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Organic Producer Perceptions of their Marketers

This document is based on the preliminary results of a producer survey that was administered as part of the marketing study being conducted by the Project on Organic Agriculture in the Department of Agricultural Economics. In addition to the producer survey, marketers, processors and wholesaler/retailers are also being asked to complete similar surveys. The objective of the study is to examine the issues, opportunities and challenges in organic grain marketing and to provide insight to the organic grain industry on what can be done to improve the organic marketing system for the benefit of all participants. These papers are designed to provide industry participants with a brief summary of this information. This document is one of a series that will contribute to the complete marketing study.

1. Introduction

Organic producers' choice of how to sell their product is a major decision. The producer must decide where, when and to whom he or she will sell. In terms of who to sell to, there are several types of buyers or marketers available to organic grain producers. The producer may choose to sell to a grain company, and the grain company can be a handling agent of the Canadian Wheat Board (CWB) or not¹. The producer can choose an agent to market his or her grain on the producer's behalf, working on a commission. The producer may be a member of a Producer-Owned Firm (POF), which employs an agent to market the producers' grain. Agents typically receive a percentage commission from each sale. The producer can choose to eliminate the marketer middleman and market his or her own grain, and sell directly to processors or other companies further down the supply chain.

The different types of grain marketers in the supply chain provide different functions. Their interaction with the producer can also be different. Stakeholders in the industry may be interested in knowing how producer opinions compare between the different

marketer types. Since organic grain market information is not as abundant as it is in the conventional market, it is also useful to examine how much information is shared amongst producers and marketers.

A survey was undertaken as part of the University of Saskatchewan Project on Organic Agriculture that attempted to find out how organic producers in Saskatchewan rate their grain marketers. Questionnaires were mailed to 90 organic grain producers randomly picked from across Saskatchewan. The sample included producers from 4 Certification Bodies (OCIA, Pro-Cert, COCC and SOCA²). The membership of OCIA is divided into 8 chapters, of which 5 participated in the study.³ The sample yielded 39 respondents that answered the questions relating to marketers. This paper summarizes the results of the survey and discusses some of the implications of the results.

¹ The distinction between CWB handling agents is only important for sales of wheat and barley, as these companies have the authority to pay the CWB initial payment themselves. CWB handling agent grain companies are typically much larger companies, while non-CWB agents tend to be smaller and more specialized.

² OCIA – Organic Crop Improvement Association
COCC – Canadian Organic Certification Cooperative
SOCA – Saskatchewan Organic Certification Association

³ Of the three excluded OCIA chapters, one was excluded because it did not certify organic wheat producers, one could not be successfully contacted, and one declined to participate.

2. Survey Questions

The questionnaire is based on a list of 16 functions that marketers perform. For each function, the producer was asked to rate the importance of that function to the producer, as well as the effectiveness of their “primary marketer” in performing that function. Answers were given on a scale of 1 to 5, where 1 was poor effectiveness or importance and 5 was excellent effectiveness or importance. Producers were also asked if their marketer performed the function or not.

3. Results of the Survey

Producers’ responses on each function’s importance, marketer effectiveness in each function, and the prevalence of each function are reported in Part A.

Ratings of producers’ overall satisfaction with their marketer follow in Part B. Differences in effectiveness between POF and non-POF marketers are described in Part C.

Part A: Review of Producer Ratings

Importance of Marketer Functions

Producers’ responses on the importance of their marketer at basic and extra functions are given in Table 1. The importance ratings for the basic functions ranged between 3 and 4 on average, which is similar to the corresponding effectiveness ratings in Table 2. Providing the option to contract for sale (function 3) was rated as the least important of the basic functions.

