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## Chapter 9: Marketing Principles

### In this chapter:

- **Marketing agroforestry products**
- **The “black box” of agroforestry enterprises**
- **Data collection**
- **Analyze of current situation (SWOT Analysis)**
- **Industry assessment (Porter Five Forces Model)**
- **Researching and selecting target markets**
- **Developing product, price, distribution and promotion strategies**
- **Real world examples**

### Marketing agroforestry products

Unlike other types of conservation practices where land is taken out of production, agroforestry is “productive conservation.” Agroforestry practices enable landowners to generate income from the production of a wide range of conventional and specialty products while simultaneously protecting and conserving soil, water and other natural resources. Products produced through agroforestry practices, including specialty or non-timber forest products, are produced from trees, within forests, or in myriad combinations with trees or shrubs, crops and/or animals. Many of these products have proven economic value but have been ignored by, or are unknown to, agricultural and forest landowners. In North America such products include: edibles (e.g., mushrooms, chestnuts, heartnuts, pecans, hickories, hazelnuts, persimmon, pawpaw, Asian pears, cornelian cherry, Kiwi fruit, aronia, elderberry, mayhaw, goji berry, other berries); herbal medicinals (e.g., ginseng, goldenseal, witch hazel,

elderberry); specialty wood products (e.g., diamond willow canes, redcedar closet liners, walnut gunstock blanks); floral and greenery products (e.g., curly and pussy willow), ferns, salal; fiber and mulch (e.g., cedar pet bedding, pine straw); and recreation (e.g., agritourism, fee hunting).

### The “black box” of agroforestry enterprises, the need for market research

Agroforestry enterprises often produce niche products for markets about which little is known. All that may be known about a product’s market is that it is produced and eventually purchased and consumed. What happens to the product along the value chain between producer and consumer and why the consumer is buying the product is unknown, and it is commonly referred to as the “black box”. From a producer’s perspective, the list of unanswered questions is long. How do I get into the market? What are my costs and potential returns? Where can I buy what I need for my business and for what price? Is the supply readily available? Who are my customers? How many times does the product change hands before it reaches the final consumer? Who are my competitors, what are they doing? How is this market changing? What strategy should I use in order to be successful in this market? These and many other questions complicate the decision to produce and market niche products. Unlike commodity markets with readily available market information, the challenge for farms and small businesses that engage in agroforestry enterprises to overcome is the lack of information about niche specialty product markets. In order to successfully exploit niche product markets, agroforestry entrepreneurs must perform some market research to open the “black box” and overcome information asymmetry inherent in these niche markets.

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## Data collection

The first step in any market research process is data collection. It starts with investigating publicly available data (secondary information sources) and continues with information gathered specifically for the market(s) of interest (primary information sources).

### ***Secondary information sources:***

- Published reports and studies.
- Online information sources, such as websites, newsgroups, and electronic bulletin boards.
- Trade magazines and journals, newspapers, books and literature from competitors.
- Business directories.

### ***Primary information sources:***

- Personal interviews with consumers, producers, and other persons involved in the value chain.
- Observations (visiting farmer's markets, retail outlets, production facilities, as well as attending farmer field days, trade shows, and marketing conferences).
- Online, mail or phone surveys.
- Focus groups.

This list is not complete but should give you an idea of some potential sources for market information that will help with analyzing the business environment and the industry for whatever product you may be interested in selling.

## Analyze your current situation – SWOT analysis

Strengths, weaknesses, opportunities, threats (SWOT) analysis includes an examination of both internal factors (strengths and weaknesses) and external factors (opportunities and threats) that can have an influence on the success of your enterprise.

First, look inside the farm business and identify its strengths and weaknesses. What strengths does the farm/business have that helps you

accomplish your goals and makes you competitive? (e.g., the ability to provide quality products, consistent year-round supply, excellent customer service, competitive price, production or marketing skills, good location, reliable workforce, previous experience in the industry, strong financial position). Weaknesses are areas where the farm/business can be vulnerable to competitors. What can create problems in your business? What do your competitors do better than you? (e.g., lack of experience in the industry, insufficient finances, limited access to distribution channels, seasonal product, insufficient workforce). Identified weaknesses (e.g., lack of consistent supply because of the seasonality of the product) can be transformed into strengths (e.g., building indoor facilities to extend production time). In general, a farm must find ways to minimize the impact of its weaknesses on its business operations.

The second part of the SWOT analysis requires you to look outside your business at issues that you cannot control but can manage and identify opportunities or threats and find ways to influence their impact on your business. Is there anything in the marketing environment related to suppliers, intermediaries, customers, competitors, and public-at-large that can help (opportunity) or affect (threat) your business's ability to produce and sell products? Are there any trends favorable (opportunities) or disadvantageous (threats) for your business?

Examples of opportunities include a farmers market just developing in your area; a grower coop just taking shape close to you; buying property near a large population area that would allow you to direct market your product; increasing interest in locally produced products; increased interest in new, more sustainable agricultural practices; development of new varieties or cultivars.

Examples of threats include changes in federal and state regulations, increased competition from imports, inflation, shortage in raw materials, extreme climate events, fluctuations of

markets, seasonal purchasing trends, and high levels of competition.

The process of identifying any strengths, weaknesses, opportunities or threats should help you identify areas where your strengths and opportunities align with a high probability of success as well as combinations of weaknesses and threats that need to be avoided or at least provide for methods to minimize their effects on the farm business. The SWOT analysis helps provide direction and serves as a basis for developing a business plan. It should be repeated at least once a year to review achievements, measure production efficiencies, and evaluate alternatives.

