

Farmers 'brand' crops for added value

Producers step back from commodity market to set price

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Events like this July 2009 Face Behind the Food gathering brought Shepherd's Grain customers together with the farmers in the wheat growing cooperative. Co-founder Karl Kupers addresses the audience during the session.

When the founders of Shepherd's Grain decided to launch their own brand of flour, they wanted to create an exclusive market niche for it. By providing a direct connection between the farmers and their customers, they hoped to command a premium price.

The tradeoff, according to co-founder Karl Kupers, was giving up any short-term opportunities the commodity market presents for the long-term gains a brand like Shepherd's Grain might provide. More and more farmers are successfully selling their products as branded items, said Shannon Neibergs, associate professor and extension economist for Washington State University.

Neibergs doesn't have figures for how much more a farmer receives selling his product through a branded company compared to delivering it to an elevator or feedlot. He also advised farmers to figure in their additional time and effort, particularly in marketing. That includes any extra

transportation and packaging costs, he said. But for many farmers, the payoff goes beyond the potential for a bigger bottom line, he said. "In addition to some economic benefits, there's some production satisfaction realized through that process," Neiberger said.

He believes the key to success is developing an image that resonates with consumers. He cited Shepherd's Grain as an example of creating a differentiated product. The wheat co-op's quality, advertising and production methods are conducive to getting a price premium in the market, he said.

Kupers said the price difference between his brand and commodity wheat varies. Both markets are volatile, he said. "One week we're higher, one week we're lower. Every year is different, every day is different," he said. "In some ways, it's almost not comparing apples to apples. You're a price taker in the commodity market. In Shepherd's Grain, you're a price maker."

For 25 years, each rancher involved with Country Natural Beef has handed out beef samples at grocery stores at least two days a year.

"In the agricultural world, we are constantly saying we need to reach out to urban and suburban populations and help them understand where their food comes from," said Stacy Davies, marketing director. "We've bridged that gap."

The Vale, Ore., cooperative began in 1986. The founding members were struggling financially and there was talk among some people about eliminating beef from their diet.

The founders decided leaner, hormone-free beef would provide an opportunity to make more money and provide a more healthful product to customers. The company began producing five head a week and is now up to 1,000 per week, Davies said. "We've been profitable as ranchers for 25 years, which is not easily said in the commodity world," he said.

The product is priced based on cost of production, return on investment and a reasonable profit. For 19 of the last 20 years, the Country Natural Beef price has been above the commodity market, averaging \$80 a head more than the price for feeder cattle.

"We don't worry about the commodity market," Davies said. "We look at what it costs us to produce it, add a profit to it and sell the product at that price."

The price of the meat covers 4 percent for the cooperative, with 96 percent going to the ranchers. That 4 percent is above the cost of production, Davies said.

Branding will continue to spread, Kupers predicted.

Kupers believes other producers might move into branding as society continues to look into where its food comes from and how it is produced.

"If that is a continuing trend, that would certainly support the idea that more branding is done to project and validate that you're getting what you're asking for," he said.