looking at ways to add value to the lower-value products produced by their farming operations. This has resulted in the development of new products.

“In the food industry, one of the fastest growing sectors is read-made meals, so we haven’t invented it. But it provides another option for organic customers they previously didn’t have”. [C]

Farmer C carried out formal evaluations of new products. This was done by way of a questionnaire completed by likely consumers of the product.

“We gave ready made meals away one morning, we said, you can have one of these as long as you complete the questionnaire, so we got seventy or eighty questionnaires from that, and that was the best market information you could ever get. All of a sudden we knew what was right and what was wrong”. [C]

In summary, study participants identified new opportunities through informal environmental scanning, and analysis of their current operations. This included formal market research in the case of Farmer C. A key aspect of successful environmental scanning was the utilisation of relationships with down stream supply chain partners; an advantage of this was the information feedback. Consequently, initiation of the relationships was an important part in identifying new opportunities for farmers.

5.5 Marketing mix

The marketing activities, or the marketing mix, varied widely between participants. All had identified a target market, were aware of competitors, and had practices and theories surrounding each of the four aspects of the marketing mix (product, place, price, and promotion).

5.5.1 Target market

All participants viewed the end consumer as the primary customer for their products and commonly knew a great deal about their customer. However, this information was often related to market requirements rather than end consumer attributes.

“We aim to have our animals between 250 and 280 kilograms, that gives a steak of round about 250 grams. If they were any larger the steak would be like schnitzel”. [B]

However farmer C was highly aware of the attributes of his target consumers, alongside the wider market requirements.

“There are about five different groups of people we are targeting, you have got the foodies who are into the trendy stuff, and you have got the people who are concerned about sustainability and the environment, and people who suffer from allergies and are concerned with food safety and food quality, and people concerned with welfare issues, and the key people I think are the ones who know about nutrition and are aware of the benefits of organic foods”. [C]

Three trends were common in regards to how the farmers had selected their target market: a focus on 'top end' markets, emphasis on differentiation (gap in the market), and ability to provide service.

A focus on the top end markets refers to targeting consumers with high levels of affluence. These consumers were often identified through a proactive approach.

"The easiest way to identify movers and shakers, the top end, is ask people who they use. We asked, how would you give the best impression ... you had got your cheque book out". [B]

Looking for gaps in the market was seen as critical if the product was to be successful. Often the gap in the market was perceived as being in the levels of service that accompany the product. Service was commonly associated with the end consumer, and the end consumers' gatekeeper e.g., Restaurants, Delicatessens.

"I suggest that if one looks at the market, it will tell you what to produce and how to produce it, They came to us twelve years ago and said, can you make your steaks smaller?, and we said yes, certainly wasn't hard. [B]

"There are opportunities in the market, especially with these smaller importers overseas, often family run businesses, second and third generation businesses at the better end, they're often largely ignored by the bigger guys". [D]

5.5.2 Competitors

All participants had paid limited attention to competitors for various reasons. A reason commonly given was the ability to deliver consistent quality products. Over time this strengthened the relationships in the value chain reducing likelihood of opportunistic behaviour, thereby shutting out competition.

"I wouldn't be surprised if the delicatessen has been approached, but I am pretty sure I would know what their response would be, they wouldn't want to know about them. We have been delivering a consistent quality product for many years now, why would they risk that". [B]

"If you have got a strong relationship going its just like on the farm, and you might have a guy who does ditch digging and he does a good job so you stick with him, Joe whoever comes to the door and offers it for \$8 an hour less and you would say hey look I have got Billy down the road and he is good, we get on well so you would say thanks but no thanks. Every farmer has relationships with different ones and you stick with who you know. If you have the right person you would not jeopardise the relationship for a one off purchase or one off sale, what are you going to achieve". [D]

In the case of farmer E he had a differentiation competitive advantage derived from his on-farm feeding practices, and he knew of no direct competitors. Farmer A had an advantage over competitors due to rules of the local market.

"We pride ourselves on quality and we have been able to grow our local trade because of the feeding and quality of lambs. We're also the only importer that could guarantee a grain fed product in the States". [E]

“Not just anyone can rock on up, you have to ask, and the other participants already there have got to allow you admission. So that shuts out competitors”. [A]

5.5.3 Product

In developing the marketing mix all farmer participants emphasised the need for a point of differentiation with the product. The point of differentiation was seen as the key to attracting and retaining customers.

“With products you need a point of difference, why would people come to you instead of somebody else, what’s your point of difference, what’s your foreground story before the people get there and know your product is good”. [B]

An issue commonly found with red meat is seasonality of supply. Farmers (A, D, C) had issues with seasonality of supply; they were looking to overcome this constraint in various ways.

“I wasn’t selling all my lambs through the supermarkets so there was always enough available”. [A]

“As we develop new markets we’re looking at working in with other top farmers around New Zealand, especially in the North Island where they can fatten lamb all year round. Different seasons and different climates only way we could do it. We couldn’t do twelve months supply down here we would be kidding ourselves” [C]

“My restaurant man said the seasonal product was always the best, if you couldn’t supply for two or three months he wasn’t worried. But I would continue to kill through the winter, I would drop some of my ewes to have slaughter stock available”. [D]

Farmers B and E had no such issues with seasonality due to being finishing only, and therefore constrained to a lesser degree by natural breeding cycles. The seasonality effect was further reduced by set patterns of ordering by customers.

“Were controlling the feeding and the systems, so no problem with seasonality”. [E]

“They usually order in a pretty set standard year to year, so we grow our animals to be at standard at those times, give or take a bit”. [B]

All farmers mentioned that not all product was sold through their farmer level marketing channels, a balance of varying proportions was sold through traditional channels. Effectively the traditional channels act as a buffer for their marketing activities.

“A lot of our lambs, especially the grass finished lambs are just sold to the highest bidder on the day, whether it be a co-op or whoever”. [E]

“Most of our product at this stage is still going through traditional outlets, paid organic premium”. [C]

“If anything goes overweight, say you have a particularly good spring flush of growth and by December or January you have a couple up at the 340 mark, you just don’t put them to the market, they are sold on schedule”. [B]

The products for all participants consisted of traditional cuts. However, Farmers C and D had developed new products in an attempt to add greater value to their product.

“Very easy to sell your top cuts, particularly beef where you only have nine percent primals, so ninety percent you have to sell elsewhere. We have to find a way to add value to lower price cuts and ready made meals allow us to add a lot of value with a good product”. [C]

“My butcher struggled with some of the forequarters for a while, but he got this machine, and he was making them into boneless cutlets and crumbing them, and it seemed to work pretty well; if you’re innovative enough there is always ways you can do things”. [D]

Another issue with red meat production is the varying quality of cuts that come from a carcass (see section 5.5.5). This was overcome by pricing each cut accordingly. Farmer B had overcome this problem by working in with supply chain partners, only buying back and marketing the highest value cuts.

“We get rid of the product we don’t want, so we can focus on the product we do want, that was the advantage of working in with the processing company. I sell the animal to the processing company on the schedule and buy back the cuts that I want on the export schedule and then I trade it with Germany chilled” [B]

5.5.4 Place

Place refers to the activities carried out by the farmer in relation to supply chain management, and the ways in which the farmer gets the product to the target market. It was noted that all farmers co-ordinated their supply chain in terms of product flow.

“I just organise it over a couple of phone calls, one to the transport and one to the abattoir”. [A]

“The delicatessen usually orders in a pretty set pattern from year to year. When an order comes in for x amount of product you will contact the freezing works company, you know when they are not operating. Simply a case of ringing the procurement man and saying can I put stock in, ring the transport company, and apart from that the product gets dotted put in the box and sent back, then its on a plane and off to Germany”. [B]

All study participants were found to use specialist services in regards to distribution of the product. Often the distribution services were carried out by those downstream from them in the value chain.

“The abattoir guy said, if you send the lambs up on Sunday, we will kill them on Monday, hang them to Thursday, and then cut them up and send them down fresh to me on Friday, ready to sell on Saturday”. [A]

“Distribution was easy, my butcher had his own truck delivering stuff and even to the North Island you have got those refrigerator trucks that are up and down every night. With the airfreight there was a crowd up in Christchurch who would do the documentation”. [D]

Farmers D and E added an incentive for those downstream in the chain to carry out their specific role. Product ownership was handed over to the supply chain partner with access to the end consumer base.

“No trouble with distribution in the States as we are selling the whole container to our partner over there, and they take ownership” [E]

Farmer level marketing chains have a traceability advantage. This was referred to as critical by farmer participants.

“After ten years in the program, one of the delicatessens clients asked if any of our animals were fed GE material, and we were able to go back and say no”. [B]

5.5.5 Price

Pricing was paid particular attention by farmers as it relates directly to the economic incentive to get involved in farmer led marketing activities. All found that prices in a broad context were set by the market.