## Industry assessment – Porter’s Five Forces Model

An approach proven successful in shedding light on the “black box” is the model developed by Dr. Michael Porter of Harvard University

(Porter, 1980) that describes the forces driving industry competition, known as the Porter’s Five Forces Model (PFFM) (Fig. 1). Porter’s strategic forces help evaluate the ease of market entry and exit, buyer and seller power, power of substitute products and competitive rivalry and provide a general view of the industry. With respect to agroforestry, the method is especially useful for farm businesses that plan to enter new markets.

### The forces and the questions they help answer:

#### Potential entrants (barriers to entry)

*How difficult is it to enter the market and what resources are needed?*

Barriers to entry are advantages that existing firms have relative to new entrants like high start-up costs, proprietary knowledge and learning curve, and cost advantages for existing firms.

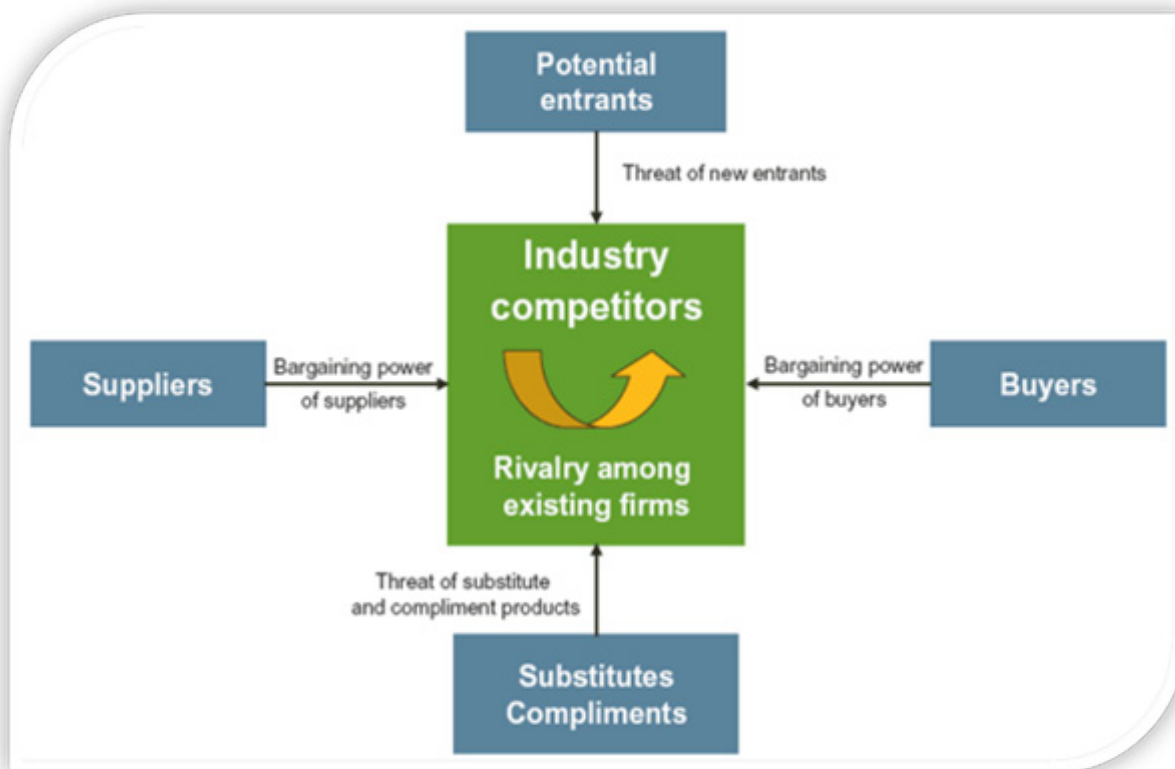


Fig. 1. Porter’s Five Forces Model

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For example, if you want to produce mushrooms, large white button mushrooms firms definitely have advantages of scale and cost advantages associated with equity in facilities. Even if you have the necessary information, materials and equipment available, it's tough to break into the white button mushroom industry because of the large capital required to achieve a competitive scale. When supply is limited (like in the case of the elderberry industry), larger, existing firms have better access to the limited supply, leaving new entrants with the need of paying higher prices and/or limiting production. For all agroforestry specialty crops, information about production and marketing is lacking. In a few areas, universities, experienced growers and processors lower this barrier by providing the necessary information to get started. Attention should be given to researching laws and regulations which can facilitate or hinder entry into the industry. As a new firm (entrant), you would like to have easy access to the new industry, but once there, you would like to have some barriers to protect you from new entrants. It is important to know and understand these barriers for an easy entry and for creating protection in the future.

### **Bargaining power of suppliers**

*Who can provide the needed supply? Who has more control in the supply chain? Can you choose from a variety of suppliers thus getting competitive prices for the supply you need? If prices get too high can you use another input? If not, can you produce it yourself?*

Suppliers are the individuals and businesses that provide the raw materials to be transformed into goods. Lack of available supply may increase the cost of production (e.g., limited sources of ginseng seed, import of elderberry concentrate from Europe) or delay the production start (e.g., need to propagate own elderberry plants or produce and graft own trees).

