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Commercialproducer attitudes important for sales strategy

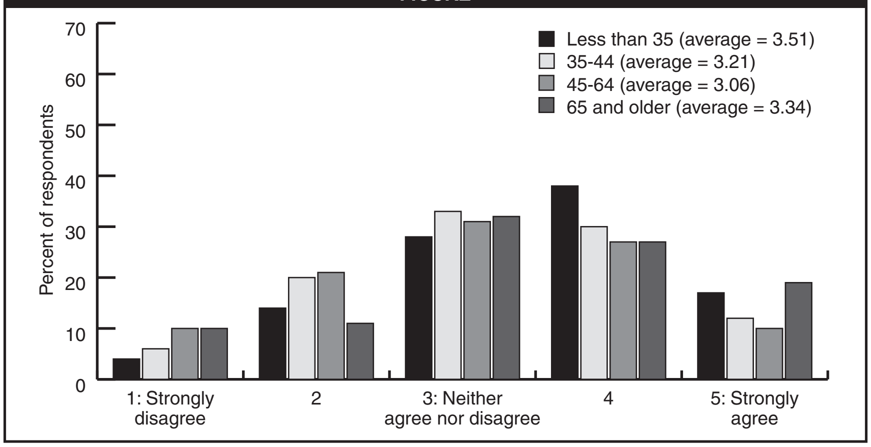
By JAY AKRIDGE and ALLAN GRAY

Most would describe the relationship between input supplier and commercial producer as "business to business."

In business-to-business relationships, the economics of the transaction tend to dominate. Benefits (yield improvement, enhanced performance, lower maintenance costs, etc.) and costs (price, set-up cost, service rates, etc.) tend to be the focus of both supplier and customer. However, as owner-managed businesses, the attitudes and beliefs of the primary decision makers on commercial farm businesses are still important factors to consider as sales strategies are framed and marketing communication messages are polished.

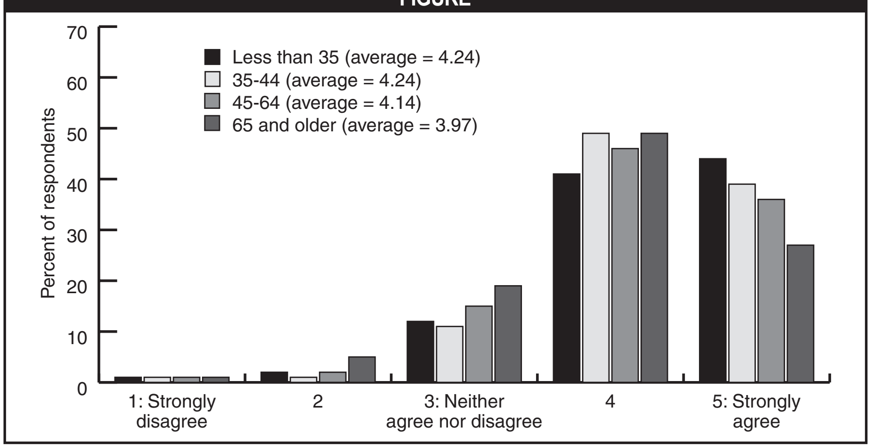
To help agribusinesses gauge their own understanding of producer attitudes, Purdue University's Center for Food & Agricultural Business conducts a comprehensive survey of commercial agricultural producers every five years. In the spring of 2003, approximately 2,300 midsize and commercial crop and livestock producers from across the U.S completed a questionnaire exploring how their farm business is changing and, therefore, how their needs from agricultural input suppliers are evolving. As part of a series presenting key findings from the survey to *Feedstuffs* readers, this article will explore some of the attitudes commercial producers have about the broader market and their own abilities. In addition, some focus will be given to the management tools and techniques commercial producers use to address the business challenges they face.

FIGURE



1. Response to: "I am very optimistic about the future of farming" (by age).

FIGURE



2. Response to: "I am very confident in my own ability" (by age).

Some results

Starting with attitudes about the broader market environment, producers were asked to respond to the statement, "I am very optimistic about the future of farming." Forty-two percent of the commercial producers agreed with this statement, with another 31% neutral on the statement. These figures were slightly lower than those reported in 1998, indicating producers in 2003 were less optimistic about the future than they were in 1998. There were no differences in response across the size classes. However, there were some important differences across age classes, with younger producers (less than 35) and older producers (65 plus) more optimistic than those in the 35-64 age classes (Figure 1, p. 15). Fifty-five percent of the younger than 35 producers were optimistic about the future of farming, compared with 37% of producers 45-64 years old.

While "guarded optimism" may characterize producers' view of the future, they were very clear in their assessment of their own managerial skills — commercial producers are a confident group and a group that other producers seek

Jay Akridge is director of the center for food and agricultural business at Purdue University. Allan Gray is associate professor of agribusiness management and policy with the center and directed the Commercial Producer Project. Information on the 2003 Commercial Producer Survey is available at www.agecon.purdue.edu/cab.