“We take the US domestic price as a starting price”. [E]

“I got my cut prices from on the internet, gave a ball park figure, so I knew where to start. I also went round the shops and unless it’s on special you can’t buy anything under \$9 kilogram”. [A]

All farmers were obtaining a slight premium for their product. This was justified by the added benefits that their produce had to offer. Commonly a cost plus approach was obtainable due to the specific target markets.

“The premium is based on the value of the benefits we see over and above the conventional product”. [C]

“I thought of a figure from the costs, doubled it and added a bit more, and said that was what it was going to cost me, and they said, that’s fine when can you start”. [B]

All farmers did not adjust their prices to follow the seasonal pattern associated with red meat values; they viewed the relationship with customers and their expectations of consistency to be of greater value.

“Went for one price and tried to keep it the same all year, sometimes the schedule was above what I was getting, but most of the year I was well above the schedule. I was giving the supermarkets a guaranteed product at a guaranteed price”. [A]

There is a range in the quality and use of products that come off a carcass and cuts were priced accordingly in order to match supply and demand. This is an important aspect as one can not sell one product without a sales outlet for the others. Often to overcome this discounts were given for taking the natural fall of cuts.

“You make the racks more expensive than the shoulder chops; each cut has its own price”. [A]

“I would set all the cuts at a certain price and offer a bit of a discount if they would take more cuts, natural fall of cuts preferably”. [D]

5.5.6 Promotion

All of the farmer participants employed a branding strategy; this was a means by which to build awareness and loyalty of customers to the product. The brand was the principle means by which all other aspects of the marketing mix were portrayed; the emphasis was commonly around the points of product differentiation.

“The purpose of the brand is to signify quality and build customer loyalty; the aim is to achieve more money”. [A]

“Branding of the product is focused around points of difference of grain finished lamb, marbling etc”. [E]

“If you can sell a foreground story about your branded product and how it differentiates itself then you can get a premium on it and we sell the story of New Zealand being an island paradise and there are lots of connotations for that. So we sell our island paradise with the lifestyle and traceability and handling regime for our stock. Your story needs to attract the customers’ attention and make them have ideas about the product from reading the label before they pick it up”. [B]

“Looking overseas, being organic and from New Zealand is probably ninety percent of what you need this now because of peoples perceptions”. [C]

Presentation of the product was cited as means to signify quality of the branded product. It was believed that this further justified the premium price in the customer’s mind.

“I would point out the points of difference, that we’re in the far south and no dry times, ram lamb thing and green grass. I have also been told that if you package your product in black it makes it look more exclusive, and it might be the same product, but your packaging has a bit to do with it. If your packaging looks budget the customer perceives the product to also be”. [D]

Promotion was commonly carried out in person by the farmer (or business partner in the case of Farmer E). In all cases promotion was targeted at the end consumer or those with access to the end consumer.

“We would go in with our chilli bins and our butcher, and sit in the kitchen with the top executive chefs and talk about our product, what was good about it”. [C]

“I would go out promoting the product with the butcher to the end user, just explain to them the benefits of using our lamb as opposed to buying off a trader”. [D]

This emphasis also strengthened relationships with intermediary customers in the value chain. If ownership was handed over often intermediary customers would aid in promotional activities.

“Kaiapoi butcher said why don’t you come into town and do a presentation in front of all the butchers, so I went in and it went well”. [A]

“Supermarket done most of the promotion, I just supplied the label”. [A]

“The delicatessen dedicates a page to the brand in their catalogue, the name is actually stencilled into the formica and screwed to the bench and that’s how it is advertised”. [B]

The need for promotion had diminished over time as the product’s reputation was established with the customer base. Likewise, Farmer C expressed the view that while his current levels of promotional expense were high, he did not expect it to always be the case.

“Most people buy our product through word of mouth now that we have been going 20 odd years”. [B]

“Once our brand is established it means we won’t have to spend as much money ourselves anymore. Once people buy and like our product, because there is an element of trust there they are more inclined to buy something else or a new product”. [C]

Farmer B has taken the brand developed for his meat products and leveraged off it by developing a complimentary product. Farmer A cited wider industry activities had strengthened her brand image.

“...we looked at what we could do to add value to the brand, and wine was the obvious choice because of the association between burgundy and beef”. [B]

“Since the breed won that competition down south no problem with consumer knowledge. You would be surprised how many people know about it”. [A]

5.5.7 Summary

All farmers were aware of the implications and challenges faced with respect to each element of the marketing mix. Their marketing mix was devised to meet the needs of the target market. All had a highly focused view of their competition and were not greatly concerned about competition. Instead they invested energy in the relationships in which they were involved with downstream. Similarly, in line with this, branding was seen as a critical factor if a greater ‘rent’ was to be extracted from the market for their produce.

5.6 Relationships

A key finding of this study has been the recognition of the important role that relationships play in the farmers’ marketing activities and decisions. All of the farmers interviewed mentioned significant relationships that obviously play a vital role in the marketing of their products and thus the direction of their businesses. Farmers were proactive in seeking out and maintaining professional relationships by investing time and effort.

5.6.1 The importance of supply chain relationships

Of particular importance to all of the farmers in the study were their relationships with their downstream supply chain partners. These relationships appear to be important not only to assist with the perception and identification of new opportunities (see section 5.4), but also to facilitate product and information flows.

“We now have an immediate agent in America who handles product for other companies but helps us by handling a bit of logistical stuff, and because he is involved in the market he sees opportunities and sources information in terms of pricing levels and what cuts are moving and what is happening. He is a kiwi with his own business in the States handling lamb, venison and other products, but he is also point of call for our customers”. [E]

Farmers formed relationships where there was a need to acquire specialist services in the supply chain to add greater value to their product. The purpose of this relates to strengthening the competitive advantage of the product in the market place. Farmers understood and appreciated the value of these relationships.

“Well I just send the lambs up to the abattoir and they come back in boxes, saves me or my staff doing it. Systems are all in place up there”. [A]

“We’re lucky we have got a good gourmet butcher, who does all our packaging and processing and he speaks their language” [C]

In fact, although there is limited scope to do so, some farmers were willing to make operational changes to meet the expectations of downstream supply chain partners.

“The market wanted heavier lambs so I grow them to suit”. [A]

“The restaurants said, your racks are getting too big, so we just lowered the cut-off weight” [D]

The situation of farmer D and A (supermarket supply) shows what can happen if relationships sour. It illustrates that, without good relationships, facilitation of farmer level marketing activities is very difficult. For example, in the case of Farmer D the lack of consistency surrounding the payment period increased the uncertainty in the relationship with his butcher/wholesaler, and ultimately the inability to facilitate information through the relationship led to the supply chains demise.

5.6.2 Relationship initiation and maintenance

All farmer participants had been proactive in seeking out relationships while initiating their marketing activities. Furthermore, all were aware of the value in maintaining relationships with their downstream supply chain partners.

“I would go out promoting the product with the butcher to the end user, just explain to them the benefits of using our lamb as opposed to buying off a trader”. [D]

“...we’re investing in relationships, whether it’s one of the staff or people down the supply chain, they’re all your key relationships and if one of them falls over, well it would make life very difficult”. [C]

However, often there was a limited selection of suitable supply chain partners. Often there was only one suitable partner, especially in relation to processing. In the case of farmer E, to overcome this problem, he had vertically integrated by building a processing facility.

“Well you’re limited for abattoirs in the south here where you can get stock killed, and I approached one or two, and basically it came down to the one who was willing, basically”. [D]

“We went with two meat companies originally and they went broke, so little choice initiated the plant to build our own facilities”. [E]

In some cases where selection was available, farmers would select based on the ability of the supply chain partner to add to the marketing mix to strengthen the relationship of the product with the end consumer. The ability to add to the marketing mix relates to the importance of sharing goals and objectives.

“We knew four years before we formed a relationship with the firm that they were probably the best operator in the States. Their philosophy in the market seemed to match ours”. [E]

“So the owners of the delicatessens flew over to New Zealand for 24 hours to see the farm and just what we were talking about, and they liked what they saw and how it fitted with their image” [B]

Furthermore, the sharing of goals and objectives amongst firms in the supply chain was seen as key in strengthening the competitive positions of both the farmers and their supply chain partners. Often this was related to a willingness to look at new ideas.

“I just selected the local abattoir, very few other options. It fits well with them, I’m just another of their customers. I know the supermarkets liked it, because if you have a good product it will bring other people into the shop and so they were pretty keen on that”. [A]

“We tried to develop our customers, most of them were pretty open to suggestions, and anything that could grow their businesses people listen to”. [D]

“Its really a matter of backing winners, particularly those who are doing things differently or are a smaller scale so they are more open to new ideas. Talking to people looking at options rather than the big boys who already have their markets, they are likely to view you as more of a hassle”. [C]

Commitment and trust were viewed as critical if the supply chain was to be successful. This often resulted in farmers interacting with colleagues beyond their business commitments.

