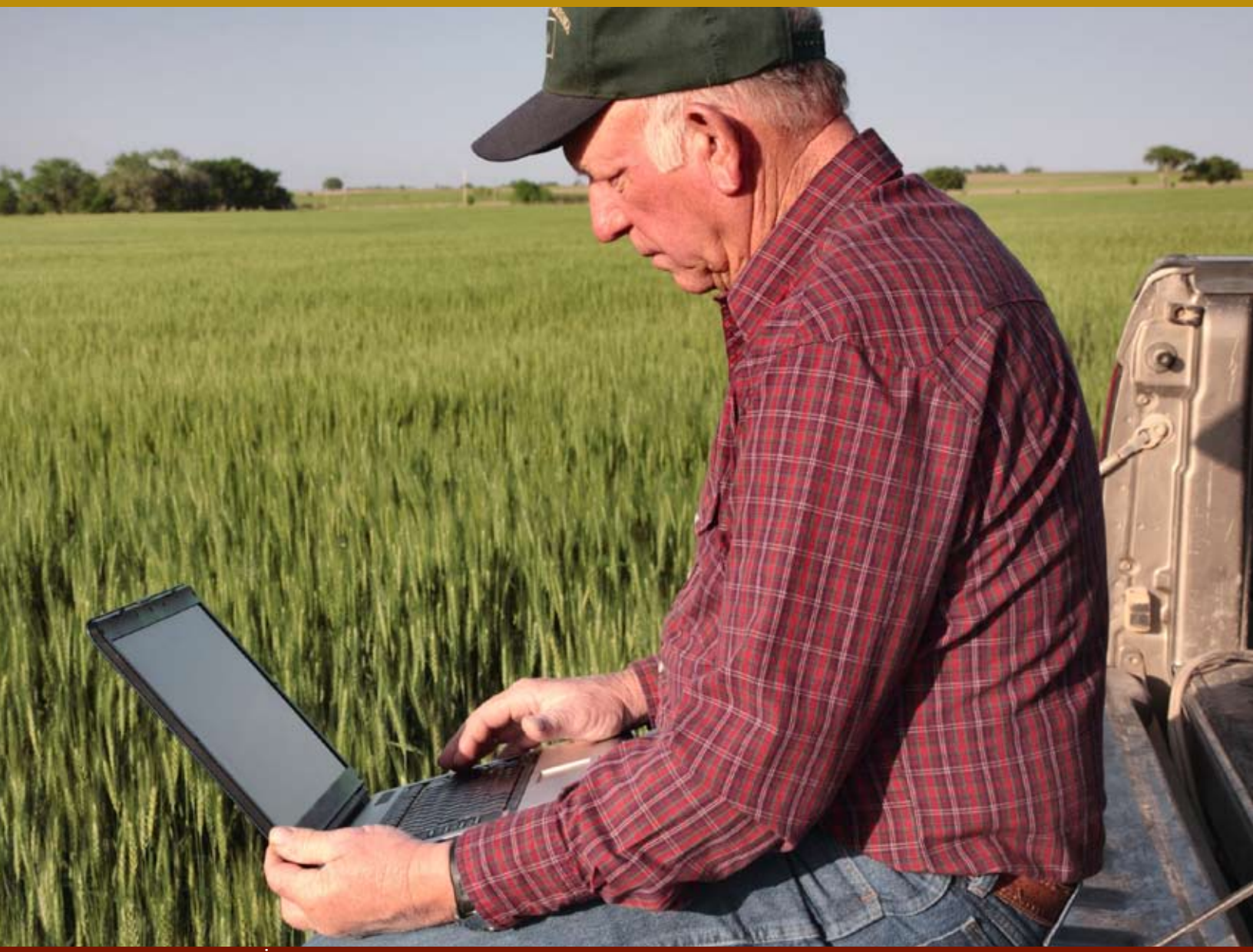
Serving Producers in Volatile Times

Themes from the 2008 Large Commercial Producer Survey



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Developed by the Center for Food and Agricultural Business
Krannert Building, Room 781 / 403 W. State Street / West Lafayette, IN 47907-2056
tel (765) 494-4247 / fax (765) 494-4333 / www.agecon.purdue.edu/cab

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Serving Producers in Volatile Times

Themes from the 2008 Large Commercial Producer Survey

Written by:
Dr. Corinne Alexander
Dr. Michael Boehlje
Dr. Scott Downey
Dr. Allan Gray
Dr. Michael Gunderson
Maud Roucan-Kane

Edited by:
Aissa Good
Megan Sheridan

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Preface

Without question the agricultural industry is experiencing one of the most volatile times in history. This volatility leads to uncertainty about the industry's future. Certainly, long-term forces are in place to provide a strong future, but short-term challenges are changing the face of this industry at an almost breakneck pace. For those of us serving the production sector of agriculture, it can be quite stressful during these times to determine how to position ourselves to create value. Some might argue that in extremely volatile times it is almost futile to try to anticipate producers' needs. However, we argue that it is precisely during these times that we should take a keen interest in understanding producers' needs. When faced with uncertainties, we most often turn to the people we trust, and producers are looking for those same trustworthy characteristics in their service providers. These volatile times are offering you an opportunity to position yourself as the trusted provider of choice.

The most successful firms are those that proactively adapt their strategies to fit their clients' needs. Understanding customer needs, values, buying behaviors and decision-making processes is central to any effective marketing strategy. It becomes the basis for product and service development and design, pricing, distribution and customer communication methods.

Purdue University's Center for Food and Agricultural Business undertook the 2008 Large Commercial Producer Survey with the goal of providing food and agribusiness firms with a clear depiction of these rapidly evolving commercial producers — a group that purchases the majority of agricultural inputs. The center first conducted this survey in 1993 and collects new data every five years. The study offers a broad look at changes in farm businesses over time. In addition to demographic information, the questions specifically explore the goals, attitudes and buying behaviors of large commercial farming and ranching operations.

This report summarizes seven of the key themes emerging from the more than 2,500 farm operator interviews completed in January and February 2008. In the end, a study such as this raises as many questions as it answers. However, we hope that you find both the insights we offer and the questions we raise useful as you make the decisions that will position your organization to be the supplier of choice for these commercial farm operations.