Table 1: Importance of Marketer Functions

Function	Importance (% reporting)						Avg.
	Not important-----Very important						
	N/A	1	2	3	4	5	
1) Providing marketing opportunities for me throughout the year	12.8	0.0	2.6	25.6	15.4	43.6	3.62
2) Providing marketing opportunities shortly after harvest, when I need cash flow	7.7	5.1	12.8	20.5	25.6	28.2	3.36
3) Providing me the option to contract for sale	10.3	17.9	7.7	20.5	23.1	20.5	2.90
4) Provides high prices, given the realities of the market	12.8	2.6	10.3	10.3	25.6	38.5	3.49
5) “Fair” marketer fees	15.4	2.6	2.6	20.5	15.4	43.6	3.49
6) Provides information on marketing costs, cleaning, transportation, etc.	23.1	10.3	5.1	7.7	23.1	30.8	2.90
7) Arranging for trucking from the farm	15.4	5.1	5.1	7.7	25.6	41.0	3.46
8) Provides assurance of payment to you	20.5	2.6	0.0	0.0	23.1	53.8	3.64
9) Provides prompt payment after delivery	12.8	2.6	0.0	7.7	20.5	56.4	3.90
10) Provide information on future prices and market potential for my crops	20.5	2.6	2.6	28.2	17.9	28.2	3.05
11) Advising on market and price prospects	20.5	2.6	0.0	25.6	23.1	28.2	3.13
12) Providing “target pricing” opportunities	38.5	5.1	5.1	28.2	15.4	7.7	2.00
13) Provides advice on “when to sell” to achieve highest price	33.3	2.6	5.1	15.4	17.9	25.6	2.59
14) Provides advice on “what to plant” in new crop year	20.5	5.1	5.1	28.2	17.9	23.1	2.87
15) Provides advice on “market prospects” based on the quantity and quality that I have grown	23.1	0.0	10.3	17.9	20.5	28.2	2.97
16) Providing me with agronomic info	43.6	10.3	10.3	20.5	7.7	7.7	1.62

Source: Organic Producer Survey

The extra functions were rated with lower importance than the basic functions. The importance ratings ranged between 2 and 3 on average, with the exception of providing agronomic info (function 16), which received the lowest rating of 1.62. The results of the effectiveness and importance ratings suggest that marketers are performing poorly with extra functions, but producers do not regard these functions as important anyways. If a function receives a low effectiveness rating and a high importance rating, this indicates that marketers need to improve their effectiveness in that function. No functions exhibited this problem.

Effectiveness of Marketer Functions

Producers' responses on the effectiveness of their

marketer at basic and extra functions are given in Table 2. Functions 1 to 6 and 7 to 9 represent "basic" marketer functions, such as high prices, low fees, trucking and orderly payment. The effectiveness ratings for the basic functions ranged between 3 and 4 on average. The ratings varied considerably across the scale for most functions, except for arranging trucking from the farm (function 7) and providing assurance of payment (function 8), where most producers considered their primary marketer to be "very effective". Overall, effectiveness and importance ratings were closely linked. The importance rating for providing the option to contract was higher than its corresponding effectiveness rating, which suggests possible "overkill" in this service to producers.

Table 2: Effectiveness of Marketer Functions

Function	Effectiveness (% reporting)						Avg.
	Not effective-----Very effective						
	N/A	1	2	3	4	5	
1) Providing marketing opportunities for me throughout the year	7.7	10.3	5.1	28.2	15.4	33.3	3.33
2) Providing marketing opportunities shortly after harvest, when I need cash flow	2.6	15.4	15.4	28.2	17.9	20.5	3.05
3) Providing me the option to contract for sale	7.7	10.3	5.1	15.4	33.3	28.2	3.41
4) Provides high prices, given the realities of the market	7.7	5.1	15.4	20.5	33.3	17.9	3.21
5) "Fair" marketer fees	10.3	7.7	5.1	15.4	30.8	30.8	3.41
6) Provides information on marketing costs, cleaning, transportation, etc.	15.4	10.3	7.7	17.9	15.4	33.3	3.08
7) Arranging for trucking from the farm	10.3	2.6	7.7	10.3	23.1	46.2	3.72
8) Provides assurance of payment to you	15.4	2.6	2.6	2.6	20.5	56.4	3.79
9) Provides prompt payment after delivery	7.7	10.3	0.0	17.9	23.1	41.0	3.62
10) Provide information on future prices and market potential for my crops	15.4	2.6	10.3	23.1	28.2	20.5	3.08
11) Advising on market and price prospects	20.5	5.1	5.1	35.9	10.3	23.1	2.79
12) Providing "target pricing" opportunities	38.5	10.3	5.1	25.6	10.3	10.3	1.90
13) Provides advice on "when to sell" to achieve highest price	38.5	15.4	10.3	17.9	7.7	10.3	1.72
14) Provides advice on "what to plant" in new crop year	20.5	10.3	7.7	28.2	20.5	12.8	2.56
15) Provides advice on "market prospects" based on the quantity and quality that I have grown	23.1	7.7	10.3	20.5	23.1	15.4	2.59
16) Providing me with agronomic info	48.7	15.4	12.8	12.8	5.1	5.1	1.26

Source: Organic Producer Survey

Functions 6 and 10 to 16 represent “extra” marketer functions relating to providing information and advice to producers. While the function of providing information on future prices and market potential for crops (function 10) received an average rating of 3.08, the functions 11 to 16 received the lowest effectiveness ratings. The results suggest that marketers are not effective at providing producers advice on market and price prospects, “when to sell”, “what to plant”, “market prospects”, “target pricing” opportunities and providing agronomic information.

