

Specialty Crop Block Grant Program
FY 2010

Grantee:

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Final Report

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Enhancing the Competitiveness of Michigan's Fresh and Processed Asparagus Industries through Increased Promotion

Final Report

Project Summary

Michigan asparagus growers have lost significant market share in the past 10 years due to massive increases of imported fresh and processed product. The net result of this influx of imported asparagus has been a 35% reduction in acreage, markedly lower and variable demand and prices for processed asparagus and a shift in production from processed to fresh. In the same 10 year period prices of major inputs such as seed, fertilizer and labor increased significantly. As a result, the cost of production has met or exceeded grower returns in a number of recent years thus jeopardizing the future of this 25 million dollar (annual value) industry.

Perishable commodities respond to classic supply and demand pressures more markedly than durable goods. Asparagus is a high investment perennial crop taking three years from seed to first production, so annual supply adjustments are not practical. Asparagus fields are harvested 25 – 35 times over a seven week period, and available supplies are dictated by weather conditions as opposed to market demand. Once harvested, asparagus must be moved to the market immediately as opposed to apples or potatoes which could potentially be stored until market conditions improve. Over or under supply in any given period is nearly impossible to control and effects fresh prices on a daily basis and processed prices on a yearly basis.

Michigan asparagus growers have both advantages and disadvantages when marketing their crop. Advantages are the ability to market their crop either to the fresh or processing market and, in the case of fresh, their proximity to a relatively high population of consumers in the upper mid-west that would consider Michigan as their "local" supplier. A major disadvantage is that fresh Michigan asparagus is only available for two months a year, so creating "brand" demand is impractical.

The purpose of this project was to create awareness and demand for Michigan fresh asparagus early in the season when volumes tend to be the highest. This was accomplished through over-the-air and in-store radio promotion reaching consumers in the southern ½ of Michigan and northern Ohio and Indiana. The expected outcomes were: 1) Increased demand for fresh asparagus resulting in increased volumes and

improved grower returns. 2) Match supplies of processed to actual demand also resulting in improved grower returns.

Project Approach

It was determined that radio promotion is the most efficient and cost effective way of reaching consumers in a short period of time. In the 1st quarter of 2011, radio account executives in the southern ½ of Michigan were contacted and asked to prepare quotes for 30 second radio spots to be aired in May. As a result, two contracts were awarded. LP Marketing Services, Inc. was hired to contract all over-the-air radio in the major markets of: Detroit, Lansing, Grand Rapids, and Kalamazoo. A total of 491 thirty-second spots were aired between May 23 and June 11 on 12 stations. LP's buying "clout" enabled the radio adds to air for longer periods and better slots than projected. RBS Media was contracted to provide in-store radio spots in Spartan and affiliated stores the last two weeks in May. Thirty-second spots were aired every hour, seven days a week in 233 locations. Ads stressed that fresh Michigan "locally grown" asparagus was now available.

In early April Michigan packers and shippers were informed of the details of the program and they in turn contacted their retail partners who featured Michigan asparagus in their weekly circulars.

Goals and Outcomes Achieved

Commodity Executives of other Michigan specialty crops were contacted to learn about their experiences with radio promotions. Specifically: What stations were used, why they were chosen, and what rates they paid?

Radio account executives representing various markets in South-west, Central and South-east Michigan were contacted, informed that grant funds had been secured, and asked to prepare a quote for radio spots to promote fresh asparagus in May 2011.

RBS Media Group, LLC, representing Spartan (Stores) In-store Radio Network, was contacted informed that grant funds had been secured, and asked to prepare a quote for in-store radio spots to promote fresh asparagus in May 2011.

Linda Peterson, LP Marketing Services, Inc., was contacted, informed of the promotion details, and was asked to submit a proposal.

Follow up correspondence was made with account executives contacted in the first quarter. All were informed that contracts would be finalized in early April.

LP Marketing was chosen to arrange for all radio promotion due to:

- a) broad coverage area
- b) favorable rates and airing times

c) the ability to add a 2nd week to the promotion in most markets, RBS Media Group, LLC was contracted to provide two week coverage on Spartan In-Store Radio Network.

The spots focused on the theme that fresh, locally grown Michigan asparagus was now available in grocery stores and markets and featured the tag line: "Choose Michigan Asparagus! It's the best you'll get all year".

The radio promotion was executed as follows:

WWJ 950 AM - Detroit 05/23/11 – 06/04/11 Total Spots: 52
WMGC 105.1 FM – Detroit 05/23/11 – 06/12/11 Total Spots: 87
DOUG 93.1 FM - Detroit 05/23/11 – 05/29/11 Total Spots: 30
WDVD 96.3 FM – Detroit 05/30/11 – 06/05/11 Total Spots: 35
WKFR 103.3 FM – Kalamazoo 05/23/11 – 05/29/11 Total Spots: 28
WBCT 93-7 FM – Grand Rapids 05/25/11 – 06/05/11 Total Spots: 58
WOOD 1300 AM / 106.9 FM Grand Rapids & West Michigan - 05/23/11 – 05/27/11
Total Spots: 30
WTRV 100.5 FM Grand Rapids - 06/01/11 – 06/12/11 Total Spots: 47
WLHT 95.7 FM Grand Rapids - 06/01/11 – 06/12/11 Total Spots: 47
WFMK 99.1 FM Lansing - 05/24/11 – 05/28/11 Total Spots: 30
WJIM 1240 AM Lansing - 05/30/11 – 06/03/11 Total Spots: 30
WFMK 99.1 FM Lansing - 06/07/11 – 06/11/11 Total Spots: 17

The goal was to conduct 15-30 second spots that would be aired 166 times between three stations in a two week period.