“We value commitment and trust highly, you have got to...” [C]

“All our business relationships are built on commitment and trust and good faith. At the end of the day we are all good friends”. [B]

“We became friends so very little tension in our interactions”. [A]

Relationships grew stronger over time, and this was seen by all as a critical barrier to entry for competition (see section 5.5.2). In the case of Farmer B, their supply chain partner maintained the relationship because of their loyalty despite the fact that it no longer fitted with their business strategy.

“I don’t think it fits with their strategy now, but it fits with what they want to do because it’s a nice little thing they want to be a part of as well, they see it as no big deal as they have done it for the last twenty years”. [B]

Farmer D stated that he had been too trusting of supply chain partners, and their performance had led to the collapse of his farmer led marketing operations. Selection of the appropriate supply chain partners was viewed by him as critical and the most limiting factor to his marketing activities.

“I should have been more vigilant with risk management in the supply chain, one thing I have learnt, I was a bit trusting of some people, I would be more wary next time”. [D]

“Biggest constraint is getting your partners right, if your going to do something locally you need someone with a similar sort of vision and ideals or someone to do your further processing that is reliable. Even on the export scale, a bit the same, finding the right person at the other end that can tell your stories”. [D]

In summary, all participants believed that their supply chain relationships were an integral part of their operations, and had been proactive in their initiation and maintenance. Farmers were aware of the benefits and significance of each relationship in their supply chain.

5.7 Impact of marketing activities on the farm business

It was noted that the pursuit of marketing strategies has particular impacts on farmer businesses. Although not universally present in all farm operations, the emphasis on marketing at the farm level was associated with: intensification of capital requirements, consolidation of quality advantages, changes in human resource allocations, profitability and cash flow, and the creation of alternative markets and products.

5.7.1 Intensification of capital requirements

Taking a more active role in marketing often meant farmers operations became more capital intensive. For Farmer E, it is directly related to investment in processing facilities that would traditionally have occurred further down the value chain. For farmer C, development of brand awareness and new products had been a capital intensive exercise.

“I have a lot more capital tied up, and I suppose the average farmer has 10 or 15 thousand dollars of shares, and that’s their investment in further marketing, well I have put over a million dollars into our meat exporting and marketing company”. [E]

“Created strain as we have invested a lot of money that goes into the balance sheet...” [C]

For farmers A, B, and D, while their marketing operations obviously ‘suck up’ capital to some degree, it was not mentioned as a major constraint in developing their marketing activities. This may relate to these participants being of a smaller scale in terms of their marketing activities compared to Farmers C and E.

With red meat products the most capital intensive stage of the value chain is at the processing plant. All farmers apart from E used local facilities, which allowed them to largely avoid the capital impact.

5.7.2 Focus on quality

All farmer participants showed a high degree of interest in, and commitment to quality; particularly as a necessary attribute of their products, and one that the marketplace desires and demands. This often resulted in small changes on the farm, such as adjustment of target weights and feeding regimes.

“Quality is key to the chain”. [E]

“On farm you make allowances to make the system work, to allow consistent high quality”. [D]

By assuming a greater role in marketing, and being known for quality production, all of the farmers were able to extract greater ‘rents’ from their production systems in the form of greater economic returns, and increased market share. In other words, through marketing their own produce the farmers were able to capture the value of their superior quality that would have otherwise been lost to them, had they taken a less active role in marketing.

“My perspective is that we need to provide the best lamb possible and back it up with good service and regular supplies, that will attract and retain our customers, and justify a premium”. [E]

5.7.3 Human resources

All study participants spoke of the effect of farm level marketing activities on human resource allocations within the farm business. In short, farmers had to spend more time and effort on issues or processes related to marketing.

“Something misses out if you spread yourself too thinly and up to now I have been able to do it but there have been some big weeks”. [C]

“I used to have time to play golf twice a week and that’s gone”. [E]

“It’s not just the physical time, it’s the thinking time. There is not big numbers involved...if you were prepared to go around different markets greater opportunities, just that there is a lot of time involved”. [A]

However, all of the farmers found this impact to be manageable, although challenging, and considered the time they spent on marketing related tasks to be well invested and valuable. None noted that the production side of their operations had suffered, and Farmer E actually felt that it had improved.

“We want to at the end of the day, that if we were really successful our brand will be worth more than our farm...” [C]

“...the difficulties faced in exporting have forced me to lift my game on the conventional farming side”. [E]

Being owner operators was commonly seen as a limiting factor. For some farmers, a marketing focus required extra staff, while for others it meant a reorganisation of priorities and tasks.

“Only one of me is the biggest constraint. I could grow the business but I’m just not focused on that at the moment”. [B]

“If I wasn’t doing any of the marketing stuff this would be a one man operation on the 500 hectares”. [C]

“I didn’t think it affected the farm to much. We tried to have things all set up here; it wasn’t like I was away for days on end, usually half a day. Try to work jobs in so it didn’t affect us to much, you work around it”. [D]

Staffing was viewed as critical in allowing availability of time to pursue marketing activities. However, this commonly presented a whole new set of challenges. The issues often associated with staffing were generally agreed to be alleviated by growth of the business over time.

“I am a little bit over-staffed rather than under-staffed so that I have time and flexibility to react to issues”. [E]

“...you can employ people in different areas, but they’re never going to have the passion that you had to make it happen”. [C]

“We have built our staff up over time. It’s been a constantly weeding out process in the staff and you get bad eggs, and there are plenty of them in the meat industry, but we are slowly getting a reasonable team”. [E]

“Specialised staff are hard to find, but we grew our staff as we grew our business”. [B]

5.7.4 Profitability and cash flow

All farmers felt that their farm level marketing activities had made their operations more profitable, despite the difficulties often faced. Profitability was often reduced for a period of time after marketing activities were initiated. However, this was often seen as acceptable by the farmers within their longer term vision.

“Created strain as we have invested a lot of money that goes into the balance sheet and initially its all one way you don’t get any big returns out of that and probably this marketing initiative overseas if it comes off its potentially a multi million dollar market you can have and you can say that your investment was well worth it”. [C]

“Initially the best you can hope for is about what the big exporting companies are paying, the benefit should come in a year or two, if you could get a decent relationship going delivering consistent quality product overtime.” [D]

Farmers A and D mentioned that marketing had had an impact on cash flow in their businesses. Both related this to sales of smaller numbers spread over a greater period of the year.

“Spread out the flow of income to a degree”. [A]

“When things were going alright we had regular income. Smaller amounts but more often, it can spread your income a bit through the winter so a slight change”. [D]

5.7.5 Alternative markets and products

A focus on marketing had allowed some farmers (C and D) to realise higher returns on certain products that otherwise would not be as valuable. Also, these farmers have been able to create alternative markets for their products that otherwise would not be as desirable, ultimately increasing their overall returns. For example, Farmer C had developed ready made meals, and organic mutton jerky.

“...we got them to do a project on organic mutton jerky, it cost us a couple of thousand dollars but they developed the product and tested it in the market and started developing a market profile, money well spent”. [C]

“My butcher struggled with some of the forequarters for a while, but he got this machine, and he was making them into boneless cutlets and crumbing them, and it seemed to work pretty well; if your innovative enough there is always ways you can do things”. [D]

5.7.6 Summary

The incorporation of a greater focus on marketing at the farm level obviously impacted on the daily operations of farmers to varying extents. The extent of this can be related to the specifics of each farmers marketing activity. Impacts were associated with intensification of capital requirements, consolidation of quality advantages, changes in human resource allocations, profitability and cash flow, and the creation of alternative markets and products. All farmers generally felt however that their involvement in marketing was worthwhile, and were prepared to manage the impacts of marketing on their overall business.

5.8 Risk

Of particular interest to this research, was how farmers dealt with, and felt about, the risk associated with the marketing of their products. A key finding of this study was that relationships were cited both as a source and response to the risk associated with their activities. Furthermore, general risk associated with supply chains of this nature was commonly raised. Enterprise diversity and market diversity were considered ‘rightly or wrongly’ to be appropriate risk mitigation strategies by the participants of this study.

5.8.1 Perceptions of risk associated with marketing activity

All viewed being involved in marketing as more risky, rather than marketing as a tool to mitigate risk. The risk involved in such activities was generally compared to the risk associated with supplying traditional channels.

“Way more risky, if there is a big swing in the market we cop it straight away. Classic case last year with the big meat companies when they didn’t stop paying farmers when they probably should have, they act as a buffer between the farmers and the market, and farmers need to appreciate that”. [E]

“Being involved in pastoral farming if your debt levels are ok is a pretty simple business you don’t need to think too much. How many farmers give any thought to the markets, even though they think they are smart people and they are most likely smart producers. They’re really only thinking about one or two dimensions”. [E]

Many believed it to be too easy to just fall back into supplying the traditional channels, and were of the view that supplying traditional channels was of minimal risk. Similarly, all were now more appreciative of the role played by large meat companies. This related to financial risk.

