Emerging issues in marketing

New or heightened challenges are ahead in the marketing of California farm products, particularly our specialty crops. These concerns were thoroughly discussed at the recent conference of the UC Agricultural Issues Center in Sacramento, which brought together experts in many areas of marketing, foreign trade, new product development, and other transportation problems.

Virtually every aspect of moving food from producer to consumer will be affected by rising competition at home and abroad, changes in consumer preferences, public policies (our own and others), product and technology development, and transportation problems.

After a decade of roller-coaster performance, markets for specialty crops—fruits, vegetables, and tree nuts—appear to be stabilizing or improving. Few, however, see a return to the halcyon days of the late 1970s marked by a near 10 percent compound growth rate in export value, and inflation-boosted growth in grower prices. The prevailing attitude is one of cautious optimism for the near term, and major uncertainty for the longer term.

Considerable attention is being devoted to export markets, particularly western Europe, Canada, and Japan, to absorb increases in California’s production. As vital as export markets are for California specialty crops, however, we should keep in mind that the domestic market remains dominant for most of them. In 1985, the U.S. market absorbed 85 percent of our principal fresh and processed fruits and about 94 percent of fresh and processed vegetables. California itself is a rich, expanding market with retail food sales currently totaling about $3.5 billion annually. On balance, as goes the U.S. market, so goes the California specialty crop market.

The marketing challenges for California growers and marketing organizations fall into three interrelated categories: (1) attuning supply to demand; (2) improving marketing efficiency; and (3) coping with public policies and programs.

For a variety of reasons, farm production tends to overshoot or undershoot demand at prices expected by growers. We might ask when this occurs if information at various levels of the system is adequate for informed decision-making and planning. Could uncertainty be reduced and performance improved by more or better economic information?

Are cooperatives, marketing orders, and public institutions such as state and federal government agencies, and research and information programs of universities adequate to the challenge of attuning supply to demand? If not, what changes or reforms are appropriate?

Improved efficiency in handling and transportation systems for agricultural products are important to maintain productivity and competitiveness. There is reason to believe that off-farm marketing has not kept pace with farm productivity in the past decade.

Efficiency means more than simply raising the physical input/output ratio in marketing. It includes efficiency in establishing price and other terms of trade, in passing information up and down marketing channels, and in discovering and capitalizing upon changing consumer tastes. We may not know enough about some of these trends, and their origins, limits, and potential to formulate long-term marketing strategies.

There are other questions. We need to know more about causes of and solutions to economic inefficiencies in the marketing system. We need to ask if we are underinvesting in research and development to sustain or improve productivity and competitiveness of California agriculture. Are our research and development investments geared to trends in domestic and foreign consumer demand or are we inflexibly bound to the past?

I question if we really understand or have developed appropriate policies, strategies, and institutions to exploit the rapid internationalization of food markets. Do we have the quality and other product characteristics needed in upscale, avidly sought foreign markets? Are we reliable in the eyes of foreign buyers? Do we have a distribution network linked to their structures, policies, and consumer preferences? Competitiveness in foreign markets is much more than price competitiveness.

Major uncertainties will confront California during the rest of this century in economic, trade, agricultural, and food regulatory policies of the United States and other countries. Such policies are globally linked, and could have either chilling or positive effects on the economic environment for growers and marketing organizations alike.

Domestic agricultural commodity price policies are in serious disarray. An encouraging aspect is that public and agricultural recognition of this dilemma is growing. Also encouraging is the recognition that these domestic policies affect our ability to negotiate more favorable trade policies.

Specialty crop industries and others face a serious challenge in emerging environmental and food safety regulations. More stringent regulations are on the way in the next several years related to field production, processing, and marketing of food. These regulations could impose substantial costs on the food industry and could erode the competitiveness of California crops in both domestic and foreign markets. One would hope that the same standards would apply to imported foods as to those domestically produced.

Enumerating issues and raising questions is the easy part of resolving problems, of course, but it is an important first step. Meeting the challenges to California marketing systems will take coordinated efforts by everyone involved, including the University of California Agricultural Experiment Station and Cooperative Extension.