### **Bargaining power of buyers**

*Who is going to buy my product(s)? Would it be better to deliver directly to consumers or to*

*use intermediaries? Who are the intermediaries? How much control does the buyer exert? Who are the final customers and what are their needs? Are you competing against a respected brand name that creates a higher value for its products?*

Buyers are the people/organizations who create demand in an industry. When the buyers exert power in an industry, they may impose specific requirements on the quantity and quality of products they buy. These may impose additional costs to sell the products. For small niche specialty products produced in agroforestry settings, there is a challenge to provide large enough quantities to enter distribution channels. Another challenge on the buyers' side is handling perishable products. For example, due to the newness of the industry, there is little knowledge among buyers on how to handle chestnuts. Due to high moisture content, chestnuts need to be kept refrigerated to minimize water loss and decay. Communication and information provided to retailers will ensure that chestnuts will be handled and stored properly and consumers will have a positive experience with the chestnuts they purchase.

### **Substitutes (substitute products)**

*Are my products in any way unique or can they be easily substituted by other products with a similar function? If buyers decide your products are too expensive, will they buy another product?*

It is very important to distinguish your products and to communicate their unique properties otherwise they will be easily substituted by lower price substitutes. For example, you need to distinguish native pecans from Georgia or Texas pecans if you want to sell them at a premium. Also, you need to communicate and educate the consumer of the various health benefits of elderberry if you want them to choose elderberry juice and not another cheaper or better known juice on the shelf.

### **Industry competitors (rivalry among existing firms)**

*Who are the competitors and what are their competitive advantages? What can I do better*



*than them? Are you competing against a respected brand name that creates a higher value for its products?*

Rivalry can take many forms, such as price discounting, new product introductions, advertising campaigns, and service improvements. Characteristic for new and small markets like the ones for niche specialty crops, the level of competition is low and existing businesses cooperate to grow together the industry. However, to protect your place in the market, you need to start to differentiate from the others and create competitive advantages like quality, customer service and convenience.

## Researching and selecting target markets

Customers differ in their values, needs, wants, beliefs and incentives to purchase. Product oriented businesses, who find a product they can produce and try to sell it without first looking at customers' needs, risk developing a product that won't sell. Instead, most successful businesses are customer oriented—they design marketing strategies around the needs of their customers.

The process of identifying customers' preferences and dividing the larger market into groups is called segmentation. Markets can be segmented in a variety of ways. The most common ways of segmentation are by demographic characteristics (e.g., age, sex, race, religion, education, income, household size), geographic location (e.g., counties, states, regions) and psychographic characteristics (e.g., lifestyle characteristics, behavioral patterns, beliefs, values and attitudes).

Creating a customer profile for each segment will help describe who are the customers, what they value, how much are they willing to buy and determine which segment can be the most profitable to target. By identifying and targeting only specific market segments you can develop more effective product, price, distribution and promotion strategies.

## Developing product, price, distribution and promotion strategies tailored for each target market selected

A marketing strategy is a plan regarding what products to develop, how the products will get to the customers, for what price and how the product benefits will be communicated to customers.

### Product strategy

***What product will you offer to satisfy the needs of your target customers?***

The most common marketing strategy for farmers producing agroforestry products is product differentiation to appeal to a focused group of consumers (the target market). Farmers have the opportunity to implement many creative marketing ideas to differentiate their products and services in response to the needs of their



**Left:** Terry Durham, producer and seller of elderberry juice (Hartsburg, Mo.)

**Bottom:** A variety of elderberry value added products offered by Wyl-dewood Cellars (Wichita, Kan.)



customers. Differentiation equates to adding value to the products. Adding value will allow you to obtain a better price for the same amount of raw material. For small landowners, adding value to agricultural and non-timber crops can make an enormous difference to the bottom line.

### ***Ideas for Adding Value***

Value can be added through processing, packaging and customer service. A few of the more common methods of adding value to your agroforestry products are described below.

- Many edibles you could produce in an agroforestry practice also have a market in a value added form. Fresh products are usually perishable and only available for short periods. Processing extends the period during which products can be made available, and allows processors to increase potential returns. Examples include: processed fruit products (jams, jellies, fruit leathers, sauces, chutneys, vinegars); frozen products (berries are the most obvious candidates, though mushrooms are sometimes frozen); and dried products (mushrooms, berries).
- Value-added decorative and craft products can provide immediate returns. The amount of skill required to produce these products varies. Some products (e.g., wreaths) are fairly easy to produce, while others (e.g., baskets and furniture) may require more time to develop proper skills.
- Herbal products offer a number of opportunities for adding value. Medicinal herbs are a good option for marketing at a local level but you must adhere to regulations that govern the sale of these products. Getting into the business of selling 'drugs' to the mass market should not be taken lightly. Herbal teas sold under food regulations may offer a much easier approach.

### ***Is it Worth it? The 'Cons' of Adding Value***

Adding value is not always the best option. Ask yourself some hard questions before you embark on the value-added route:

- Are financial and human resources/expertise available to develop value-added processing?
- If not, what will it take to acquire them (e.g., loans, training)?
- Do you have the long-term supply of resources to support a value-added strategy?
- What are the markets for potential value-added products?
- Can you meet the requirements of the marketplace?
- How easy will it be to break into those markets?
- How long will it take to recoup the costs of any processing equipment involved?
- Can you handle the risks sometimes involved in adding value? For example, are you better off taking less for your product but letting a middleman absorb the risk?

As with any business, you have to do the research, consider your resources and crunch the numbers to see if it's worthwhile. Usually, adding value is smart marketing.