In addition to this report, more results are available in a series of PowerPoint presentations from the center. If you are interested, please visit www.agecon.purdue.edu/cab/programs/lcp or contact Aissa Good at aissa@purdue.edu.

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Executive Summary: Seven Key Themes

In this report of the 2008 Large Commercial Producer Survey, we will share some information on the changing nature of commercial farm businesses that may trigger additional thinking about your own customer base. The overall objective of this study was to better understand commercial producers' businesses and the fundamental attitudes that underlie their buying behavior to provide information to input suppliers and first-handlers as they shape their marketing and sales strategies.

To help agribusinesses better understand commercial producers, the Purdue University Center for Food and Agricultural Business surveyed more than 2,500 producers in the corn/soybean, wheat/barley/canola, cotton, swine, dairy, beef and fruit/nut/vine/vegetable (FNV) segments in early 2008. Center researchers categorized more than 1,400 producers as commercial and considered more than 900 as mid-size. These producers were selected from key states accounting for 75 percent of total U.S. production for each of the seven enterprises represented. For example, because 75 percent of the cotton marketed in the United States is produced in seven states (Arkansas, California, Georgia, Mississippi, North Carolina, Tennessee and Texas), the targeted cotton producers were drawn from these states.

We will highlight seven key themes that have emerged from our data analysis and offer thoughts on their implications for input suppliers and first handlers. Through the report, we will look at the differences between producers of various farm sizes, ages and growth plans. We will also look at differences among crop and livestock producers and variances among the enterprises, for example, how cotton producers differ from wheat/barley producers.

Themes from the 2008 Large Commercial Producer Survey

1. Demographics of Commercial Producers
2. General Attitudes and Farm Characteristics of Commercial Producers
3. Offering Value in Multiple Segment Markets
4. Influencing Value Perceptions
5. Maintaining a Local Presence
6. Delivering the Promise through our People
7. The Three Pillars of Customer-Centric Delivery: Value, Goals and Needs

Finally, many of the themes look at how producers' responses have changed over time from the 1998 and 2003 surveys. We hope you find the information presented in this report useful as you position your organization to serve the needs of this rapidly changing group.

In addition to this report, more results are available in a series of PowerPoint presentations from the center. If you are interested, please visit www.agecon.purdue.edu/cab/programs/lcp or contact Aissa Good at aissa@purdue.edu.

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Introduction

The U.S. commercial farm segment is growing. It accounts for an ever-larger proportion of total agricultural production each year, and correspondingly, a larger proportion of inputs purchased. Plus, many commercial operators are well respected in and beyond their communities, serving as opinion leaders for the rest of the industry. Without a doubt, the companies that supply farm inputs have increasingly focused on this important segment over the past decade.

Physical Units Defining Mid-Size, Commercial and Large Crop Enterprises

Farm Type	Mid-Size	Commercial	Large
Corn/soybeans (acres)	300-1,499	1,500+	5,000+
Wheat/barley/canola (acres)	700-3,499	3,500+	7,000+
Cotton (acres)	200-1,099	1,100+	3,000+
FNV (acres)	50-249	250+	2,349+

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Figure 1: Physical Size of Crop Enterprises

Given the increasing prominence of this commercial segment and its importance to agribusinesses, Purdue University's Center for Food and Agricultural Business conducted the Large Commercial Producer Survey to measure the fundamental attitudes and buying behaviors of commercial producers. First conducted in 1993 and every five years since, the 2008 survey differs in that it tracks information specific to seed, crop protection chemicals, animal health products and feed. This report will point out the important trends where direct comparison between the surveys can be made.

The survey committee, compromised of Purdue faculty and staff, developed a 35-item questionnaire with input from the following consortium partners: Agrium Inc., Bayer CropScience, CHS, CNH Capital, Dow AgroSciences, Farm Credit Services of Mid-America, Farm Progress Companies, John Deere, Land O'Lakes, Monsanto and Pioneer.

Using names from the Farm Progress Companies[1] producer database, the center specifically targeted mid-size and large producers in seven enterprises: corn/soybeans, wheat/barley/canola, cotton, dairy, swine, beef and fruit/nut/vine/vegetable (FNV). The researchers mandated that the sample of targeted producers lived in states that accounted for 75 percent of 2007 U.S. production in each enterprises. For example, because 75 percent of the cotton marketed in the United States is produced in Arkansas, California, Georgia, Mississippi, North Carolina, Tennessee and Texas, the targeted cotton producers were drawn from these states.

Prism Marketing Inc.[2] called almost 56,000 telephone numbers and reached approximately

1 Farm Progress Companies, 255 38th Avenue, Suite P, St. Charles, IL 60174, www.farmprogress.com

2 Prism Marketing Group, 202 State Street, Cushing, IA 51018, www.prismktg.com

9,000 contacts. The two six-page questionnaires (one for crop producers and one for livestock producers) were successfully answered by 2,575 producers during January and February 2008 — resulting in a 28 percent response rate. The surveys can be found in Appendix A.

Physical Units Defining Mid-Size, Commercial, and Large Livestock Enterprises

Farm Type	Mid-Size	Commercial	Large
Dairy (cows milked/day)	40-199	200+	1,100+
Finishing Hogs (head marketed/year)	800-3,999	4,000+	28,000+
Feeder Pigs (head marketed/year)	3,300-16,499	16,500+	42,000+
Finished Cattle (head marketed/year)	150-799	800+	7,000+
Feeder/Stocker Cattle (head marketed/year)	250-1,249	1250+	7,000+

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Figure 2: Physical Size of Livestock Enterprises

Mean Size of Current Primary Operations

	Midsize	Commercial-T	Large
Corn/soybeans (acres)	861	2,866	10,885
Wheat/barley (acres)	1,863	4,669	10,531
Cotton (acres)	643	2,038	8,371
Dairy (head)	104	451	2,497
Finished Hogs (head)	2,153	11,098	268,914
Feeder Pigs (head)	10,339	27,108	1,360,500
Finished Cattle (head)	394	2,031	70,052
Feeder Cattle (head)	643	2,625	30,200
FNV (acres)	128	810	7,890

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Figure 3: Average Size of Primary Operation

