

# Risk Management Educa

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## Marketing: Specialty Crops

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### Marketing: Specialty Crops

#### Specialty crops definition is vague

USDA  
Produce Industry

#### Perspective of markets and risk may vary among the players

Growers  
Grower / Packer / Shippers  
Sales agents / Brokers  
Small scale growers

#### Traditional view of risk in the produce industry

Risk is inherent part of business  
Deal with risk by knowing the product. They try to know:  
the market  
the crop (product)  
where to grow? when?  
how to grow it in the location where it is well adapted  
post harvest handling  
how to manipulate unique growing environment(s)  
competitive advantages?  
the distance to key markets? Perishability versus source?  
a receiver (agent or broker) who knows how to sell the product  
also involves taking care of it - cooling, handling, etc.  
how to manage efficiently, competitively.

#### Traditional fruit and vegetable grower works to satisfy the demands of the marketplace. The marketplace expects:

Same high quality product every day  
Same supplier (same box!)

Consistency (color shape, shelf life, flavor?)  
Dependability

Buyers and the market abhor problems. The system favors those who can deliver the same problem-free product every day. The market system discriminates against growers, grower packer/ shippers, or brokers who can't provide the consistency the market demands. Product problems cause interruption in the smooth flow of product, disruption in the marketplace, and eventually losses. Growers manage risk by knowing the product and what it takes to consistently deliver it to the market.

These market characteristics and the demand for year around product have led to the rise of brokers who can access multiple growers and growing locations and even geographical regions.

This has created the development of year around supplies of expanded range of mainstream and specialty products. Moreover, to improve profit or minimize risk,

Growers take advantage of expanded market in a number of ways:

- Multiple locations
- Strategic alliances with other growers or marketers
- Forcing early and late production

Small-scale growers seek additional market outlets to buffer risk in the wholesale market. They seek direct sales outlets through restaurants, farm stands, and farmers markets. In some geographical areas, smaller growers also take advantage of established vegetable auctions or in other areas sell through marketing cooperatives.

Exotic specialty niche growers and marketers follow general produce market trends.

There are newer marketing firms dedicated to new specialty and off-season products. They lack production capability and act more as sourcing agents. May also provide repacking and specialized packing for specific customers. They are service oriented and concentrate on small volume, high value products.

Specialty marketing houses provide opportunities for growers and wholesalers. They create new products / markets. They create demand by increasing and expanding availability. They provide an out-let for smaller specialty growers. These additional business opportunities may be manipulated by growers or sellers to manage risk by diversifying the product line.

Out of season specialties are a specific component of the specialty group because they are traditional crops or products offered in the off season.

Ethnic specialties are another special component of the specialty product market. There are a rich array of new foods, products, and dishes available and a growing demand for diverse ethnic foods.

Many opportunities created with these new markets and many problems. There is a need for diverse sources of the products. There are special growing, handling and marketing requirements of each of these products. In addition, in the case of imported product, there are special problems related to

fitosanitary, quarantine, and food safety. These are individual opportunities to manage risk through specialized knowledge and experience.

Organic fruits and vegetables is a growing market segment and represent an additional whole specialty segment of mainstream products. Many organic growers began growing organically as a form of risk aversion and some still do. They initially could sell whatever they grew and often at a premium. Early on, a grower could even sell poorer quality product because of the organic label but the industry is more sophisticated now. Organic grower agents in California advise organic growers that they must ship an equal or superior product and expect the same return as conventional produce.

Fresh fruit and vegetable export markets are continuing to expand for US producers. Is common for West Coast broccoli producers to plan weekly export shipments to Japan and the Pacific Rim countries as they traditionally have for other US markets. The export market is a further market diversification, which attempts to manage risk by diversifying the market. Some inherent additional risk comes with the many facets of the export process but producers are learning the rules.

The processed fruit and vegetable market is also growing and new additional processed, minimally processed, and precut products are being created. This expands and broadens the product base and market for growers. Growing for the processed market helps manage risk by expanding and stabilizing sales.

Overall, specialty fruit and vegetable producers have accepted risk as an inherent part of their business. They have come to realize that knowing their product and knowing the market are their best means of managing risk.

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