“After doing stuff on my own, people shouldn’t moan too much about some of the meat companies, because at least you get paid. It is very easy to put a few lambs on a truck and wave goodbye to them”. [D]

“You can’t get rid of the middlemen until you know what they do; you have to have an appreciation of what they do. What the big guys are doing looked pretty fair to me”. [D]

In all, participants felt that the additional risk associated with their marketing activities was justified. This was primarily due to the higher returns they had obtained or anticipated they would obtain.

“I think the risk is worth it. We want to at the end of the day, that if we were really successful our brand will be worth more than our farm, so we want to develop our brand, our brand strategy, and to do that we have got to get out into the market”. [C]

5.8.2 Source of and response to relationship risk

All participants relied on informal commitment and trust rather than formal commitments from customers to mitigate risk. Farmers were highly aware of the significance of this to their operations; they believed that their marketing activities substituted for control commonly associated with contracts.

“With the firm there is no written contract it’s based on a verbal agreement and they can see it’s based on trust and that we are committed to it”. [E]

“The best deals are the ones that are never written down, if you have to have a contract you are only trying to bolt together a relationship that should never be. There has never been a written contract between us and the delicatessen, never, just commitment and trust to the relationship”. [B]

“He would tell me how much a kilo he was selling it for and that was fine as long as I was making something as well. It wasn’t a secretive service; it wasn’t formal, very much informal. No contracts, some would say that is risky, but personally I would prefer to go that way than the letter of the law that you have got to rigorously stick to, just a pain in the bum I reckon. You’re dealing with the wrong person, if you can’t work something on a handshake and a couple of yarns he is the wrong person”. [D]

Conflict had occurred with the marketing activities of farmers A and D. Their supply chain partners showed little commitment in relation to the financial issues of time of payment (Farmer D), and price (Farmer A).

“My man was very slow in paying, and this is where we learned we should have been paid in advance, our relationship soured a bit and it all fell through, due to money outstanding for too long.” [D]

“We just kept supplying because we didn’t want to let the restaurants down in good faith, and then he got way behind in his payments and the next thing you’re supplying the product but not getting paid for it. But we didn’t want to let the end customer down; we were trying to hold this guy up as our reputation was at stake to”. [D]

Farmer A now realises she had left herself open to this threat as the key relationship she had built was not with the decision maker, rather the influencer for the decision surrounding the selection of the product.

“Tried to screw down prices, the butchers had little influence they had to perform in the supermarket chain” [A]

“I would pretty much supply any supermarket who was interested. I had a few that were always there, but a lot came and went. They behaved opportunistically, really depended if it suited them”. [A]

Farmer A is also predominantly focused on production. This means that if difficulty arrived she would simply withdraw from the market without jeopardising her wider business.

“If there was a summer drought I just wouldn’t go to the market” [A]

5.8.3 General supply chain risk

With their marketing activities farmers were often cautious of supply chain risk. Supply chain risk refers to the performance of and availability of those carrying out value adding functions.

“We have always been a bit concerned about our reliance on the butcher, because he is nearing sixty, and he has been a real secret in our success because the quality is so damn good”. [C]

“The hardest thing is losing control of your product because its going through the hands of people who are getting paid a weekly wage or something, they don’t have no passion or idea of what your doing. We lost one customer through sloppy freight, the vacuum packs and carton had been dropped and they were damaged, and the result was that these products were not looking good, only because someone hadn’t done their job”. [C]

A risk commonly referred to with involvement in marketing was the risk associated with sole operations. This related to the fact that these businesses were commonly driven by a sole individual or couple, and their removal would effectively end the operation.

“It’s just me and my wife who are the only ones with the vision and drive to make it happen...if I fall over dead we lose momentum out of it”. [C]

5.8.4 Enterprise diversity

At some level, all of the farmers in the study used enterprise diversity to manage their exposure to risk. They often had a wide product base (Farmer A – sheep, beef, deer, cropping), as well as very different types of enterprises (Farmer B – beef farming, wine production and hospitality). Although all were aware of this as a strategy to mitigate risk, it was viewed more as a way to better utilise resources to maximise production and profit.

“Well it’s no so much a risk management strategy with the sheep and cattle, but more that they generally do better when their together, pasture management thing”. [D]

However, generally all of the farmers’ enterprises were heavily intertwined in the market; that is, the food industry marketplace in a broad sense. Therefore, enterprise diversity in the case of the participants of this study may not mitigate risk.

“What we really want to do is achieve a premium for all our products, our mutton, our lamb, our wool, all of those products under our brand or an associated one. So if one falls over, the whole thing unravels”. [C]

Farmer E had legally separated his enterprises. This was to mitigate the effect on his overall business if financial collapse occurred in a high risk venture.

“I have paid quite a bit of attention to risk management, I had serious doubts about the business sense of building a slaughter chain, so I spent quite a bit of money on restructuring my own assets so I wouldn’t lose it all if it fell over”. [E]

5.8.5 Market diversity

All study participants utilise market diversity with all having part of their red meat production and other products (except Farmer C’s wool) going through traditional marketing channels. Although none viewed supplying traditional marketing channels directly as a risk management buffer for their marketing activities, all were aware of this option.

“I focus on succeeding but you have always got to have a fallback and we would step back, and probably sell it through the people we sell through now”. [C]

“If everything crashed and burned the worst that will happen is that you just go back to supplying the traditional channels, so it wasn’t a huge risk”. [D]

Some farmers have developed more than one farmer level marketing outlet for their red meat products. Farmer C sells to restaurants as well as at the farmers market, and is looking to export. In general, this is viewed as a means to capture greater market share in terms of adding greater value to a larger portion of product rather than selling through traditional channels, and this ultimately increases brand value.

5.8.6 Summary

Farmers generally felt that there was increased risk involved in advanced marketing activities, but all felt that this risk was justifiable by the outcomes of such activities. Awareness of risk tended to grow over time due to both positive and negative experiences both in terms of product flow and behaviour by supply chain partners, and consequently relationships were

viewed as both a source of risk and a risk management strategy. There was also considered to be a more general risk in the supply chain, which was in relation to the performance and the personal drive behind the value adding processes. Enterprise diversity was viewed both as risk management tool and production enhancement tool. However, with close intertwining of enterprises, they may not actually mitigate market risk. The use of market diversity as a risk strategy was mentioned by all participants, and they were aware that if their personal channels fell over they had the available option of a fallback position in selling produce through traditional channels. Development of more than one outlet for products was not seen as a risk management strategy, but more as a means by which to capture greater market share.

5.9 Chapter summary

Some interesting and insightful findings on farmer-level marketing emerged from the research. All farmers interviewed had been motivated to take up farmer-level marketing. Marketing was viewed not only as a way of increasing operational income, but as a way of gaining greater control over their products and their business. They also viewed it as an alternative challenge to their on farm operations, and a means by which to realise greater self satisfaction.

All participants believed there was increased risk associated with farmer-led marketing, and that the increased risk was justified due to a fulfilment of motivational drivers. Correspondingly all believed they were risk takers. Farmers also had other similar personality attributes, which can be related to their marketing behaviour. One farmer displayed divergent attributes, which suggests that the extent which one gets involved in farmer-level marketing may be influenced by personal attributes. All participants are aware that they have personal attributes that differ from that of conventional farmers, and that these attributes are associated with their marketing activities.

The opportunity to get involved in farmer-led marketing activities had been primarily identified through informal environmental scanning, and analysis of their current operations. This included formal market research in the case of Farmer C. A key aspect of successful environmental scanning was the utilisation of relationships with downstream supply chain partners; an advantage of this was the information feedback. Consequently, initiation of the relationships was an important part in identifying new opportunities for farmers. Farmers were further aware of the benefits and significance of each relationship in their supply chain, and considered them an integral part of their operations, and had been proactive in their initiation and maintenance.

All farmers were aware of the implications and challenges faced with respect to each element of the marketing mix. Their marketing mix was devised to meet the needs of the target market. All had a highly focused view of their competition and were not greatly concerned about competition. Instead, they invested energy in the relationships in which they were involved with downstream. Similarly, branding was seen as a critical factor if a greater 'rent' was to be extracted from the market for their produce.

The incorporation of a greater focus on marketing at the farm level impacted on the daily operations of farmers to varying extents. The extent of this can be related to the specifics of each farmer's marketing activity. Consequently, as mentioned above all farmers felt that being involved in such activities brought about greater levels of risk. Furthermore, many similarities existed between perceptions of risk source and risk mitigation strategies. But in all farmers felt that involvement in marketing activities was justifiable by the outcomes.

Chapter 6

Discussion, Implications, and Conclusions

6.1 Introduction

This chapter will discuss the study results. The topics discussed in the chapter are: Motivations and Personal Attributes (Section 6.2), Identification of New Opportunities (Section 6.3), The Marketing Strategy (Section 6.4), Relationships (Sections 6.5), and Impacts and Risk of Marketing (Section 6.6). Implications that may be relevant to other farmers contemplating becoming involved in marketing activities will be detailed and relevant insights highlighted. Finally, a conclusion of the overall study is presented along with recommendations for further research (Section 6.7).