Number of Respondents by Enterprise

Enterprise	Mid-Size	Commercial-T	Large
Corn/soybeans (acres)	327	347	83
Wheat/barley (acres)	120	75	16
Cotton (acres)	75	85	16
Dairy (head)	111	252	49
Hogs (head)	55	180	39
Cattle (head)	163	141	29
FNV (acres)	59	103	20

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Figure 4: Number of Respondents by Enterprise

The study focuses on commercial producers. For the purpose of this summary, a producer's operation size was defined based on 2007 planted acres or 2007 head marketed (see Figures 1 and 2). After receiving and tabulating the responses, researchers further divided the commercial producer category to determine if there were differences in the attitudes and opinions of the largest producers. The top 15 percent of commercial operations (termed Large) have been grouped together and compared with the remaining commercial producers (85 percent). Figures 1 and 2 show the physical units defining both mid-size and commercial enterprises, as well as the split of commercial enterprises into large and commercial-T categories. The physical units represent the minimum size that an operation must achieve to be considered a part of that category.[3]

Figure 3 shows the average acreage/head of each enterprise segment (corn/soybeans, wheat/barley/canola, cotton, dairy, swine, beef and FNV) broken down by our definition of size. Compared to the first two figures, this figure better indicates each enterprise's relative size.

Figure 4 shows the number of respondents by enterprise. The corn/soybean group was the most heavily represented, followed by the dairy and beef cattle groups. In general, there were more respondents in the commercial-T and large categories, which was the survey's intention; however, this wasn't true for wheat/barley operations.

3 On a statistical note, the final data was weighted to the 2002 U.S. Census of Agriculture figures (the most recent Census available at the time) so that the survey results could provide a statistically representative profile of U.S. producers in these seven enterprises. Also, unless otherwise noted, all differences between specific groups that are discussed in this report are statistically significant at the 95 percent level, with most analysis performed using either cross-tabulations and a Chi-square or an Anova test of means.

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I: Producer Demographics

Topic/Issue

A producer's location, age, education and sales level are usually important in explaining a number of differences in his/her buying preferences. How do our respondents look in terms of location, age, education and sales level by size and enterprises?

Results

Respondents were located across the United States. Appendix B displays a U.S. map for each of the seven enterprises. Researchers selected farmers from top-producing states accounting for 75 percent of total U.S. production for each enterprise. For example, 75 percent of U.S. cotton is produced in Arkansas, California, Georgia, Mississippi, North Carolina, Tennessee and Texas. Therefore, the targeted cotton producers were drawn from these states.

The maps also present the percentage of respondents located in each targeted state. For example, 10 percent of the corn/soybean producers were located in Indiana. The states colored in dark gray were not targeted, but represented 5 percent or more of our respondents in the FNV group. Finally, it is important to note the large sample of cotton producers from Texas. The primary factor leading to this result is that many "cotton" farms targeted in the Delta and Mid-South regions (Arkansas, Mississippi and Tennessee) were re-categorized to corn/bean farms when their data was collected; reflecting a shift in their crop mix as a response to current market signals.

Figures 5–7 show the age distribution of respondents to the 2008 survey by operation size and enterprise. Large operations average only 51.66 years of age, while mid-size producers are almost

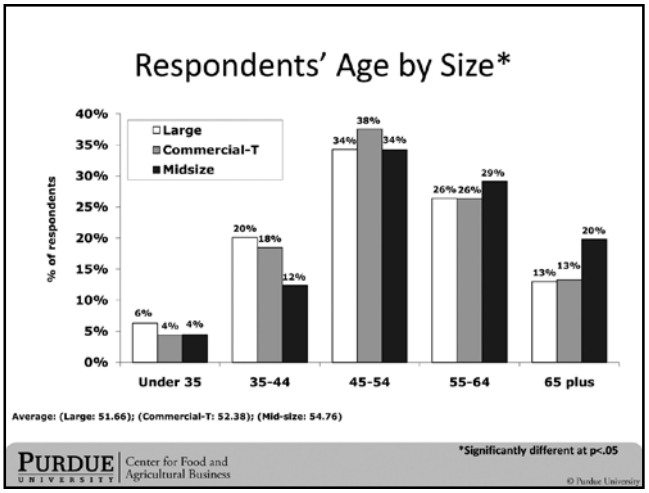

Figure 5: Respondents' Age by Size

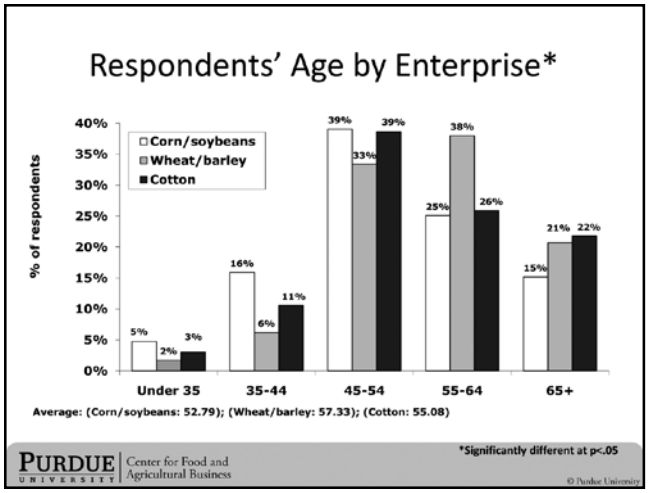

Figure 6: Respondents' Age by Enterprise (part 1)

three years older on average at 54.76 years of age. Producers are slightly older than in the 1998 and 2003 surveys, averaging 54.46 years of age. This suggests that the target group of this survey is aging, which may be a reflection of the U.S. farm population. Hog and corn/soybean producers are younger than average, while wheat/barley/canola producers are slightly older.

Figures 8–10 present producers' education distribution by operation size and enterprise. Most producers are in the high school or four-year graduate categories, with large farmers being, in general, more educated (40 percent with a four-year degree or higher). Cotton producers tend to be the most educated, with 46 percent having a four-year degree or higher, while dairy producers have the least education on average, with more than 50 percent having a high school diploma or less.

Figures 11–13 display producers' self-reported sales by operation size and enterprise. Not surprisingly, based on our definition of operation size, larger farms self-report higher sales, particularly farms categorized as large. Wheat/barley farms tend to report lower sales.