**Top:** Curly willow can be a profitable crop when sold to local florists (Nebraska Woody Florals Cooperative).

**Left:** Chestnuts sold at the Missouri Chestnut Roast Festival

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## Distribution strategy: Getting products to buyers

*There are three aspects to getting your products to buyers:*

**A. Distribution:** The sales channel(s) your product will follow.

**B. Location:** Where you sell your product.

**C. Transportation:** How your product will reach the buyer.

**A. Distribution: Sales Channels.** Your product may be able to take a number of different routes—or sales channels—to the end user. Which sales channel(s) you end up using will depend on a number of factors, such as:

- Existence of a ‘dominant’ distribution system for your product
- Demand for your product from various levels in the marketing chain
- Time you have available and your marketing abilities.

Using these criteria, among others, you can choose one of the two basic marketing channels that most products follow:

Direct marketing is the process of selling a product or service directly to the consumer. Direct marketing is the alternative most suited to agroforestry product producers. Selling direct provides the grower the opportunity to capture a larger share of the consumers’ spending and the opportunity to educate the consumer about the farm and its production methods (e.g., about the advantages to buy organic or locally grown products). Direct marketing is growing in popularity because consumers now demand safer and high quality products. Buyers place a value on coming face-to-face with the producer and their production location (farm, farmers market, on-farm retail store) and obtaining more information about the products produced.

Intermediary distribution provides other market outlets and include wholesalers, brokers, cooperatives and retailers. One of the challenges in the wholesale marketplace is the need

to provide a constant, dependable supply of large quantities of quality goods. Wholesalers may only accept a few weeks’ worth of product at any one time, forcing the producer to incur storage and multiple delivery costs. Another challenge is to maintain premium product integrity along the value chain (i.e., maintain freshness or maintain organic integrity at each stage of the product’s journey to the market). In general, the closer the producer is to the consumer, the greater the return as well as the workload. Your choice of sales channels may significantly impact your bottom line. You may be tempted to eliminate one or more middlemen in the chain. Remember that if you’re being paid outright by a broker/buyer/wholesaler, that person is also accepting the risk of selling your product to the next level in the sales chain. Before you take over that role yourself, make sure that you are willing to accept the additional risk. Also, some products and markets may allow you to invite bids from different buyers and possibly obtain a better price. Knowing how your product is being distributed could, over time, help you establish ‘alternative marketing strategies’ to improve your returns. You may find opportunities to sell your products at a higher level and to cut out some of the middlemen. You may also discover potential channels that will provide other business opportunities.

**B. Location.** When selling directly to consumers, there is a range of choices as to where you will offer your product. Possible sites for marketing agroforestry products include:

- Your property (everything from timber to berry jam), if not too remote
- Roadside stands (your driveway, highway rest areas, park-and-ride locations)
- Farmers markets (in urban areas these can be especially lucrative)
- Craft markets
- Co-operative marketing with other firms (e.g., renting seasonal space at a plant nursery, Christmas tree lot, supermarket, bed and breakfast).



Many businesses take orders over the phone, by fax, email, or regular mail, and deliver the product (themselves or using a delivery service) directly to customers. For some products, particularly specialty foods and crafts, the Internet can provide easier access to a wider market than traditional mail-order techniques. All 'mail-order' type direct marketing systems require a product that is easily handled and access to reliable transportation for it.

**C. Transportation Options.** If you are pursuing a sales channel where your customers are not coming to you, it is necessary to consider how your product will get to them. Important factors to consider include: cost to ship to distant markets via various transportation modes, inclusion (or not) of transportation costs in the selling price (i.e., whether you or the buyer pays the freight costs), the reliability and timeliness of various modes of transportation (especially for perishable goods). Negotiating favorable freight terms may be critical

to the viability of your business, so do not simply accept the first quote you receive from a shipper. For air cargoes, some freight brokers may be able to offer much better rates than the airlines. Greater volumes may permit price breaks, so partnering with another businesses in assembling loads can be beneficial. Another way to reduce freight costs is to find trucking firms which are seeking 'back-haul' loads (i.e., freight for trucks from regional or provincial distribution centers that would otherwise be returning empty). It is important to compile a list of prospective transport options and their respective costs. In some cases it is simply not profitable to ship a specific product into a particular market.

### Pricing Strategy: For how much can we sell our products?

Product pricing can be challenging since pricing for niche products produced through agroforestry practices is not regulated as in commodity markets. Producers who sell commodities are normally price takers, sellers that have no market control and must "take" or accept the going market price. For differentiated niche products, one or more pricing strategies can be considered, depending on the target market and product strategy. The basic functions of pricing are to cover costs, make a profit, and encourage customers to buy. You can either price to the market or price to your costs. (See <http://extension.missouri.edu/p/G648> - Break-even Pricing, Revenue and Units; <http://extension.missouri.edu/p/G649> - Selecting an Appropriate Pricing Strategy).

**Pricing to the Market.** When you're just starting out, pricing to the market is often the simplest approach. Pricing to the market involves finding out what others are charging for the same products, and then using that information to establish a similar price range. Buyers are also pricing to the market when they tell you what they're willing to pay for your products. Pricing information on agricultural products can be obtained from a number of sources. If you plan to sell directly to the public, various

**Right:** Paw-paw samples and sales at the Farmers Market. **Below:** Chestnuts sold in a local natural products store





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retail market outlets will provide you with information on the going rate for your product. Buyers will also provide pricing information, but keep in mind that these prices are usually negotiable. The Internet may be another source of pricing information, depending on the market you are seeking to access. Pricing information for agroforestry specialty crops and products can be difficult to obtain, but your best bet is talking to other producers and the buyers you've identified. The Internet also has limited pricing information for some products, especially for 'finished' or value-added products such as crafts, wreaths, berry jam and the like (these may also be obtained from catalogues from various companies).

