LARGE FARMERS: A DIFFERENT SEGMENT

by Dr. W. Scott Downey

Ernest Hemingway once told F. Scott Fitzgerald, "The rich are different — they have more money!" Perhaps agri-marketers today would say that the same is true of large farmers. The large are different; they have more acres, more head of cattle, or more hogs on feed, etc. In truth, what we really mean is that large farmers buy more stuff. But, is that enough to justify their status as a unique buying segment?

While midsize operations are still the backbone of the farming tradition, most operations in that segment have grown in size over the last 20 years. Consolidation at the farm level in agriculture continues to occur, and the trend is definitely toward growth in acres or head in most farm-buying segments. The largest among these receive attention because there is an expectation that these larger operators will manage the majority of acres or head in coming years. Larger farms have more negotiating power, but if otherwise, they buy and use products in the same way as their midsize counterparts, they may not truly be a unique segment.

A market segment is a group of buyers who are similar to each other in their response to an offer, but different from other groups. If large farmers are a unique segment, then what they're looking for from suppliers must be different than what midsize farmers are looking for. In **Purdue University's** ***2003 Large Commercial Producer Survey***, this was shown to be true (Figure 1). However, in a recent survey of how retailers work with large farmers, the "unique" offering comprised only volume discounts and more attention. While most retailers recognize large farmers as unique, the offers to them are not.

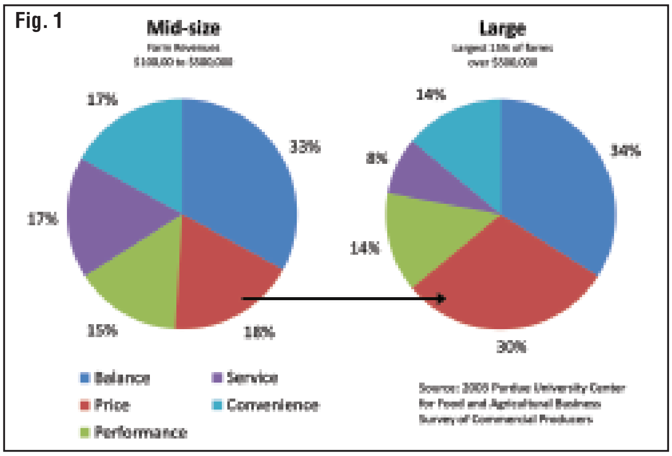

Figure 1: Buying preferences of midsize versus large farmers.

There are three factors to consider in our definition of segments. On the first two, within group similarity and between group differences, Figure 1 provides some evidence that the groups are different. For the third factor, response to an offer, Figure 1 appears to show that their reactions to offers differ. Large farmers care more about price. This would imply that large farmers are a unique segment, but it should also raise some concern for marketers.

If marketers and salespeople believe that large farmers are a unique segment, they should consider how unique the offers to these two segments are. Do the products that large farmers use differ from those that midsize farmers use? I suspect they don't. So if the offer to large farmers isn't going to differ on products, then it must differ based on service or information.

Marketers and salespeople should consider how much effort has been made to create new services that engage specifically large farmers. Service creation stems from understanding the processes that large farmers go through that are different from midsize operations. Most suppliers will find that the biggest differences arise with the complexity and volume of information dealt with on large farms. Therefore, the services created should result in greater simplicity or help large farmers prioritize the information coming out of their fields or herds (or going into them).

The good news is that while the volume of many large farmers dictates "free" traditional services, new services often create revenue opportunities. Agricultural input products are still critical to the success of all farming segments, but perhaps the best opportunities to differentiate in the future will be related to new services and managing information.

Find out more about the 2008 survey and **National Conference for Agribusiness** at *www.agecon.purdue.edu/cab.* **AM**

Dr. W. Scott Downey teaches selling and sales management courses as an assistant professor at Purdue University. He is also an associate director at the Center for Food and Agricultural Business.