Prevalence of Marketer Functions

The prevalence of marketer functions is given in Table 3. The survey revealed that all organic producers do not receive all 16 functions from their primary marketer. However, the majority of producers reported that their primary marketer performed most of the 16 functions. Advising on market price prospects (function 11), providing “target pricing” opportunities (function 12) and advising on “market prospects” (function 15) were not performed by many primary marketers in the sample. Almost 40% of producers believed that their primary marketer did not provide “fair” marketer fees (function 5).

Part B: Overall Satisfaction Ratings

The overall rating of producers’ satisfaction with their respective marketers can be calculated into a single number. A satisfaction value for a single function can be made by multiplying the effectiveness and the importance value together. By repeating this process for functions 1 through 16 and adding the numbers together, one arrives at a total satisfaction rating. Table 4 reports the overall ratings for all respondents and for different demographic characteristics and the primary marketer used by the producer. The maximum possible rating is 400.

Clear patterns between satisfaction rating and age, experience, income, farm size and marketer emerged from the data. Younger and less experienced producers gave lower ratings of their marketer. Producers with university education were also less

satisfied with their marketer. Organic producers with incomes above \$50,000 per year were the category with the lowest satisfaction rating in the table. The satisfaction across marketer types also differed widely. Producers rated non-CWB handling agents the lowest, while POFs were given the highest satisfaction rating.

Table 3: Prevalence of Marketer Functions

Function	Provided (% reporting)	
	YES	NO
1) Providing marketing opportunities for me throughout the year	74.4	25.6
2) Providing marketing opportunities shortly after harvest, when I need cash flow	87.2	12.8
3) Providing me the option to contract for sale	79.5	20.5
4) Provides high prices, given the realities of the market	79.5	20.5
5) “Fair” marketer fees	61.5	38.5
6) Provides information on marketing costs, cleaning, transportation, etc.	87.2	12.8
7) Arranging for trucking from the farm	84.6	15.4
8) Provides assurance of payment to you	92.3	7.7
9) Provides prompt payment after delivery	74.4	25.6
10) Provide information on future prices and market potential for my crops	71.8	28.2
11) Advising on market and price prospects	38.5	61.5
12) Providing “target pricing” opportunities	28.2	71.8
13) Provides advice on “when to sell” to achieve highest price	69.2	30.8
14) Provides advice on “what to plant” in new crop year	71.8	28.2
15) Provides advice on “market prospects” based on the quantity and quality that I have grown	23.1	76.9
16) Providing me with agronomic info	74.4	25.6

Source: Organic Producer Survey

Table 4: Overall Satisfaction Ratings (/400)

Characteristic	Group	Rating
All Producers		149.04
Age (years)	20 to 40	124.0
	41 to 50	135.6
	>51	172.4
Education	High School	149.1
	Technical School	169.0
	University	137.8
Experience (years)	1 to 3	120.2
	4 to 5	148.1
	6 to 10	181.2
	11 to 20	144.3
Income (annual)	-\$10000 to \$20000	146.1
	\$20001 to \$50000	172.1
	>\$50001	108.6
Farm size (acres)	1 to 320	109.2
	321 to 640	114.8
	641 to 960	177.0
	961 to 1280	174.5
	>1281	189.0
Marketer	CWB Agent	150.6
	Non-agent	139.5
	POF	181.79
	Not specified	125.67

Source: Organic Producer Survey

Part C: Marketer Type Comparison

Comparing the effectiveness ratings across the different marketer types allows for a deeper understanding of the differences in functions between different marketers. The effectiveness ratings for respondents using POF and non-POF marketers are reported in Table 5. The non-POF responses consist of grain company marketers.⁴ The effectiveness ratings are similar between POF and non-POF producers in the functions of providing marketing opportunities (functions 1 and 2) and providing the option to contract (function 3). Non-POF marketers received higher ratings in the functions of providing

assurance of payment (function 8) and providing prompt payment (function 9). The POF received higher ratings for all other functions, including all information and advice-giving functions. The results suggest that while POFs do not give prompt, assured payment, they excel at many other functions, particularly in providing information and advice on marketing to the producer members.