6.2 Motivations and personal attributes

It is interesting to note that only two of the motivational factors found in this study were found by Harsh (2003). He found that the farmers pursuing advanced marketing strategies were motivated by a drive for greater economic returns and a desire for greater business control. However, he did not find them to be motivated by the urge for a novel challenge, and the need for thrills and self satisfaction. However, this motivation could also be classified as a personality attribute. Hence, the urge for a novel challenge is likely to be a result of the personality attributes found in this study and by Harsh (2003). That is, farmers pursuing advanced marketing activities exhibit a willingness to try new things and go ‘against the flow’, and do the things they perceive as being appropriate for their operations, despite the challenges, which they inevitably thrive on.

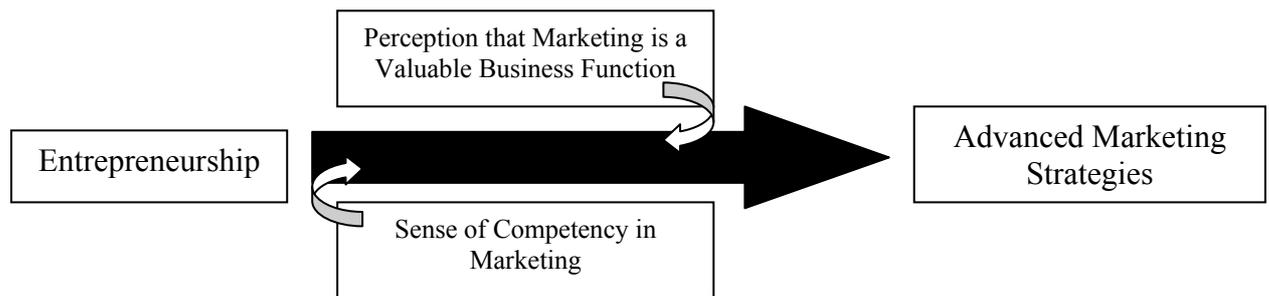
Study participants exhibited similar personality attributes to those found by Harsh (2003) and Giera (1999). Farmers pursuing advanced marketing strategies were generally found to be determined, perseverant, and exhibited greater risk tolerance. These are similar to the characteristics found by Giera to be associated with entrepreneurial farming. Additionally, Giera (1999) identified advanced marketing practices as an avenue for the manifestation of farmers’ entrepreneurial tendencies. It seems that, as found both in this study and in Harsh’s study, entrepreneurship and the development of advanced marketing strategies seem to be closely aligned.

The fact that Farmer A did not exhibit all of the attributes associated with pursuing advanced marketing strategies, suggests that, depending on the size and scale of the marketing operation, one does not need to possess all the personality attributes associated with entrepreneurs. Rather the knowledge acquired from experience, literature, networking and contacts can give one belief that they have ample competency to pursue advanced marketing strategies and substitute for other personality attributes associated with entrepreneurialism.

The sense of competency in marketing was one of a combination of three factors identified by Harsh (2003) that relate to the pursuit of advanced marketing strategies. The others were entrepreneurship and the perception that marketing was a valuable business function. Harsh developed a diagram to represent this, shown below in Figure 6.1. While to great extent this study supports the finding by Harsh; that is, entrepreneurship is the starting point of greater marketing involvement, the case of Farmer A illustrates one does not need necessarily need to exhibit all of the attributes associated with entrepreneurship.

This study supports the idea that a farmer must have the perception that marketing is a valuable function of their farming business before they undertake marketing. All related to this an underlying enthusiasm and interest for their farm business, which includes their marketing activities. This appears to relate to motivational factors; that is, if one views marketing as a way to capture greater economic returns or greater control, they will inevitably see it as a valuable business function. Furthermore, this viewpoint is strengthened if farmers see marketing as a novel challenge, and a way in which to fulfil self satisfaction and thrill seeking.

Figure 6.1: The advanced marketing strategy



Adapted from: Harsh, M., (2003), p.85.

The critical factors for involvement suggested by farmers pursuing advanced marketing strategies further support this notion. A sense of competency in marketing can be related to the ability to carry out the workload associated with marketing activities. Participants in this study also suggested they do not see pursuing marketing activities as the best use of many other farmers' time. This is supported by the findings of Harsh (2003), as in his study, production focused farmers felt marketing to be not as valuable to their business as pursuing a production focused strategy. This may be connected to the entrepreneurial attribute of not worrying about what others think and a tendency to 'go against the flow'. All of the above suggest that advanced marketing strategies are likely to be only implemented by a small percentage of farmers.

The implications of these findings support those suggested by Harsh (2003). However, a further insight from this study is that entrepreneurship need not be as daunting and outside of a farmer's realm as they may expect. It is suggested that, if farmers are to become more involved in marketing by pursuing more advanced marketing strategies, it will not solely be because they possess entrepreneurial attributes and skills. Rather they must feel that they are capable of tackling marketing as a 'farm' related job, and that it is a task that will be of value to their business. Therefore as suggested by Harsh, it is agreed, that if generally increased marketing orientation and involvement is to be achieved by the agricultural community, primary producers need to be encouraged to not only develop entrepreneurially, but to change their views about marketing, and to develop their marketing abilities as well. This need not be as daunting to farmers as it sounds, as the case of Farmer A illustrates that, depending on the degree to which one intends to get involved in marketing activities, high product knowledge and a few contacts can substitute for entrepreneurial attributes. These initial activities may act as a 'starting block' from which entrepreneurial tendencies can develop, leading to further advanced marketing strategies.

6.3 Identification of new opportunities

Similar to the study conducted by Harsh (2003), participants in this study identified new opportunities through two main avenues: informal environmental scanning, and analysis of current business operations.

Furthermore, like the participants in the study by Harsh (2003), participants in this study did not appear to segregate their operating environments (i.e., general/competitive or micro/macro) to formally analyse threats and opportunities as is suggested in standard strategic marketing literature as being a task associated with environmental scanning. Even so, the farmers were adept at 'looking around' and gaining applicable information from their surroundings in both a limited and extended context. Similarly, farmers did not employ formal product and market models in the analysis of their internal operations as suggested in the literature (Haines, 1999, p.15-24). In agreement with Harsh (2003, p.86), perhaps this reinforces the inappropriateness of the direct application of such techniques to the small scale, agricultural context. Rather, as in the study by Harsh, farmers examined their current business operations (including trialling new products and markets) to determine which products and markets were more or less profitable and made production adjustments accordingly. Ventures that were most profitable or showed potential were often subsequently expanded (e.g., Farmer C expanding his organic operation).

It is important to note the key role relationships play in the environmental scanning process. Like the study conducted by Harsh (2003), all of the study participants found that relationships, either personal and/or business relationships, yielded significant information and ideas regarding new opportunities. Farmers' relationships with their downstream supply chain partners were a particularly important source of new opportunities. The approach that farmers took to these relationships was that they actively engaged and sought information from their supply chain partners to identify new opportunities. In agreement with Harsh, it is likely that farmers pursuing marketing activities see advantages related to rapidly identifying and acting on new opportunities. They believe that timely identification of new opportunities is a critical business task and one in which they need to actively engage if they are to 'stay a step ahead' of the competition.

As in the study by Harsh (2003), farmers in this study, appear to have substituted traditionally defined 'market research' with the processes of environmental scanning and internal operations evaluation. Furthermore, in agreement with Capon and Hulbert (2001) it appeared to be a key aspect of searching out opportunities and directions for the farm business to pursue. The findings support Martin (2005), who asserts that market research can be a formal or informal, extensive or cursory, process that depending on the product, the market, the degree of involvement in marketing, and resources available. The findings of this study suggest that farmers, regardless of their level of marketing involvement, tend to use informal market research, although their level of research (i.e., depth) may vary depending on the specifics of their marketing activities.

In agreement with Harsh, this research has several implications for farmers seeking greater involvement in marketing and a means to identify the opportunity for such activities. It gives the impression that formalised market research has little place in farm level marketing activity. This is not to imply that farmers do not conduct (or need to conduct) market research, but rather that environmental scanning and current operation examination appear to appropriately fill this role. Thus if farmers wish to identify new opportunities, they should work on their environmental scanning techniques (i.e., keep their eyes and ears open) and take a look at their current operations. An emphasis should be placed on strengthening and

becoming more active in relationships with downstream supply chain partners, as farmers in this study clearly relied on such relationships to identify new opportunities.

6.4 The marketing strategy

Marketing strategy in this case refers to how farmers manage their marketing activities. It includes selection of a target market, dealing with competition, and making decisions about the marketing mix (product, place, price, and promotion). Ultimately, management of these marketing activities aids farmers in achieving their overall farming business objectives. The aim of this section is not to develop prescriptions about farmer-level marketing, but rather to provide insight as to strategies used by farmer participants to develop and enhance their competitive advantage and reduce the associated risk.