Additional analyses on producer demographics are available in Appendix C.

Implications

Understanding producers' demographic characteristics (age, education and sales level) is an important component to developing a successful marketing plan. At different stages of their lives, producers have different perspectives, goals and objectives. Education also affects how salespeople should approach customers. Farms with different gross farm sales may also have diverse needs. These varying demographics result in multiple

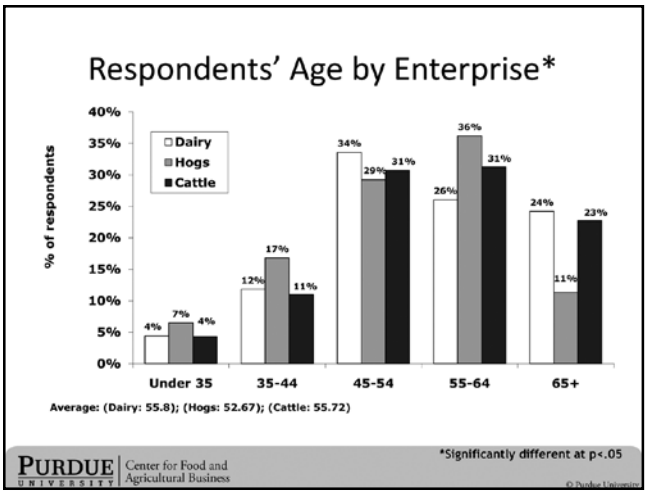

Figure 7: Respondents' Age by Enterprise (part 2)

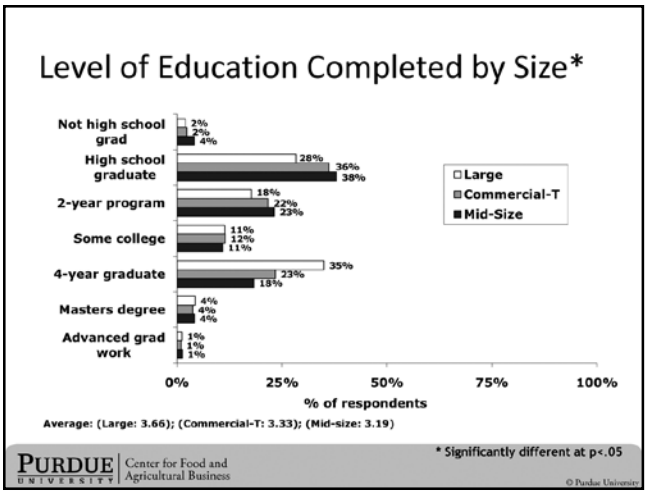

Figure 8: Respondents' Highest Level of Education by Size

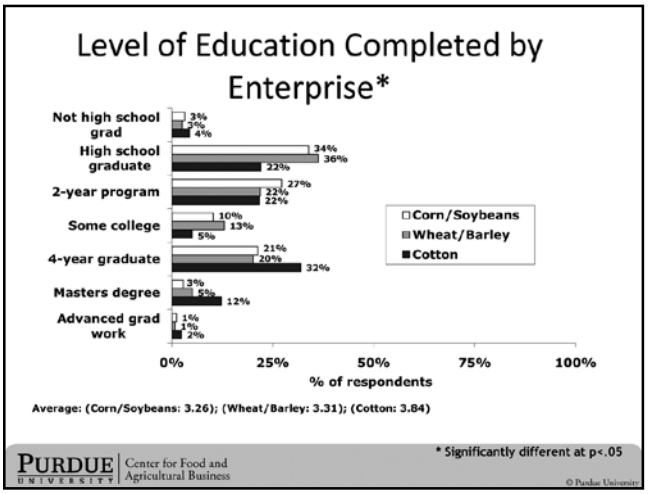

Figure 9: Respondents' Highest Level of Education by Enterprise (part 1)

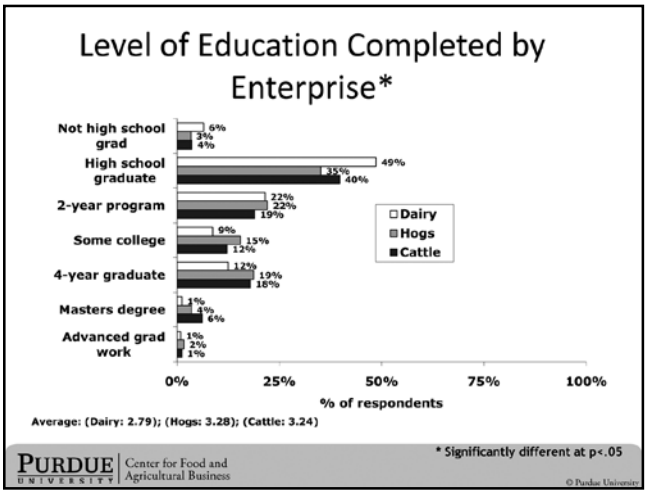

Figure 10: Respondents' Highest Level of Education by Enterprise (part 2)

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sets of needs that suppliers must identify and meet. For example, it's common for farms to have more than one generation in managerial positions, which means different ages, and often educations. This presents the challenge of tailoring marketing plans to satisfy potentially multiple sets of people with differing needs. It is particularly challenging for suppliers who have to deliver value to the current generation, while sacrificing a better long-term solution for the next generation.

Finally, it will be important for input suppliers and first-handlers to monitor changes in their customers' behavior over time. Are differences in attitudes across age classes a function of a life-cycle effect, with today's younger generation having middle-aged attitudes in 10 years? Or, is the new generation of producers truly a next generation with differences in attitudes that will follow them through their careers and may be a consequence of their education? As you study the attitudes and buying behaviors of producers in the pages that follow keep the demographic characteristics outlined here in mind.