Table 5: Marketer Effectiveness Ratings

Function	Effectiveness (% reporting)	
	POF	Non POF
1) Providing marketing opportunities for me throughout the year	3.36	3.32
2) Providing marketing opportunities shortly after harvest, when I need cash flow	3.00	3.07
3) Providing me the option to contract for sale	3.36	3.43
4) Provides high prices, given the realities of the market	3.55	3.07
5) "Fair" marketer fees	4.00	3.18
6) Provides information on marketing costs, cleaning, transportation, etc.	3.64	2.86
7) Arranging for trucking from the farm	4.00	3.61
8) Provides assurance of payment to you	2.91	4.14
9) Provides prompt payment after delivery	2.64	4.00
10) Provide information on future prices and market potential for my crops	3.45	2.93
11) Advising on market and price prospects	3.27	2.61
12) Providing "target pricing" opportunities	2.73	1.57
13) Provides advice on "when to sell" to achieve highest price	2.36	1.46
14) Provides advice on "what to plant" in new crop year	2.91	2.43
15) Provides advice on "market prospects" based on the quantity and quality that I have grown	3.18	2.36
16) Providing me with agronomic info	1.45	1.18

POF – Producer-Owned Firm

Source: Organic Producer Survey

⁴ No responses on commission agents were given in the survey.

4. Discussion and Implications

The results of the survey suggest that organic producers have widely different perceptions of their marketers. Most producers are generally pleased with the effectiveness of their marketer in the 16 functions that the survey analyzes. Effectiveness and importance ratings were generally similar in value, which indicates that marketers are very effective at functions that are important to producers and are less effective at functions that are not very important to producers.

The overall satisfaction ratings illustrated differences in satisfaction among different categories of producers. Younger, less experienced and higher income organic producers were less satisfied with their primary marketer. Producers that used a POF were most satisfied with their marketer, while producers were less satisfied with grain company marketers, particularly grain companies that are smaller and are not handling agents of the CWB. Marketers should be aware that certain categories of producers may be more apt to be unsatisfied with marketer effectiveness, and may want to give these groups special attention in order to keep their business.

As marketer type appears to play a large role in a producer's satisfaction with their marketer, a closer analysis between marketers was undertaken. The effectiveness ratings between POF and non-POF (grain company) responses were compared for each function. The results of this comparison suggest that POFs are perceived to excel in providing marketing information and advice to its producer members, high prices and fair marketer fees. On the other hand, non-POFs excel in providing prompt, assured payment. Marketers should be aware of these differences in perceptions between different marketer types, and may wish to improve their less effective functions.

A POF can effectively provide information to its producers because it is mutually beneficial to do so. In a POF arrangement, the producer and market agent are working together in order to find the highest prices. The POF marketer benefits by providing advice on when to sell and what to plant because it allows the marketer to more effectively find high prices. Information on current and future prices can be given by the POF marketer because its producers are not as likely to use that market intelligence against the POF by demanding higher prices given their enhanced market knowledge. It may not always be mutually beneficial for grain companies to provide market intelligence to producers because it could potentially be used against them. Grain companies provide other useful services such as risk-shouldering and quick, assured payment that a POF typically does not provide.

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The marketing study consists of the following papers:

- Number 1: Introduction*
- Number 2: Organic Producer Perceptions of their Marketers*
- Number 3: Organic Producer Perceptions of Organic Regulation in Canada*
- Number 4: Organic Producer Perceptions of Market Information Availability*
- Number 5: Organic Producer Perceptions of the Role of Certification Bodies*
- Number 6: Analysis of Organic Wheat Buyers in Saskatchewan: A Vertical Coordination Approach*
- Number 7: Contracting in Organic Grains*
- Number 8: Priorities and Problems in the Organic Grain Supply Chain*
- Number 9: Organic Regulation in Canada: Opinions and Knowledge of Producers, Marketers and Processors*
- Number 10: Information in the Organic Grain Market*
- Number 11: The Performance and Role of Certification Bodies*
- Number 12: Costs in the Organic Grain Supply Chain*
- Number 13: Organic Grains and the Canadian Wheat Board*
- Number 14: How Retailers Procure Organic Products – Opportunities for Saskatchewan*
- Number 15: Organic Wheat Supply Chain Profile*
- Number 16: Organic Oats Supply Chain Profile*
- Number 17: Organic Flax Supply Chain Profile*
- Number 18: Organic Lentils Supply Chain Profile*
- Number 19: Summary*
- Number 20: SWOT Analysis, Conclusions and Recommendations*