As found in the study by Harsh (2003), farmers pursuing advanced marketing strategies viewed their customers as the end consumer. This shows that these farmers are moving beyond the traditional agricultural way of thinking, towards a value chain model of operations. Hobbs, Cooney and Fulton (2000) state that value chains are fundamentally final customer orientated, and driven by consumer demand. Furthermore, given the often large physical separation between primary producers and end consumers, coupled with farmers' traditional tendencies to keep their focus 'behind the farm gate,' the identification of end consumers as their customers is quite significant. This demonstrates not only a high level of marketing orientation (Haines, 1999, p.9), but also a fundamental acknowledgment that end consumers are important. However, it should be noted that even though these farmers acknowledged the importance of end consumers, the majority (four of five) did not know a great deal about their final consumers desired product attributes. Only Farmer C, who segmented customers based on their needs, had a firm working knowledge of exactly what their customers required. This suggests that while information gathering and segmentation are an essential element of successful marketing strategies and their associated value chains as suggested in the literature, the level of detail to which they are carried out can vary from broad details on the market to fine detail on the product attributes required by specific customers.

Study findings suggest that farmers were aware of the value that can be obtained from selecting an appropriate target market, to fulfil their objectives. This meant a focus on 'top end' markets where there is potential to extract greater 'rent' from the produce, thereby fulfilling the desire for greater economic returns. Looking for gaps identified in the market place was the common means by which a target market was selected. The gap was commonly viewed as the level of service that accompanied the product. This has significant implications for farmers looking to market their own red meat products, since there is little room to differentiate the physical product.

Like the participants in Harsh's study, participants in this study had a highly focused view of their competition, and were often able to identify specific competitors, if any, in their respective market segments. A willingness to know the competition reinforces that these farmers are marketing oriented (Haines, 1999, p.9). However, farmers were not greatly concerned about and spent little effort focusing on their competition. This related to a 'sense of security' farmers' felt as a result of the relationships they had formed in the supply chain. The underlying strength of the relationships is built on product differentiation, which includes the ability to supply consistent, quality products, and as mentioned above, service.

As in Harsh's study, the view of farmers' in this study with respect to their competition seems to be driven by their overall strategic focus and product differentiation. The more

differentiated the products these farmers produced, the more focused their view of competition became. Barney (1996, p.327) explains that product differentiation helps firms to deal with environmental threats, particularly by lowering the possibility of substitution, and creating fewer direct competitors. This implies that farmers who are able to differentiate their farm produce should have fewer competitors to worry about. However, differentiated products often compete in very narrow markets with limited potential. Therefore producers need to be watchful in protecting their production, distinct product attributes, and supply chains from poaching. Examples of this are the cases of Farmers D and A (supermarket chain), the degree of differentiation was clearly not great enough to limit supply chain poaching and ultimately this led to the cessation of their marketing activities.

The implications of these findings for farmers looking to incorporate marketing activity into their farm operations is that a high degree of product differentiation naturally leads to a more highly focused view of competition, and that, over time, it appears the emphasis and consequently resources invested in combating competition are able to be reduced. This is due to their relationship partners being less likely to behave in an opportunistic manner, due to the commitment and trust that has developed. The significance of this is discussed in section 6.5.

Therefore it appears that for farm level marketing to be successful, there must be a point of differentiation. This is critical as the point of differentiation is the key to attracting and retaining customers. This finding supports Haines (1999, p.95) who states “a customer purchasing any product buys a combination of functional attributes, functional services and psychological benefits which can be modified to encourage purchase. Modifying to encourage purchase implies differentiating the product”.

In agreement with Haines (1999, p.95), it also appears that the basic product decision ‘what to produce’ is limited by the natural environment and physical situation. All of the farmers in this study who were breeding/finishing operations expressed the issue of seasonality. However, all agreed that with a bit of perseverance, there are ‘ways and means’ of working around such an issue. One such means was through the use of tight relationships. Furthermore, animal carcasses naturally lend themselves towards the range of traditional cuts. However, this study supports the findings of others (Martin, 2005, p.136; Haines, 1999, p.96) that it is rarely the case that existing products are unable to be differentiated. This is illustrated by the activities of farmers C and D, who had developed new products to add value, and the use of intrinsic points of differentiation by farmers to develop unique selling proposals. Intrinsic points of differentiation refer to product attributes that are naturally acquired within the farmers system and require little need for farmer modification, and include point of origin, organic, and in the case of Farmer A, wider breed success. For example, Farmer B’s beef in Germany is recognised as being from New Zealand and the customers’ perceptions of New Zealand give the product a natural advantage over products from other countries.

There are some implications of these findings that should be considered by farmers seeking greater marketing involvement. All of these relate to gaining a competitive advantage in the market place. First and foremost, farmers need to be aware of what it is that makes their product different; that is, why a customer would buy their product over a competitor’s offering. Secondly, although there may be issues associated with the product and ability to differentiate the product, there are ways to overcome these, which will require perseverance on the part of the farmer. Thirdly, a farmer should look to use intrinsic points of differentiation as these can be exploited at relatively lower cost to gain a competitive advantage in the market place.

Furthermore, the findings of this study support Haines (1999, p.135) who stated “the place decision is an important one as simply placing the products in the right outlets may gain a quality premium and adding value may be simply the choice of another buyer or distribution channel”. Farmers in this study focused on the ‘top end’ consumers, who generally purchase from specific outlets. The implications of this are that if farmers are to obtain the premium extractable from the ‘top end’ consumer they must choose an appropriate outlet.

The place decision includes the process of distribution. Farmers in this study commonly coordinated the distribution effort in the supply chain and this is opposed to traditional channels where the management of this process is carried out by a range of intermediaries. As farmers have a limited resource base they found a unanimous need for specialist services in this process. This required formation of relationships (see section 6.5). Furthermore, a key finding of this study was that farmers are able to rely on the traditional marketing channels as an alternative distribution channel to their farmer-led marketing channels. The availability of traditional channels reduces the risk associated with farmer-led marketing activities (see section 6.6).

The first implication of these findings for farmers seeking greater involvement in farmer-led marketing activities is that farmers should identify a place that is accessible to their chosen target market. Secondly, to deliver the product to this place will require the use of specialist distribution services in the supply chain; this will require the formation of relationships. Ultimately, the availability of traditional supply chains reduces the risk associated with such marketing activities.

This study found that, in a broad context, price was set by the market, and on top of this, all farmers were obtaining a slight premium for their product, which agrees with Haines (1999, p.115), who found that price is set by a price level and that there will be variation for various factors around this price. In this study the various factors related to the added benefits that the farmer’s produce had to offer, such as traceability and consistency. Furthermore, the price variation was influenced by the selection of the appropriate outlet in this study, which is also suggested by Haines as critical. A key finding of this study was that farmer participants did not adjust their prices to follow the seasonal pattern associated with red meat values; rather they viewed the relationship with customers and their expectations of consistency to be of greater value.

Furthermore, study participants spoke of issues associated with the natural range in the quality of meat cuts, and it was agreed by all participants that one should be aware of the corresponding prices for each cut before entering into marketing activities. This was due to the problem many participants had encountered with product movement; which is an important aspect as one can not sell one cut without a sales outlet for the others. It was felt that the best way to overcome this was through basic economics, where every cut has its price. Other pricing strategies were also used to combat this characteristic of the industry, e.g., discounts can be given for taking the natural fall of cuts.

The implications of these findings for farmers seeking greater involvement in marketing are that a farmer should be aware of the general market price level for all cuts, and through management of the marketing strategy, develop an indication of what will be deemed to be an appropriate variation (premium) above the market level. Furthermore, farmers should understand the needs of their clients and correspondingly protect the critical relationship. The relationship is critical as the end consumer is the sole source of revenue for the supply chain.

Key findings of this study surround the promotion decision. It was mentioned by all participants that they had been proactive in their marketing promotion. According to Haines (1999), this is the natural advantage of farmer-level marketing as seldom does one know more about the product than the producer. This study is in agreement with Haines (1999) that this advantage manifests stronger information flows in the supply chain, and in this study this led to a strengthening of the corresponding relationships.

Furthermore, all participants used branding to identify their product. Branding was the means by which the farmers built loyalty to their product, as it conveyed a consistent message to the consumer. In agreement with Haines (1999, p.99), the message conveyed represents all other elements of the marketing mix. Most notably, in this study, branding justified a higher price in the consumers mind. Haines (1999, p.125) states, branding is at the heart of any good promotion strategy, as it represents the customers' perceived value. Furthermore, associated with branding the presentation of the product in this study had allowed an avenue for differentiation of the product, and this is critical according to Assael (1995, p.166), where the product attributes do not naturally lend to differentiation. The biggest benefit, however, as found in this study and in agreement with Haines (1999, p.112) is that branding builds awareness and loyalty of customers to the product, and ultimately, that had allowed the cost associated with promotion to diminish over time.