**Pricing to Your Costs.** Pricing to your costs ensures that what you charge covers all your expenses – not necessarily the case when pricing to the market. Businesses sometimes start out by pricing to the market, and then shift to pricing according to costs once these become clearly identified. If you find that similar products are available for a much lower price than you could charge, you'll have to either adjust your profit margin or differentiate your product so that consumers feel it is worth the higher price. The timing of sales has a strong influence over the price which can be obtained, and the obvious objective is to sell when prices are highest (i.e., demand is high relative to supply). Non-perishable products allow greater flexibility in this choice, as do products processed to allow out-of-season sales. You may also wish to explore different management practices that will enable you to harvest early or late in the season when other supplies may be limited.

***What goes into the cost equation?***

Production costs, materials, fixed overhead, time/labor and profit. A simple formula for setting the price per unit is:  
Price per unit = Total costs of production per unit + Desired profit per unit

***Price setter or price taker?***

Sometimes you will be able to set prices for your product, other times you won't. A number of factors will influence whether you are a price-setter or a price-taker:

- The scale of the market; Prices for internationally traded commodities (e.g., lumber, wheat) tend to be set far from the place of production. This is also true for many agricultural commodities and agroforestry products (e.g., mushrooms, some floral greens, medicinal herbs) that are traded in international or other extended markets.
- Product differentiation; If your product is unique (the opposite of a commodity) you are more likely able to influence the price you receive. 'Niche' market and value-added products usually have superior opportunities for cost-driven pricing.
- Your reputation within the industry; Sometimes experienced, dependable suppliers are able to get a higher price for their products (a 'premium') because buyers know they will reliably supply a high quality product.
- Your negotiating skills; If you have good negotiating skills, your ability to influence the prices you receive for a product will increase greatly.

In the end, the single most important influence on your pricing decisions will be your customer's ability and willingness to pay the price you are asking. However, keep in mind that you can also influence prices by promoting your products.

**Communication (Promotion) Strategy:  
How and what will be communicated to buyers and consumers?**

Promotion is essential to gain product recognition among customers. The promotion strategy should identify the message, the way of delivery, and costs.

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**Message:** What do I want to communicate about my product? Consumers are often unfamiliar with niche agroforestry products, therefore the more information provided about the products benefits, the more likely people are to try the product. Communicating “freshness” and “local” or “small scale production methods” can be an important part of a promotion strategy.

**Tools and delivery:** How am I going to communicate this message? Local producers can advertise in newspapers, magazines, flyers and catalogs, radio, TV, billboards, within health food stores, and online. Publicity is more convenient than advertising because it uses non-paid media coverage of the firm and its products. Methods used to generate publicity include participation in festivals and fairs, collaboration with charities, sponsoring community events, and news releases. News releases to the media are a low cost method to get promotion. Offering free samples is a commonly used practice that helps establish local markets. Organizing workshops, giving talks, farm tours, attending farmers markets, collaborating with local Community Supported Agriculture (CSA) groups and word of mouth are ways to raise awareness, inform and educate consumers, and build trust and understanding. For products with health benefits not so known to consumers, fact sheets distributed at farmers markets and educational on farm displays are very useful.

**Costs:** How much will all of these cost? If paid advertising media are used, partnering with other farms can reduce individual advertising costs. Brands are created to identify a business’ product and distinguish it from the competition. While expensive, many niche producers concentrate promotional efforts on image advertising, i.e., promoting the concepts of “heart healthy”, “locally grown” or “green” products.

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## Real World Example

### Ben’s Black Walnuts: Marketing the Eastern Black Walnut

Ben’s Black Walnuts, a small eastern black walnut nutmeat producer located in Iowa, provides an excellent example of strategies for success in the eastern black walnut nutmeat market. Bill and Geri Hanson, owners of Ben’s Black Walnuts, successfully linked their unique abilities with an untapped market niche to provide quality black walnut nutmeat.

Eastern black walnut (*Juglans nigra* L.) markets are often categorized with other nut markets, such as pecan or English walnut. However, eastern black walnuts are unique for many reasons. They are native, locally grown nuts with a robust and rich flavor. Black walnuts are low in saturated fats, have no cholesterol and are high in polyunsaturated and monosaturated fats (the “good” fats) which can lower “bad” cholesterol levels (LDL) without damaging “good” cholesterol (HDL).

Historically there has been only one major processor of black walnut meat, Hammon’s Products Company. Hammon’s is located in southwest Missouri, but has contract buyers and hullers located in numerous locations throughout the Midwest. The going market price for black walnuts delivered to these contract buyers and hullers ranges from \$0.10 to \$0.13 per pound. Supply is collected 99% from the wild; there are no large producers using improved cultivated varieties. Producers who are growing improved cultivars have the option of selling directly to Hammon’s for a higher price; however, those improved cultivars must be delivered to the processing plant in Stockton, Mo. The market demand for eastern black walnut nutmeats is small compared to the demand for pecans or other popular nutmeats. Black walnut nutmeats are used in ice cream, baking, and candies. However, due to the strong flavor associated with the wild crop, the demand for black walnut nutmeats as a stand-alone “snack” is

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small. Currently, the black walnut market is not structured in a way that allows for segregation of improved cultivars. Hammon's processing requires large quantities of nuts to meet their current demand in the ice cream and nutmeat markets. Due to the fact that there are very few plantations of improved cultivars and it may take up to 15 years for a plantation of improved cultivars to reach full production, Hammon's has to rely on the wild nut crop.