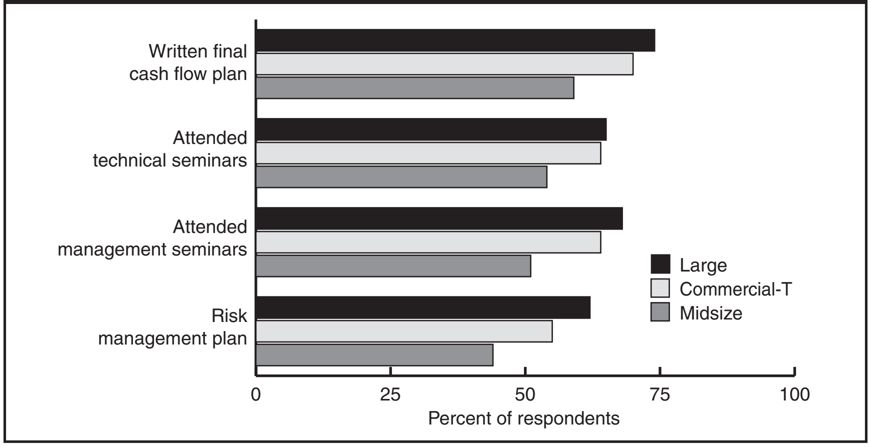
out for their opinions on new products. Eighty-five percent of the large producers indicated that they were very confident in their own abilities. The figure was 79% for midsize producers.

It was also determined that producers were even more confident in their own abilities in 2003 than they were in 1998. Younger producers tend to be the most confident, and then confidence tends to decline as producers mature (Figure 2). This could be a function of older producers having more experience with the realties of running a farm business, or it could be that younger producers just feel better equipped to deal with the realities of a "new agriculture."

Finally, the types of management tools and techniques that producers use to help achieve their goals were explored. A total of nine different tools and techniques were considered. Written cash flow/financial plans, attending technical seminars, attending management seminars and an active risk management plan were the most frequently cited by producers with more than 50% of the commercial producers using these in their farm business (Figures 3 and 4). Some of the focus on financial planning is likely tied to working relationships with lenders and other sources of financing. While these tools were in widespread use among large producers, only 39% of the large producers had a written business plan and only 31% had a written management succession plan.

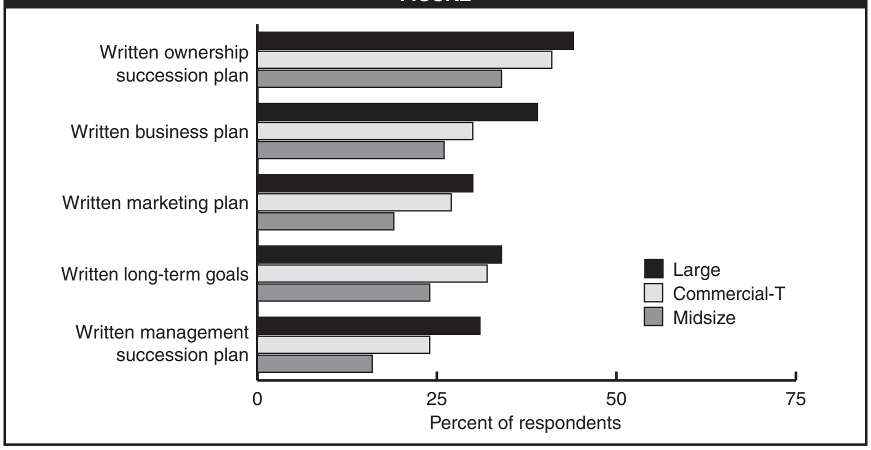
In every case, the larger the farm business, the more likely it was to use a specific tool/technique. Younger producers (less than 35) were more likely to attend management/business seminars and technical seminars and more likely to have written marketing plans and written long-term goals. Those producers older than 65 were more likely to have written management and ownership succession plans. High-growth producers were more likely to use almost all of these tools and techniques. Use of many of these tools and techniques has increased over time: relative to 1998, producers have increased their use of risk management plans, long-term goals, ownership and management succession plans and marketing plans.

FIGURE



3. Management techniques used by size (part 1).

FIGURE



4. Management techniques used by size (part 2).

Implications

Commercial producers have mixed perspectives on the future of farming, and most are guarded with their optimism. What can suppliers do to clarify this future, help them manage their risk and provide assurances that producers can be viable businesses over time?

At the same time, these confident managers will demand an equally confident supplier. They view themselves as competent and successful and aren't likely to develop a deep relationship with a salesperson who does not share these traits. Reaffirming their success and finding ways to help them become even more successful seem key to effective relationship building.

Producers put to work a variety of management techniques in their farm businesses. Serving such producers means knowing what techniques they are using to manage their farm businesses and knowing how to best integrate with their planning approaches.

At the same time, the majority of producers do not use these management tools and techniques. This creates some opportunities for more education and consultation to put these management tools to work in farm businesses trying to remain profitable in a challenging business environment. As producers grow, it is clear there is a tendency to use more of these tools. So, rapidly growing producers will be especially good candidates for seminars, short courses or just informal consultation on their use.

Economics are fundamental in business-to-business relationships, but input suppliers also need to understand the mind set of their commercial producer customers as they frame marketing strategies and sales approaches. Matching economics with strong personal connections supported by a deep understanding of attitudes likely leads to the long-term, profitable relationships that suppliers want to build.