Farmers seeking to become involved in farmer-level marketing should be aware of implications of these findings. They suggest that farmers have a natural advantage in marketing their own produce and they should take from this a sense of competency in their marketing abilities before entering into such activities. This knowledge will enable strengthening of information flows in the supply chain, further strengthening the competitive advantage of the farmers supply chain. Furthermore, the findings suggest that if farmers are to be successful in farmer-led marketing, they should undertake a branding strategy. This will allow them to convey consistent messages to customers and build customer loyalty overtime. Although, such activities may initially be expensive, it is likely that the associated costs will diminish overtime, and correspondingly, profit will improve.

As expected, all elements of the marketing mix investigated in this study, interact with each other. Farmers in this study used branding as the means by which to portray all elements of the marketing mix, and commonly their emphasis was on points of differentiation with the marketing mix. The implications of this to farmers seeking involvement in farmer-level marketing activities is that they should be aware of how to manage their marketing mix to generate a unique selling proposal, which presents the target consumer with a need for purchase. While this may initially be resource intensive, it will, over time, diminish, provided a consistent message is given to the end consumer, the sole source of revenue for the farmer-led marketing supply chain.

6.5 Relationships

In line with the findings of Harsh (2003) farmers pursuing advanced marketing strategies placed great value on relationships with downstream supply chain partners. All participants had been active in the initiation and maintenance of these relationships.

The important role that relationships play in successful marketing is a key finding of this study. Farmers relied heavily on their relationships with downstream supply chain partners as an integral aspect of their overall marketing program. Healthy relationships facilitated not only new opportunities, but also product and information flow. Relationships were commonly formed where there was a need to acquire specialist services. As suggested by Haines (1999)

selection of suitable supply chain partners was built around the sharing of goals and objectives. Furthermore, in agreement with Harsh (2003) these relationships were built over time on a foundation of commitment and trust, and relationships only grew stronger over time. This was viewed by participants as a significant barrier to entry for competition. In fact, often at some level study participants were willing to make operational adjustments when needed to preserve key relationships. The presence of such co-operative, trust-based relationships between farmers and supply chain partners is consistent with the principles of supply chain management as outlined by Speckman, Kamauff, and Myhr (1998). Although none of the farmers in the study spoke of formally practising or being involved in supply chain management, their actions are consistent with wider trends in the agribusiness world and current literature that calls for greater co-ordination between buyers and sellers, and the formation of trust based value chains (Hobbs, Cooney, & Fulton, 2000). Furthermore, the case of Farmer D, who as a result of being too trusting of supply chain partners had run into difficulties with his supply chain, illustrates the importance of selecting appropriate supply chain partners. However, all participants found a limited number of suitable supply chain partners and often selection was not an option. Most likely this will restrict the number of farmers who will be able to enter into farmer-led marketing activities, or force intensive capital investment in facilities as in the case of Farmer E.

As found in the study by Harsh (2003) farmers in this study were proactive in the initiation and maintenance of supply chain relationships. Speckman, Kamauff, and Myhr (1998) suggest that healthy supply chain relationships are more important to sellers than to buyers. Subsequently, farmers (sellers) became more concerned about the health of these relationships than their down stream supply chain partners (buyers) and this concern can manifest itself as the farmers becoming the driving force in the relationships. It is agreed with Harsh (2003) that it makes perfect sense that if healthy supply chain relationships are more important to farmers (sellers) than they are to their supply chain partners (buyers), the farmers would end up taking a proactive role in the initiation and maintenance of such relationships.

Farmers in this study relied heavily on relationships, they vigorously pursue their maintenance (to the point of relationships becoming personal in nature), and see their actions as vital to their operations' success. Thus in agreement with Harsh (2003), it would seem that if farmers are to pursue (and be successful with) more advanced marketing strategies; they also need to be willing to invest heavily in relationships. Developing adequate interpersonal skills, and a willingness to spend time with people, appears to be a very important consideration for any farmer seeking greater marketing involvement. Perhaps in the future, by encouraging farmers to develop their people skills, more producers will feel comfortable with the idea of pursuing advanced marketing strategies.

6.6 Impacts and risk of marketing

The implementation of advanced marketing strategies had impacts on farmers overall business operations that were similar to those found in the study by Harsh (2003). The most significant impacts included: intensification of capital requirements, increased focus on quality, reallocation of human resources, changes in profitability and cashflow, and the development and identification of alternative markets for products.

It is agreed with Harsh (2003, p.94) that several important lessons can be learned from closer examination of these impacts, all of which focus on the increased profitability that greater involvement in marketing brought to farmers' operations. It is important to realise that although advanced marketing did require farmers to invest more capital in their operations, and possibly rearrange their human resources, in the end it had improved total farm

profitability or had the potential to do so. Although putting more capital into the farm, or moving staff around, may have been uncomfortable or costly, these farmers felt that the benefits associated with advanced marketing activities far outweigh any initial added costs and inconveniences. Furthermore, creating new products and alternative markets for products that might not otherwise have been saleable (or saleable at a profit), a more deliberate approach to marketing has allowed study participants to capture greater total returns. Accordingly, many of these impacts became more manageable over time as the farmers business and correspondingly their sense of competency in marketing activities grew. This finding holds a notable implication for farmers seeking greater involvement marketing, it suggests that although one may initially see the challenges they face in getting involved in marketing activities as unbearable, they should persist, as evidently these challenges will diminish overtime and correspondingly it is suggested that profitability will improve.

In agreement with Harsh (2003, p.94) a significant lesson from the impact of advanced marketing is related to quality. All of these farmers spoke of an increased emphasis on quality that had been brought to their operations as a result of their involvement in marketing. Farmers viewed quality as a product attribute that the market place demanded, and that they were correspondingly committed to providing. However, in agreement with Harsh, the true importance of quality to market based producers can be found in its interrelationship with marketing. Through the implementation of advanced marketing strategies, these farmers were able to consolidate their quality advantages, and extract greater 'rent' from their production systems by attaining either greater economic returns and/or larger market share. Taking a more active role in marketing allowed these farmers to use quality to their advantage. In agreement with Harsh, this finding is particularly significant for farmers that are currently producing superior quality products, but not receiving superior returns. Although standard economic thought would dictate that the marketplace will reward superior quality, it seems that without becoming involved in such marketing activities, farmers can not expect to be the ones that collect this reward.

Consequently, due to the impacts on the farm business of farmers becoming involved in marketing activities, involvement was viewed as more risky than had they not developed their own marketing channels. This is in agreement with Martin (2005) who stated that, farmers will be aware that their activities are high risk. This contrasts to the findings of Harsh (2003, p.92) where he found "market based marketers were confident enough in their marketing abilities and strategies to consider marketing involvement as a risk management tool in and of itself". However, the farmers' willingness to engage new supply channels and to undertake product development reinforces that, in this study, farmers feel comfortable with their marketing abilities, and ability to manage the associated risk.

Furthermore, Harsh (2003) found that by engaging in new supply chain channels, farmers are perhaps able to act opportunistically in the short term by switching between market outlets when prices fluctuate to control their market risk exposure. Likewise, the farmers in this study had the option of traditional supply chains as a risk management strategy in two similar but differing instances. Firstly, they are able to use traditional channels as a buffer to match their own personal chain supply and demand. Secondly, if their marketing activities were to cease they could easily go back to supplying traditional supply chains with often minimal implications to their own overall farming operations. Therefore, it could be said that the red meat industry due to its defining characteristics naturally lends itself to a degree to farmer-led marketing activities. Which is in contrast to the cropping farmers in the study by Harsh, that made no mention of using the wider industry as a buffer, rather they had developed multiple farmer-level marketing channels.

As stated, farmers in this study perceive marketing activities to be more risky; this is due to the risk they acquire in actively engaging further down the supply chain. This related to risk with both the general supply chain and relationships within the supply chain. However, these risks are alleviated through being proactive in the supply chain, which facilitates information and product flows. Furthermore, by implementing advanced marketing strategies, and by moving down the supply chain, these farmers were able to gain greater control in their respective supply chains, effectively lowering their exposure to market risk. In many cases risk was lowered to such an extent that it was felt that formal contracts were unnecessary when weighing up associated risk, participants felt that increased risk was justified by the fulfilment of the motivational factors and thus entered into marketing activities. Furthermore, Giera (1999) points out that planning (and consequently risk management) is major aspect of entrepreneurship. These farmers generally planned their marketing activities, calculated and understood associated risks, then proceeded. The case of Farmer D, who had financial difficulties with his supply chain partner, highlights possible issues that can arise if this process is not thoroughly carried out.