Achieved: The two week radio promotion consisted of 491 total spots at 30 seconds each.

Spartan Stores in-store radio spots were 30 seconds in length and drew shopper's attention to the fact that fresh Michigan asparagus was now available in the store. Ads ran one per hour seven days per week every hour the stores were open to the public for a two week period beginning 05/15/11 and ending 05/28/11. The name and number of stores covered in the in-store radio campaign:

Family Fare – 36
D&W – 11
Glen's – 32
VG's – 16
Value Land – 2
Independent Spartan Affiliates – 136
Total Stores Covered – 233

Data on sales volume and prices have been collected from a number of sources and compared to the previous year in order to measure the impact of this project. The Michigan Asparagus Advisory Board (MAAB) collects volume purchased data from all Michigan processors and fresh packers. As of this report, one fresh packer has failed to report the volume purchased (as required under MI public act 232) despite having this

matter turned over to the State of Michigan. In an effort to complete this report by the February 1, 2012, deadline we have estimated this packer's volume in 2011 to be the same as 2010. Michigan Agricultural Commodities Marketing Association (MACMA) bargains on behalf of grower members with processors each year for the price paid for processed asparagus. The price is negotiated based on anticipated supplies and processor demand. The MACMA bargained price is paid to all growers and was used for this report. Michigan Asparagus Growers, Inc. (MAGI) is a fresh market cooperative formed to provide comparative cost and sales information (from participating packers and shippers) with its members. MAGI grower sales represent approximately ½ of all fresh asparagus volume in Michigan. MAGI data on aggregate grower returns for fresh asparagus in 2010 and 2011 have been used for this report.

In 2010 Michigan growers sold 5,429,368 lbs. of fresh asparagus at an average return of \$0.916 / lb. for a cash value of \$4,973,301 and 9,806,042 lbs. of processed asparagus at the negotiated price of \$0.62 / lb for a cash value of \$6,079,746. Total farm gate value of Michigan asparagus in 2010 was \$11,053,047 on the volume of 15,235,410 lbs. In 2011 Michigan growers sold 5,615,789 lbs. of fresh asparagus at an average return of \$1.022 / lb. for a cash value of \$5,739,336 and 13,816,916 lbs. of processed asparagus at the negotiated price of \$0.70 / lb for a cash value of \$9,671,841. Total farm gate value of Michigan asparagus in 2011 was \$15,411,177 on the volume of 19,432,705 lbs.

Although strong demand and high prices may make it economical to harvest a bit longer than normal, it would not account for an additional 4.2 million lbs. harvested in 2011 as compared to 2010. Most of that increase in volume is likely weather related. Perhaps a fairer way to compare the years and the effect of the promotion would be on the average price received on a per lb basis. Michigan growers received \$0.106 / lb more for fresh asparagus in 2011 than they did in 2010. Multiplying that increase by fresh lbs. netted an additional \$595,274 in fresh income over the previous year.

It is impossible to measure the impact that the strong demand for fresh asparagus has on the processing market price. 2010 was a lighter than normal volume year due to severe freezes; but despite lower total volumes, the amount of asparagus sold fresh was nearly identical to the previous year and accounted for 36% of the total volume sold, the highest percentage in history. Strong fresh volume in 2010, coupled with an anticipated strong demand again in 2011, undoubtedly played a strong role in the 11% increase in the processed price. It is believed that a much stronger increase in fresh volume would have been seen in 2011 had it not been for the strong demand and price increase for processed asparagus.

The radio promotion of fresh asparagus enabled by this grant had a significant positive effect on the prices that Michigan growers received for asparagus in 2011. In addition, asparagus seed sales for future plantings are much ahead of recent years; and it is projected that the highest volume of seed in over a decade will be planted in 2012.

Beneficiaries

Fresh asparagus sales in 2011 netted 10.6 cents a pound over the previous year, and processed sales netted eight cents per pound additional. All Michigan asparagus producers, whether they deliver to fresh packers or processors or both, benefited from strong fresh demand as a result of radio promotion. Increased plantings of new asparagus fields will benefit packers and processors who have invested in the infrastructure needed to support the industry. Consumers benefit from having good supplies of “locally grown” Michigan asparagus, *“the best they’ll get all year”*, available in their markets for eight weeks a year.

Lessons Learned

Ask others and shop around. By contracting with LP Marketing Services, we were able to run 50% more ads than purchasing with individual station account reps.

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