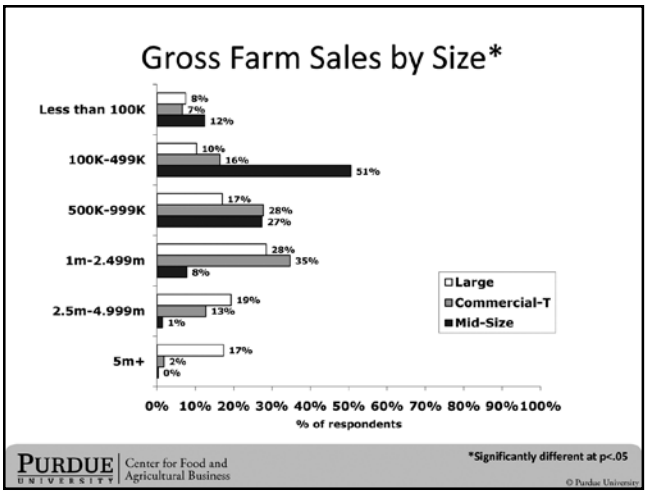

Figure 11: Respondents' Self-Reported Gross Farm Sales by Size

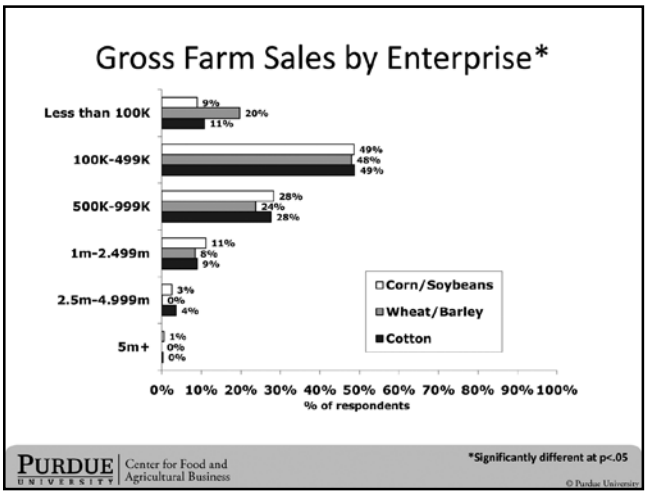

Figure 12: Respondents' Self-Reported Gross Farm Sales by Enterprise (part 1)

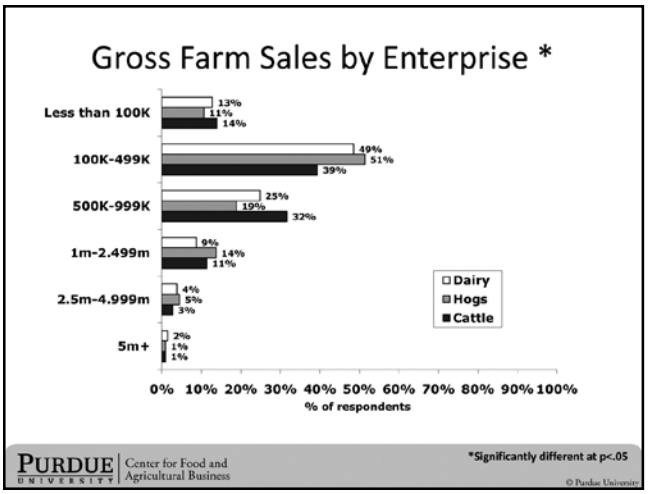

Figure 13: Respondents' Self-Reported Gross Farm Sales by Enterprise (part 2)

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II: General Attitudes and Farm Characteristics of Commercial Producers

Topic/Issue

Most would describe the relationship between input suppliers and commercial producers as business-to-business. And, 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 the supplier and customer. However, as owner-managed businesses, the attitudes and beliefs of the primary decision makers on commercial farms are still important factors to consider as sales strategies are framed and marketing communication messages are polished. Decision makers' attitudes and beliefs may also shed insight to new product and service opportunities. This section will explore farm characteristics and some of producers' attitudes about the broader market, their own abilities and their performance. In addition, it will focus on important management challenges commercial producers are thinking about, as well as some of the management tools and techniques they use to address these challenges.

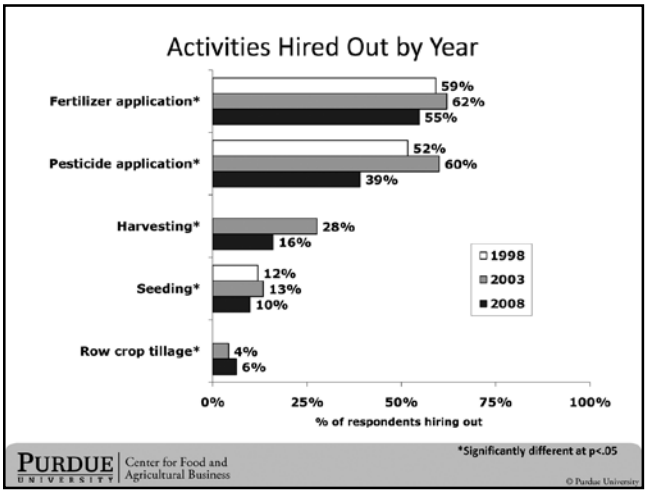

Figure 14: Respondents' Outsourcing Activities by Year

Results

Over the next five years, most producers plan to maintain more or less the same farming operation, especially large cotton and cattle farms that are typically quite specialized already. Most producers indicate they will base their crop rotation on historic rotations rather than prices. This is particularly true for corn/soybean producers.

The survey asked producers about outsourcing and contracting crop and livestock activities. While about half of the respondents outsource some of their fertilizer applications, the majority do not outsource pesticide application, seeding, harvesting, tillage and livestock activities. Among enterprises, corn/soybean producers were the most likely to hire out their fertilizer application and the least likely to hire out their harvesting activities. Hog producers were more likely to hire out waste-handling activities. Large farms were more likely to hire out livestock activities, such as waste handling, livestock finishing and raising of breeding stock replacements. In general, outsourcing was less popular in 2008 than in previous surveys, particularly for chemical applications (see Figure 14).

In terms of contract activities, the results show that only one-third of all producers operate under

a contract where at least one input is specified by the contractor. Larger operations (see Figure 15), as well as corn and hog operations, are more likely to produce under contract. Farmers under 35 years old use crop contracting the least, while those 65 and older use it the most. However, older producers use livestock contracting the least. There were significantly fewer respondents running their crop operations under contract in 2008 than in 2003.

As far as attitudes about the agriculture industry in general, the survey asked producers to respond to the statement, "I am optimistic about the future of farming." Seventy-three percent of commercial producers agreed (see Figure 16). This figure is much higher than the one reported in 2003, indicating producers in 2008 were more optimistic about the future than they were in 1998 and 2003 (see Figure 17). This percentage is probably a result of the high commodity prices at the time the study was conducted.