The Hanson's strategies were to grow their own improved black walnut cultivars; process those nuts on the farm; and sell them directly to retail stores within a close radius of the farm. They started planting black walnut trees in 1984 on 10 acres. Since then they have expanded to nearly 18 acres of grafted black walnut trees. Instead of looking to the existing market for nuts which was controlled by Hammon's Products Company, the Hanson's began developing the machinery and equipment needed to process nutmeats. By modifying equipment designed for other uses, such as a huller/washer that was designed for English walnut, the Hanson's developed a completely vertically integrated production system. Through direct marketing to local grocery stores and other retail outlets, nearly 2000 pounds of nutmeats are sold annually, grossing nearly \$12,000. By controlling the process from the tree to the store, they were able to maintain a higher quality product, create a niche market for quality black walnut nutmeats and capture a larger profit for themselves.

Ben's Black Walnuts are successful because of several reasons. First, the Hanson's control the supply and quality of the nut crop by owning their own grafted trees. Yield and quality from their black walnut plantation is predictable. The Hanson's continually work to improve the cultivars that they grow in order to extend the harvest season and improve cracking and nutmeat qualities.

Second, direct marketing to local retail outlets has helped link a person with a product (a

face with a place). In other words, Ben's Black Walnuts are not just a product that comes from some distant processor; it is a product that comes from Bill and Geri Hanson. The Hanson's have developed a trust relationship with the retailer and consumer through their personal involvement with those market participants. Finally, the scale of the operation is designed for the labor and inputs available. The Hanson's operation is designed to handle no more than 10,000 pounds of nuts per year. They currently have enough trees planted to reach this capacity. Labor, the constraining factor in the production system, is provided by Bill and Geri.

While the eastern black walnut market is still faced with a single large buyer, low commodity prices, and wild nuts of variable quality, Ben's Black Walnuts has carved out a niche. Focusing on quality, adding a personal marketing touch, vertical integration and capturing the full value chain, the Hanson's have recognized market forces and developed successful strategies.

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### Real World Example

#### Oak Leaf Wood and Supplies: "Your Trash is My Cash"

Paul and Kathy Easley have a "stump to store" niche market wood manufacturing business in central Illinois. At its outset 18 years ago, the Easleys' hardwood business cut exactly what the customer wanted, including fence boards, bridge decking and hog farrowing crates. At the same time, the Easleys began their own primary market research to study the competition by touring numerous hardwood facilities in adjoining states. The entrepreneurs also studied everything these facilities weren't doing, learning they weren't involved in niche markets, such as the production of bowl, gun stock, pen or flute blanks. After making these market discoveries and focusing on these market opportunities, the Easleys moved their business in a new direction from its original markets.

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Paul's experience with wood enabled him to recognize that highly figured wood products can be sawn from less than perfect logs. Today, he and Kathy saw up the lumber, then run the trees through their sawmill kiln and surfacing operation. They also have their own hardwood retail store (established 1990) in downtown Moweaqua, Ill.

The Easleys maintain a competitive advantage in several ways. First, they have a very low raw material (supply) cost. Tree services bring wood to the business instead of paying landfill dumping fees. Nearly 80% of his product consists of wood that would otherwise have been deposited into landfills, with the remaining 20% coming from their own farm.

Second, their knowledge and ability to turn "junk wood" into high value blanks helps maintain an edge on the competition. Crotch material, from logs often left behind in the woods after timber harvest, contains feathered (figured) grain. By proper slicing, Paul puts the feathered grain into the wood blanks and increases their value as much as 10 fold. He also adds value by using everything – for example, the pen blank is a byproduct that normally gets burned or thrown away as edging waste. Blanks are put back through the edger to create their shape ( $\frac{3}{4}$  of an inch square, and 6 inches long), then put through a chop saw table 6 at a time. Pen blanks alone add up to \$10,000 per year.

Oak Leaf Wood and Supplies combines vision and experience with patience, taking the time to cut the wood to maximize its value. The business puts the needs of the customers, crafters and other high-end users at the center of activity. Recognizing that there are many different facets to woodworking and many market niches to be filled, the Easleys do not actually make any finished products in the retail business. The products they manufacture and sell include cabinet grade stock, carving stock and ballpoint pen blanks. The retail business handles approximately one hundred species of wood.

Paul attributes part of the business success to his involvement in a variety of related activities. He is also a sawmill distributor, finding it easy to sell sawmills because people can see for themselves how they benefit his successful entrepreneurship efforts. Because demand for Oak Leaf Wood and Supplies products grew faster than the Easleys' ability to supply their customers, Paul networks with 25 sawmills in a 50-mile radius of his facility, buying the product that his sawmill customers make and selling it in his retail outlet.



Using a band sawmill, Paul processes wood others might consider trash into value-added products on his farm.

The Easleys' market area includes the entire United States and seven foreign countries. They attribute this to tremendous high-quality, free publicity, and making a product that people wanted.

"Publicity is free, while advertising costs a lot of money," said Paul. "Good publicity is easy to do. If you are doing things that are unique and different than everybody else, if you're having a good time at what you do, tell people about it, and there will be magazines writing articles about you and your business."

The Easleys' business has been featured in close to one hundred magazines. Paul does not have a web site, nor does he want one. "We are so busy doing what we do that there is no room to do anything else."



