

## **Value Added Marketing (High School- Pre Field Trip)**

Background:

### **Value Added Dairy Products**

In the United States today, the farm is traditionally just the starting place for a huge and diversified agricultural industry. Food grown on the farm is transported, processed, packaged, stored and distributed to the market for sale to the public. As this diversified agricultural system has grown, the farmer's share of each dollar that the consumer pays for farm-raised products has decreased. The U.S.D.A Economic Research Service reported that in the year 2000 farmers received only 20 percent of the food market, with the other 80 percent going to those who transported, processed, stored, distributed, advertised and marketed the foods. Adding value to an agricultural crop offers the farmer the opportunity to capture a bigger share of the consumer's food dollar. Farmers can increase the economic value and consumer appeal of an agricultural crop or commodity through changes in processing or diversification. Value may be added by changing the physical state or form of the product, changing production practices in a manner that enhances the products value or by physically defining and segregating an agricultural commodity or product to result in enhancement of its value. These changes allow farmers the opportunity to market a unique product, fill a market niche, simplify the supply chain, provide a service or lower costs. New products, enhanced product characteristics, brand names, services or unique customer experiences may create additional value. Changing the way a commodity is marketed: Farmers add value by marketing raw agricultural products in a nontraditional way to command a higher price. The farmer might sell his crops at a farm stand, to special processors, to a local schools or restaurants or at a farmers' market. Changing the form of a commodity before it is marketed: Farmers add value by transforming raw agricultural products through processing. This provides the opportunity to market differently. Although costs are incurred, a higher profit covers these costs. Selling milk directly to the consumer requires pasteurizing, packaging, and displaying, but the farmer is able to capture 100 percent of the consumer's dollar. Changing the way a commodity is packaged for market: Package design is important. It must capture the consumers interest, have perceived value and meet the consumer's need in terms of size or quantity. R Unique, special occasion or gift-ready items bring a higher price, especially if they offer a connection to the land or complement tourism by giving visitors something to share back home. Growing a commodity for a special market: Ethnic- or culture-oriented consumers are a fast growing value-added market. Immigrants also have influenced the diets of other Americans. Organic, free-range and pasture-fed production meet diverse tastes and dietary needs adding value. Adding a new enterprise: A new enterprise is any change in a product or service. This includes growing the commodity for a special niche market, growing a crop for a special industry such as cosmetics or medicine or switching crop practices to appeal to a distinct market. Farmer may add entertainment or educational attractions such as petting zoos, farm workshops and tours,

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nature walks, wedding facilities or picnic sites. Reducing Costs: Farmers may band together to reducing costs by selling or transporting crops cooperatively. Others bundle two or more different crops to create a desirable product.

### Keys to Success

Success in introducing value-added agriculture to the farm rests on producing a unique, high quality product or experience that consumers will value and want to buy. It also rests on hard work, research, good business planning, record keeping and constant evaluation. Farmers must do what they love and focus on their niche. The value-added product or enterprise must be unique to succeed in the long-run. A product or service that is not unique and distinctive will quickly be copied thus losing its competitive edge. Farmers can emphasize what is special about their product by linking it to their farm, it's history or their special growing and production practices. People are also hungry for a connection to the earth. Farms offer the experience of farm life while also providing fun, peace and relaxation. The value-added product or service should also be high-quality. Consumers want fresh, better tasting, clean, reliable and healthy products. They know it when they taste it! Value-added agriculture should be demand driven. Farmers must get to know their customers, learn their preferences and produce what those customers want to buy.

### Adding Value to Milk

Those farms that process and sell their own milk directly to the consumer are able to capture 100 percent of each dollar paid for milk through value-added agriculture. In addition, their customers may purchase other items from the farms store, such as cheese, butter, eggs, bread, ice cream and more. Cooper's Hilltop Dairy Farm in Leicester currently sells a gallon of milk for \$3.45.

Other farms and agribusinesses may choose to add value to milk by turning it into ice cream. At Bliss Brothers Dairy in Attleboro ice cream is made in 500 gallon vats and then poured into half-gallon or 3-gallon containers. There are 42 ounces of ice cream in a half gallon container of their high quality vanilla ice cream and 225 ounces in the 3 gallon container.

The vanilla ice cream is composed of 81.95% milk products (milk, cream and dried milk). It contains .4% vanilla. The rest is sweeteners and stabilizers such as sugar, corn syrup and gelatin. Bliss Brothers Dairy sells a half gallon of ice cream retail for \$5.79 and wholesale for \$4.00. The three gallon container is sold retail for \$28.00 and wholesale for \$21.00. A single scoop ice cream cone or cup is sold for \$2.50 and contains six ounces of ice cream.

Lesson Description: Students will create a marketing campaign to promote local dairy. They will highlight the benefits to the local economy, as well as emphasising the health benefits. They

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could choose to make a poster, video, or explore other means of advertising dairy. Questions to consider in the campaign include:

- Who are the students marketing the products to?
- What would motivate them to buy a product from a local dairy farm?
- What is the best medium to deliver advertisements?

As part of the campaign they will explore value added products. To do this they will research how farms supplement their income with value added products and design a new product for a local farm. They will then create a plan to promote this new product specifically to high school students. What would make their peers want to buy their product?

After have all the students present their campaigns and value added product. Have a discussion about which campaign might be most successful and why. Share your campaigns with your school and have students vote on their favorite campaign. Use this data to have a further discussion with students about way they could modify their campaigns to make them more effective.

Relevant Standards:

- Business
  - 5.C.01 Demonstrate an understanding of marketing and promoting a business.
  - 5.E.01 Demonstrate an understanding of legal, ethical and social responsibility for businesses.
- Social Studies
  - E.2.2 Describe the role of buyers and sellers in determining the equilibrium price.
  - E.2.5 Explain the function of profit in a market economy as an incentive for entrepreneurs to accept the risks of business failure.
  - E.2.6 Demonstrate how supply and demand determine equilibrium price and quantity in the product, resource, and financial markets.
  - E.2.7 Identify factors that cause changes in market supply and demand.
  - E.2.8 Demonstrate how changes in supply and demand influence equilibrium price and quantity in the product, resource, and financial markets.
- English
  - W.9-10. 4. Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.
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