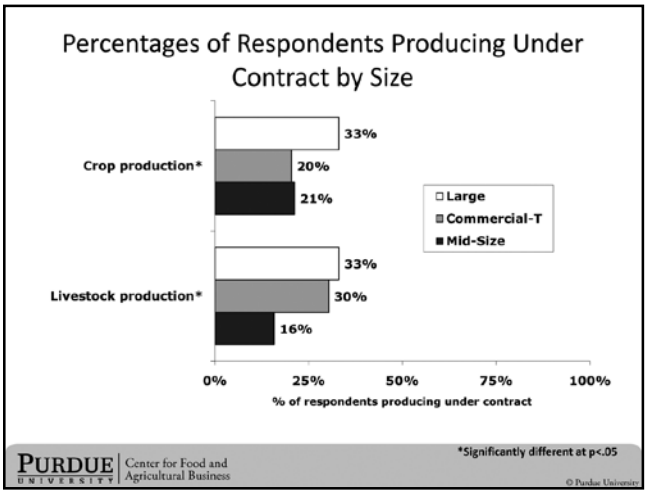

Figure 15: Respondents' Contracting Activities by Size

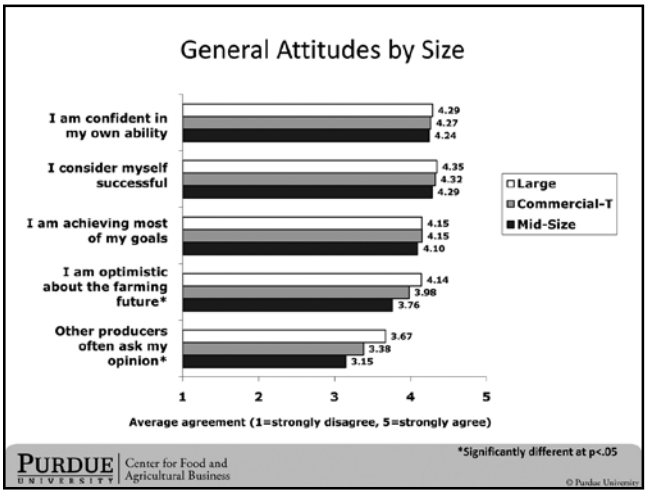

Figure 16: Respondents' Attitudes by Size

As size increases, producers are more optimistic, with cotton farmers being the least optimistic and hog farmers the most. There were also differences across ages, with younger producers (two age categories under 45) being more optimistic than older ones (see Figure 18).

While guarded optimism may characterize producers' view of the future, they are clear in their assessment of their own managerial skills. Eighty-six percent of the commercial producers and 83 percent of mid-size producers indicated they were confident in their own abilities (see Figure 16). Compared to 2003, producers are even more confident in their own abilities (see Figure 17). However, corn/soybean and hog producers tend to be less confident than their counterparts in other enterprises. Confidence levels tend to decline as producers mature (see Figure 18). This could be a function of older producers having more experience with the realities of running a farm business. Or, younger producers may just feel better equipped to deal with the realities of a "new agriculture."

Given their confidence level, it is not surprising to find that 88 percent of the commercial producers and 84 percent of the mid-size producers indicated that they considered themselves successful (see Figure 16). These figures are higher than in 2003 (see Figure 17), but consistent across size, age and enterprise.

In light of the previous results, it is also not surprising to find that 83 percent of the commercial producers and 80 percent of the mid-size producers believe they

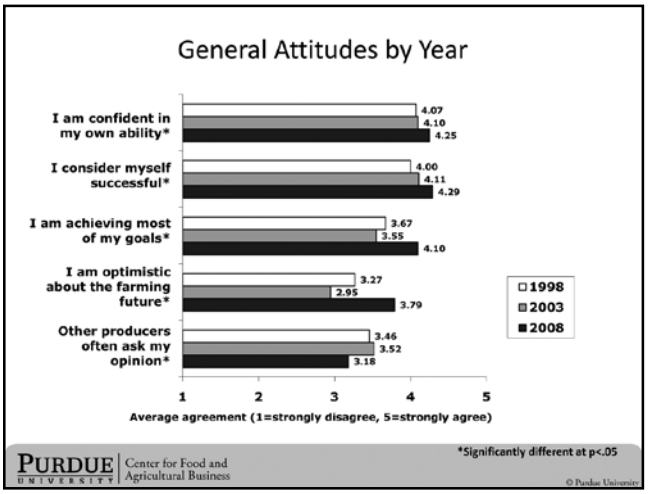

Figure 17: Respondents' Attitudes by Year

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are achieving most of their goals (see Figure 16). These figures are higher than in 2003 (see Figure 17) and for operators under 35 years old (see Figure 18).

This confidence and success is not lost on others, as 48 percent of commercial producers indicated that other operators often ask their opinion about new products (see Figure 16). This is particularly true as farm size increases. Farmers under 45 years old consider themselves to be opinion leaders (see Figure 18). However, compared to 2003, slightly fewer producers indicated that others were likely to ask their opinions (see Figure 17).

While producers are confident in their current goals, they are not naïve to the challenges they face. Profitability (managing costs, low prices/margins, making capital investments, etc.), marketing (pricing, promotion, etc.), and management issues (market fluctuations, disease and pest control, paperwork, technology) dominated the list of concerns producers believe they will encounter in the next five years. Profitability was more of a concern for large, hog and wheat/barley farms. Overall, it was less of a concern than in 2003, while management and marketing issues were mentioned more than in the past (see Figure 19).

To better understand how producers deal with challenges, the survey explored different types of management tools and techniques that they use. Nine tools and techniques were considered. Crop insurance, membership in a cooperative and forward pricing for products produced or inputs purchased were the most frequently cited by producers. In most cases, the larger the farm business, the more likely to use a specific tool/technique (see Figure 20). Younger producers (under 35) were more likely to attend management/business and technical seminars and more likely to have written marketing plans and long-term goals. Producers 65 and older were more likely to have written management and ownership succession plans. Forward pricing was more popular in 2008 than in 2003 and among crop producers, particularly corn/soybean farmers.