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“Keep it small, keep it simple, and don’t buy any more equipment than it takes to get the job done,” suggests Easley. “Then go to work, do the job with a smile on your face and be enthusiastic about your product. If you’re willing to do that, and talk with your customer, you can succeed. We’re living proof.”

Credit: the "Forest Landowner's Guide to Evaluating and Choosing a Natural Resource-Based Enterprise," published by the Natural Resource, Agriculture, and Engineering Service (NRAES-151) Cooperative Extension program, based at Cornell University, Ithaca, New York.

## MARKETING EXAMPLES FOR FORESTRY, AGROFORESTRY AND NATURAL RESOURCES

Enterprise	Retail or direct market	Wholesale market	Niche market
<b>Firewood</b>	Delivery to homeowner; roadside piles for campers	Broker, garden center, landscape contractors	Convenience store bundles; custom cut/split; select species
<b>Fence posts and/or rails (Black Locust, Cedar or Osage Orange Hedge)</b>	Homeowners	Landscape contractors, garden stores	Nature stores
<b>Wood chips for cooking and smoking (hickory, apple, maple)</b>	Homeowners and businesses	Convenience stores	Fairs and festivals
<b>High-value sawtimber and veneer</b>	-	Sawmills through traditional sale process	Sell harvested logs directly from log deck to buyers; sell to the export market
<b>Custom sawmilling</b>	Craft artisans, hobbyists	Other sawmills	Cut lumber at landowner's property
<b>Drying lumber</b>	Craft artisans, hobbyists, cabinetmakers	Local lumber store, chain stores, planning mill	Unique species or products such as crotch wood, matching panels
<b>Value-added wood products (hardwood and grapevine baskets, bowls, kitchen utensils, and other value-added products)</b>	Craft fair, tourist sites, Internet and catalog sales	Broker	Custom-shaped and custom-sized baskets; gift baskets
<b>Christmas trees</b>	Choose-and cut or parking lot trees	Garden stores; nonprofit organizations that sell trees for fundraising	Super large trees, tabletop trees, and select species; combine with sleigh ride and other activities or onsite sales
<b>Holiday greenery (wreaths and roping from pine trees and grapevines)</b>	Choose-and-cut parking lot sales	Broker; nonprofit organizations that sell greenery for fundraising	Decorated greenery at holiday crafts fair
<b>Native vegetation collection for floral and food markets on a sustainable basis (moss, ferns, colored twigs, mushrooms, ramps, etc.)</b>	Florist shops, craft artisans, fairs	Brokers for floral markets and edibles, stores, restaurants	-

## MARKETING EXAMPLES FOR FORESTRY, AGROFORESTRY AND NATURAL RESOURCES (con't)

<b>Shiitake, oyster, and other mushrooms</b>	Farmers market	Broker, specialty stores, restaurants	Dried mushrooms and other unique products
<b>Ginseng / Goldenseal</b>	-	Broker	Ginseng jams or other products at specialty stores
<b>Walnut, pecan, hazelnut, or other nut production</b>	Farmers market, Internet or catalog sales	Broker	Specialty stores
<b>Recreational natural resource events (forestry, logging, heritage, wildlife, maple syrup festivals or field days; forestry skill competitions)</b>	Individuals, organizations, and groups	-	Combine with value-added forestry products and many other unique offerings
<b>Hunting lease</b>	Hunting clubs and groups	Forester or other outlets to act as your broker	Combining hunting lease with cabin rentals
<b>Vacation cabin</b>	Individuals, families, hunt clubs	Broker	Combine with fee hunting, campground or other recreational access enterprises
<b>Recreational trails (bird watching, hiking, cross-country skiing, horseback riding)</b>	Individuals, nature and conservation groups, church and school groups	Broker	Special arrangements
<b>Hayride/sleigh ride / bonfire combinations</b>	Individuals, nature and conservation groups, church and school groups	Broker	Special holiday programs and promotions (e.g. Halloween, Thanksgiving, Christmas)
<b>Nature-based bed and breakfast</b>	Individuals, couples, small groups	Broker	Special program offerings
<b>All-terrain-vehicle (ATV) and mountain-biking access</b>	Individuals, groups	Broker	Special races, events, and promotions
<b>Hay</b>	Farmers, small-farm owners, horse owners	Auction	Special hay mixes for specific livestock
<b>Vegetables</b>	Farmers markets, roadside stands, pick-your-own, CSAs*	Broker, auction, cooperative, restaurants	Ethnic markets, organic