A substantial difference exists between the findings of this study and those of Harsh (2003) in relation to the use of enterprise diversity as a risk management strategy. This relates to the difference in product characteristics and consequently industry characteristics. Harsh studied a range of cropping farmers, who have a wider range of product and market options available to them compared to red meat farmers. Farmers in this study tended not so much to see their enterprise diversity as marketing management; rather they saw more production associated benefits such as pasture management and spreading of cash flow.

Market diversity was recognised as risk management strategy, but this primarily related to the use of traditional channels as a buffer. In the meat industry, in comparison to other industries there is a much wider selection of suitable supply chain partners if one is willing to sell their produce to those down stream. By having multiple market channels for product, farmers are able to shift sales (to a certain extent) to cover unexpected events and market shifts. However, if one is to develop further farm level marketing channels, it has the same effect, and allows a greater portion of the value added to be captured.

Both the findings of this study and Harsh (2003) come up with similar implications for farmers who desire to be more involved in marketing. Primarily, it shows that although advanced marketing strategies may appear to be risky, those risks can be planned for and managed, and due to the associated characteristics of the red meat industry, it may, in fact, be less risky than one might perceive. Additionally, it shows that the 'risk stigma' often associated with advanced marketing ventures may be more closely related to the competencies of particular farmers than to actual risk associated with such ventures. In other words, farmers who decide to employ advanced marketing strategies when their neighbours do not, are not necessarily bigger risk takers, but rather, more confident in their ability to effectively incorporate marketing into their farming operations.

6.7 Conclusions

Certainly the examination of farmers that incorporate marketing activities into their business is a worthwhile field of enquiry. This section will relate several significant findings of this study back to the specific research objectives that were outlined for this study, and highlight their relevance to farmers contemplating incorporating marketing activities into their farm business. Finally, on the basis of the findings in this study, further research is suggested.

Farmers in this study were first and foremost motivated by issues associated with traditional marketing channels for their produce. These issues are in no doubt also experienced by farmers who do not incorporate marketing activities into their farm business. Therefore, farmers should take note that there are means by which to remedy this dissatisfaction associated with economic returns and business control. Furthermore, the ability of farmers to effectively incorporate marketing activities into their operations does not mean they necessarily need to exhibit all of the characteristics usually associated with entrepreneurial behaviour. Farmers think that they are not entrepreneurs, and so they do not have a competency in marketing. This research showed that this perception is not necessarily true, but that effective farmer marketing is more obtainable than often thought, and the use of contacts can spark this process. It could be said that the old adage “it’s who you know, not what you know” holds true. Additionally, marketing activities provide an avenue for farmers to derive a novel challenge.

A farmer does not need to engage in formalised or advanced market research to identify the opportunity for farmer-level marketing activities. Rather opportunities can be identified through informal environmental scanning. This implies farmers seeking such activities should ‘keep their eyes and ears open’ and look for opportunities in their environment, both in the local (i.e., industry/micro) and extended (general/macro) contexts. The most significant source of information will most likely come from downstream supply chain partners, and therefore initiating relationships is a good way to identify opportunities.

Furthermore, farmers with an inclination for marketing should examine their current business operations and decide where the marketing opportunities are with the resources they have available. However, this may be difficult in the context of red meat farmers where the product mix is relatively constrained. But with a little bit of perseverance and innovative thought even the most commodity like products can be differentiated.

Farmers seeking involvement in such activities should particularly focus on planning the marketing strategy to ensure that their produce will have a competitive advantage in the market place. This will require the selection of an appropriate target market that will fulfil personal motivations and one in which competitors can be identified in order to reduce the risk associated with such ventures. Identification of competitors will entail being aware of the competitors market offerings. If a farmer is able to incorporate a degree of differentiation into his or her offering it will allow a refining of the focus on competitors. The incorporation of differentiation within the confines of the physical product may be difficult and therefore farmers should look to differentiate their product through added service. Furthermore, all decisions made regarding marketing mix, should reinforce the competitive advantage of the product in the consumer’s mind. This is critical to success as the end consumer is the sole source of revenue for the supply chain. The implementation of a branding strategy reinforces the competitive position of the chain, provided the brand offerings are consistent.

Throughout this study the significance of relationships has been reinforced. Not only do they provide information on opportunities, but they facilitate the marketing strategy and therefore farmers should initiate relationships and maintain those relationships. The strengthening of relationships enhances information flows, which ultimately yields greater returns. This is especially relevant when dealing with competitors, as strong relationships reduce the likelihood of opportunistic behaviour by supply chain partners, and therefore can form the basis of a long term sustainable competitive advantage.

Involvement in marketing activities will have impacts on the farm business. In the short term they may not necessarily be desirable impacts; however farmers can take reassurance from the

fact that the intensity of the impacts should diminish overtime as the ability to manage the increased complexity of the operation improves. Correspondingly, profitability of the overall business is likely to increase over time. It is suggested that farmers seeking to become involved in marketing activities initiate activities on a small scale and then expand their operations as their competency grows, since this will help in ensuring risk levels remain tolerable.

A significant finding of this study was that greater marketing involvement has the ability to provide an avenue for the transformation of quality advantages into increased profitability. By focusing on marketing, farmers were committed to providing and enhancing the quality of their products, and this allowed them to extract greater economic 'rent' from their operations in the form of increased economic returns and/or greater market share.

It is suggested that red meat farmers seeking greater involvement in farmer-led marketing activities should not view marketing involvement as a risk management strategy as supplying traditional channels is comparatively much less risky. Possibly in the long run, farmer marketing may well reduce risk as products and markets move away from those traditionally associated with the industry and the supply chain becomes less subject to the issues of the wider market due to the forming of tight relationships. However, one of the important findings of this study is that traditional channels can be used as a buffer to reduce the risk in the farmers personal supply chain, and it is therefore suggested that farmer-led marketing may be within the realm of competency and risk tolerance levels of more farmers than has previously been suggested.

Finally, the differences between the findings of this study and that of Harsh (2003) suggest that there is room for further investigation on the topic of farmer-level marketing due to the unique characteristics associated with specific industries. It may therefore be a worthwhile study investigating farmers who have incorporated farmer-level marketing into their operations in other industries, such as horticulture and dairying.

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Appendix 1

Interview Guide

1. Tell me a little bit about your operation....

- Physical description of the farming operation
- Marketing programme undertaken
 - Target market? (Customers)
 - How did they identify them?
 - How did you develop this market?
 - Branding? (image)
 - 5 P's
 - Product (cuts, size, aging, etc)
 - Place
 - Price
 - Promotion (packaging, advertising)
 - Philosophy
- Changes in farming operation brought about by marketing activities? (interaction)
- Competitors?
- Substitutes?
- Maturity of product and market (subsequent effect on marketing strategy)

2. What motivated you to get involved in farm level marketing?

- Pushed or pulled
 - Economic forces
 - Perceived opportunity
 - Desire for more control (downstream)
 - Desire for greater transparency
 - “I can do it better”
 - Need for market development.
- Have your reasons for involvement changed over time?
- What do you see as the pressing issues (motivational factors) in the industry today?
- What does it take to do what you're doing?
 - Personality traits
 - Why you and not others?
 - What personal characteristics have led to your involvement and success?
 - What has made you successful?
 - Do you consider yourself an entrepreneur?

3. How do you go about marketing?

- How did you identify opportunities?
 - Formalised process
 - Chance
 - Evolutionary process
- Market research
 - Market and customer segmentation
 - Customer information gathering
 - Strategy evaluation (based on customer feedback)
- How do you position your product?
 - High vs. low involvement
- Environmental scanning (formal or informal)
- Did you develop a marketing strategy? (formal or informal)
- Did you employ a branding strategy?
- New product development and brand extensions.
- Do you consider yourself production or market orientated?
 - Have you always been this way inclined?
 - What forces changed your orientation?

4. Has your involvement in marketing activities changed the way you manage your operation?

- Physical property and resource allocation changes
- Financial management
- Risk management (both production & supply chain)
- Constraints
 - Capital
 - Information
 - Physical property characteristics
- Attitude to risk – Which is more risky: being involved in marketing, or not being involved?
- Effect on basic marketing decisions?

5. How did you go about engaging with your supply chain?

- Vertical integration/relationship management?
 - Selection?
 - Share goals and objectives?
- Information sharing?
 - Nature of?
 - By what means?
- How highly do you value commitment and trust?

6. What problems (and resulting solutions) and opportunities have you encountered in getting involved in farm level marketing?

- The role of information (finding, utilising, quality)
- Market access (distribution, product acceptance, customer knowledge/awareness)
- Securing market share (competitive activity, pricing)
- Human resource allocation (labour, delegation of responsibilities)
- Interaction with other business activities?

7. What advice would you give to someone considering becoming a farmer level marketer?

- General advice.
- Scope inside New Zealand for such activities.
- Scope in the International market.

End of interview:

- Tapes will be transcribed, then erased
- No identification of participants in final write up
- Abstract
- Address for follow up

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