Figure 21 summarizes producers' anticipated growth in their primary enterprises over the next five years. Growth rates are computed by taking a ratio of the enterprise's reported planted acreage or number of head in 2007 to its anticipated size in 2012 — resulting in a five-year growth rate and not an annual growth rate. For example, large finished hog operations anticipate growing their number of head marketed by 17.41 percent over the next five years. This growth is in

Figure 19: Respondents' Top Management Challenges

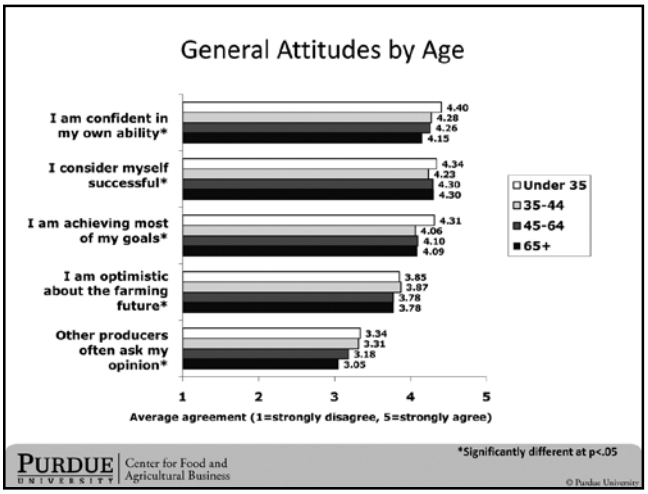

Figure 18: Respondents' Attitudes by Age

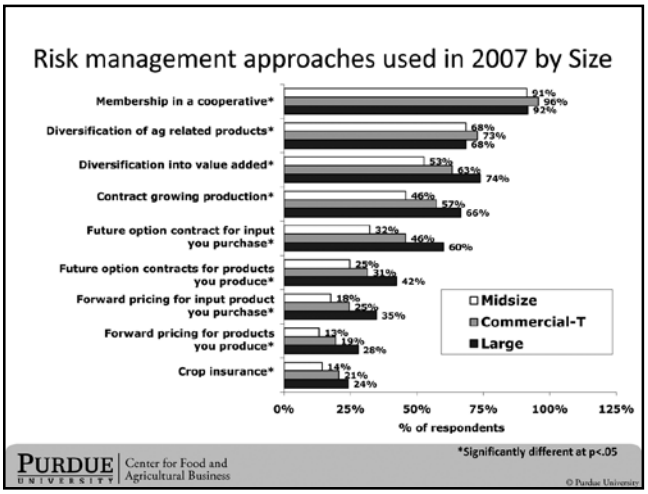

Figure 20: Respondents' Use of Risk Tools

Growth of Enterprises

Enterprise	Midsize	Commercial-T	Large
Corn/soybeans (acres)	15.93%	13.61%	7.66%
Wheat/barley (acres)	6.84%	7.56%	5.92%
Cotton (acres)	13.99%	2.16%	-3.02%
Dairy (head)	6.16%	17.52%	3.35%
Finished Hogs (head)	-5.76%	8.58%	17.45%
Feeder Pigs (head)	0%	-4.98%	6.25%
Finished Cattle (head)	-4.27%	7.35%	9.34%
Feeder Cattle (head)	6.01%	4.51%	1.79%
FNV (acres)	12.86%	-0.22%	-11.74%

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Figure 21: Average Growth of Enterprises by Size

stark contrast to the negative growth rate indicated for the mid-size hog producers. Clearly, producers are anticipating more consolidation in the hog industry. Similar results can be seen for finished cattle. The negative growth rates for large cotton and FNV producers is not an indication of these farms shrinking in overall acreage, but instead reflects producers' anticipation of shifting acreage to other enterprises.

Implications

The 2008 survey occurred at a time of high agricultural prices and margins. Hence, producer attitudes are reflecting the market conditions. Compared to 2003, they find themselves more confident, more successful and more likely to achieve their goals. Such attitudes have important implications for suppliers' marketing strategies. Producers are likely to welcome products, services and information. And, the larger the operation, the more closely other producers watch them. Consequently, getting a new product on a large farm is likely to generate word-of-mouth promotion benefits with other producers.

Given these uncertain times, farmers are likely to be more interested in risk management tools, such as forward pricing. Service providers who can help producers sort out the uncertain future of agriculture will likely have new opportunities to create deeper relationships with these producers.

Serving today's producers means helping them deal with their management and marketing issues, along with offering risk management tools. These tools will probably become more critical to farmers as the economic crisis continues. The increasing recognition of the importance of marketing and general business management issues may result in producers hinting at new opportunities for suppliers to provide new services.

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III: Segmenting Producers According to their Buying Behavior

Topic/Issue

In designing effective marketing strategies, it is important for agricultural input suppliers to understand their customer's buying behavior. Segmenting customers into groups that have similar purchasing criteria allows suppliers to target the customers with whom their time and resources will be most profitably invested. Identifying a targeted group of customers' motivations for purchasing allows suppliers to efficiently create a bundle of value that best serves them. Furthermore, it is clear that customers have different buying behaviors depending on the product.

Results

The survey question used to identify producer preferences asked respondents how their purchases were influenced by convenience/location, service/information and personal factors, price, product performance and support services. This question was asked about the following six products: 1) seed, 2) crop protection chemicals, 3) animal health, 4) feed, 5) capital equipment and 6) financial products. Based on their responses, producers were divided into distinct market segments based on buying behaviors or purchase motivations for that specific product. For capital equipment, there were five market segments (balance, product performance, convenience, service and price), while for expendable products (seed, crop protection chemicals, animal health and feed) and financial products, there were four market segments (balance, convenience, service and price).

Producers in the balance segment consider all of the input supplier criteria to be equally important, and this segment is always the largest in terms of the number of producers. In the performance segment, producers choose input suppliers based on the quality of their products and information. Farmers in the convenience segment choose their suppliers based on their location and service. Operators in the service segment place a higher emphasis on service and information from dealers relative to the other segments. For producers in the price segment, price is the ultimate consideration, trumping service and product performance.