## MARKETING EXAMPLES FOR FORESTRY, AGROFORESTRY AND NATURAL RESOURCES (con't)

<b>Field crops (corn, soybeans, small grains, etc.)</b>	Livestock farmers	Elevator, cooperative	Popcorn, edible soybeans, fuel for heating stove, organic
<b>Wine and table grapes</b>	Farmers markets, CSAs*	Stores, wineries, restaurants	Organic, special and heirloom varieties for wineries
<b>Bramble fruit crops (raspberries, blackberries, currants, gooseberries)</b>	Farmers markets, roadside stands, pick-your-own, CSAs*	Stores	Organic, heirloom varieties
<b>Fruit trees (apples, pears, peaches, etc.)</b>	Farmers markets, roadside stands, pick-your-own, CSAs*	Broker, stores, restaurants	Unique and heirloom varieties and species, special sizes and quality
<b>Honey</b>	Individuals, roadside stands, farmers markets	Stores, restaurants, cooperative	Organic, honeycomb
<b>Sheep and goats (milk, meat and fiber)</b>	Farmers, 4-H groups, and other individuals and groups	Auction	Ethnic meat markets, organic markets
<b>Exotic livestock (emu, fallow deer, ostrich, etc.)</b>	Farmers, 4-H groups, and other individuals and groups	Auction	Ethnic meat markets, restaurants
<b>Value-added food processing (slaughterhouse, bakery, canning, microdairy processing)</b>	Farmers markets, roadside stands, fairs and festivals	Specialty stores, restaurants, broker	Organic, specialty products
<b>Herbs (Echinacea, basil, etc.)</b>	Farmers markets, roadside stands	Broker, stores, restaurants,	Organic, medicinal, special product combinations, heirloom varieties
<b>Native plant nursery</b>	Homeowners, local businesses	Landscape contractors doing residential and restoration work, garden centers	Specific in-demand species that are difficult to grow
<b>Greenhouse</b>	Homeowners, local businesses	Garden centers, brokers	Specialty plants for a specific market
<b>Recreational agriculture (harvest festivals, corn mazes, petting zoos)</b>	Individuals, organizations and groups	-	Combine with value-added, roadside stand, and many other unique offerings

\* CSA indicates community-supported agriculture



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## Additional Resources

### **Online Marketing Resources:**

- Direct Marketing as a Value-Added Opportunity for Agriculture, Ohio State University Fact Sheet <http://ohioline.osu.edu/ae-fact/0008.html>
- The Center for Forest Products Marketing and Management, Virginia Polytechnic Institute and State University, and The Southern Research Station, USDA Forest Service, Blacksburg, Virginia <http://www.cfpb.vt.edu/>
- Plants For A Future Database, Plants for a Future, Blagdon Cross Plant Research and Demonstration Gardens, Ashwater, Beaworthy, Devon, EX21 5DF, England <http://www.ibiblio.org/pfaf/database/commonM.html>
- Growing Small Farms, North Carolina Cooperative Extension. <http://growingsmallfarms.ces.ncsu.edu/growingsmallfarms-marketing/>
- Building a Sustainable Business. A Guide to Developing a Business Plan for Farms and Rural Businesses. Developed by the Min-nesota Institute for Sustainable Agriculture. <http://www.misa.umn.edu/Publications/BuildingaSustainableBusiness/>
- National Sustainable Agriculture Information Service Publication List <https://attra.ncat.org/publication.html>
- University of Missouri Center for Agroforestry resources <http://www.centerforagroforestry.org/profit/> -
- Scott Josiah, University of Nebraska, Lincoln, Marketing Specialty Forest Products <http://nac.unl.edu/documents/morepublications/sfp1.pdf>
- Scott Josiah, University of Nebraska, Lincoln, Productive Conservation: Growing Specialty Forest Products in Agroforestry Plantings. <http://nac.unl.edu/documents/morepublications/sfp2.pdf>
- Agricultural Marketing Resource Center. Resources for Business Strategy and Analysis. [http://www.agmrc.org/business\\_development/strategy\\_and\\_analysis/](http://www.agmrc.org/business_development/strategy_and_analysis/)
- Break-even Pricing, Revenue and Units. <http://extension.missouri.edu/p/G648>
- Selecting an Appropriate Pricing Strategy. <http://extension.missouri.edu/p/G649>
- Missouri Department of Agriculture. Food Safety, Farmers' Market Handbook: <http://agriculture.mo.gov/connect/foodsafety.php>

### **Publications**

- Gold, M.A., M.M. Cernusca and L.D. Godsey. 2009. Agroforestry product markets and marketing. Chapter 11. In: Garrett, H.E. (ed). North American Agroforestry: An Integrated Science and Practice. 2nd Edition. Agronomy Society of America, Madison, WI.
- Cernusca M.M., M.A. Gold and L.D. Godsey 2012. Using the Porter model to analyze the U.S. elderberry industry. *Agroforestry Systems* 86(3):365-377.
- Gold, M.A., M.M. Cernusca and L.D. Godsey. 2008. A competitive market analysis of the U.S. shiitake mushroom marketplace. *HortTechnology* 18(3): 489-499.
- Gold, M.A., M.M. Cernusca and L.D. Godsey. 2006. Competitive Market Analysis: Chestnut Producers. *Hort-Technology*, 16(2):360-369.
- Gold, M.A., L.D. Godsey and M.M. Cernusca. 2005. Competitive market analysis of Eastern red cedar. *Forest Products Journal* 55(12):58-65.

### **Literature Cited**

Porter, M.E. 1980. *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press. 396 pp.

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## **EXERCISE: REVIEW OF MARKETING**

**1. According to Michael Porter, there are five forces that influence how an industry is structured. What are they?**

**2. What are the main marketing strategies that you need to develop for each target market?**

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## EXERCISE KEY

### **1. According to Michael Porter, there are five forces that influence how an industry or a business is structured. What are they?**

The five forces defined by Michael Porter are:

- 1) Barriers to entry,
- 2) Bargaining power of suppliers,
- 3) Bargaining power of buyers,
- 4) Threat of substitute products, and
- 5) Rivalry among existing firms.

### **2. What are the main marketing strategies that you need to develop for each target market?**

The main marketing strategies are:

Product – The right products to satisfy the needs of your target customers

Price – For what price can we sell our products?

Distribution – How are we getting the products in the hands of our customers?

Promotion – How are we letting people know what we have for sale?

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## Notes