Seed Buying Behavior

The balance segment dominates (69 percent of producers) when it comes to purchasing seed. Thirteen percent of producers fall in both the price

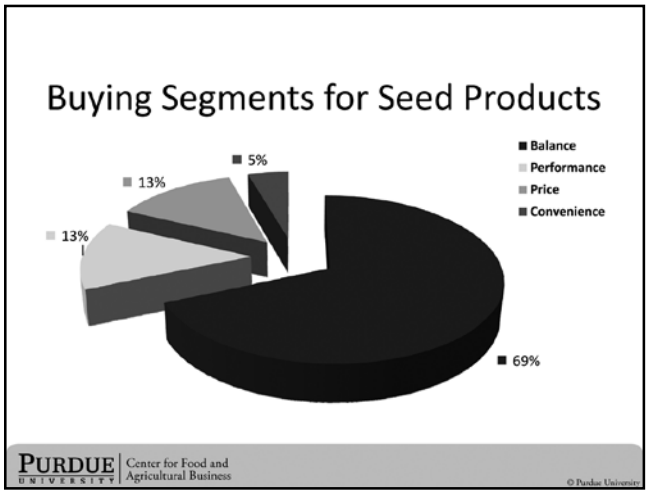

Figure 22: Buying Segments for Seed Products

and performance segments. The convenience segment is the smallest group at only 5 percent (see Figure 22).

The seed balance segment sees significant differences in services, information and price between suppliers. These buyers tend to be loyal to local suppliers and are willing to pay more to a local supplier who provides good services and information at a reasonable price. Seed balance buyers are also brand loyal; however, they are somewhat likely to agree that they will increase their use of generics. Seed balance buyers rely more on salespeople than in the past and say they value the relationship with their salesperson more than the company he represents.

The seed price segment is the oldest, at an average age of 57, and tends to operate larger farms. Not surprisingly, these buyers are not willing to pay more to a local supplier. Compared to balance buyers, they value information from lenders more than manufacturers.

The seed performance buyers are the most educated; they tend to operate larger farms; and they are the most likely to be in the high-sales category, which consists of farms with sales above $5 million. Performance buyers see the most differences in brands and are the least loyal to both brands and local suppliers of all the segments. They rate information from independent consultants higher than the other segments.

The seed convenience segment has both the youngest and oldest producers of any segment, with few middle-aged producers. These buyers tend to operate smaller farms. Convenience buyers are the most brand loyal, the most loyal to local suppliers and the most willing to pay more to buy inputs from local suppliers. In general, they rate all information sources as less useful than any other segment. They also don't distinguish much between a salesperson and the company he represents.

Crop Protection Chemicals

When it comes to purchasing crop protection chemicals, 59 percent of producers fit in the balance segment. Performance buyers comprise 19 percent, and the price segment includes 12 percent of producers. The convenience segment is the smallest group at 10 percent (see Figure 23).

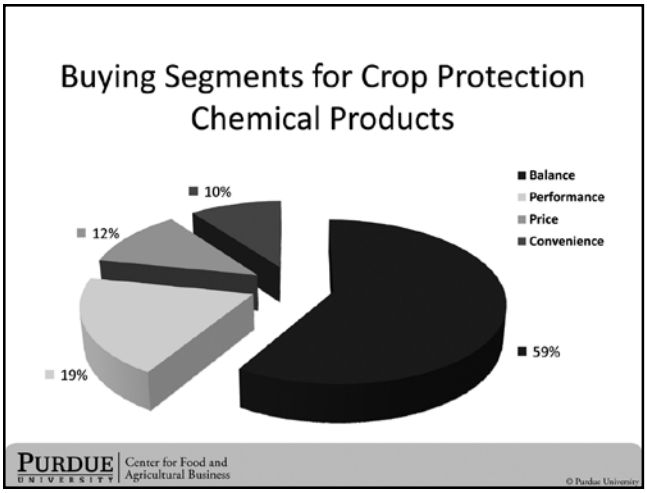

Figure 23: Buying Segments for Crop Protection Chemical Products

The buying behavior segments for crop protection chemicals and seed are similar because there is substantial overlap in the groups, regardless of a producer's farm size. For instance, 75 percent of seed balance buyers are also balance buyers for chemicals; 78 percent of seed performance buyers are also performance buyers for chemicals. This overlap is weaker for the price and convenience segments, with 51 percent of seed price buyers also being price buyers for chemicals, and 55 percent of seed convenience buyers being convenience buyers for chemicals.

The chemical balance segment is the youngest, with an average age of 54. Balance buyers see significant differences in services, information and price between local suppliers. They tend to be loyal to local suppliers and are willing to pay more to a supplier who provides good services and information at a reasonable price. Chemical balance buyers are also brand loyal, but they are somewhat likely to agree that they will increase their use of generics. These buyers rely more on salespeople than in the past and say they value the relationship with their salesperson more than the company he represents.

The chemical price segment is the oldest, at an average age of 57. These buyers tend to operate larger farms and value information from other farmers. Not surprisingly, they are not willing to pay more to buy inputs from local suppliers.

The chemical performance segment is the most educated; they tend to operate larger farms; and they

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are the most likely to be in the high-sales category (sales above $5 million). Performance buyers see the most differences in brands and are the least loyal to both brands and local suppliers of all the segments. Performance buyers rank local dealers as their most valuable information source and recognize the most differences in the quality of information and services offered by local dealers.

The chemical convenience segment has both the youngest and oldest producers of any segment, with few middle-aged producers. This segment tends to operate smaller farms. These convenience buyers are the most brand loyal, most loyal to local suppliers and the most willing to pay more to local suppliers. In general, they rate all information sources as less useful than any other segment. They also don't distinguish much between a salesperson and the company he represents.

Animal Health Products

Balance buyers make up the largest segment (48 percent) when it comes to purchasing animal health products. The convenience segment consists of 32 percent, followed by the price segment at 11 percent. Performance buyers are the smallest segment at 9 percent (see Figure 24).

Clearly, producers take a different approach to buying animal health products compared to crop expendable products. Overall, the most notable difference is that convenience is much more important. Animal health industry experts believe there are several reasons for the importance of convenience. First, when an animal is sick, the ability to deliver medicine quickly is paramount. Second, the industry is dominated by large retailers who stock a full range of products and offer competitive prices and high-quality service, so convenience is a differentiating factor.

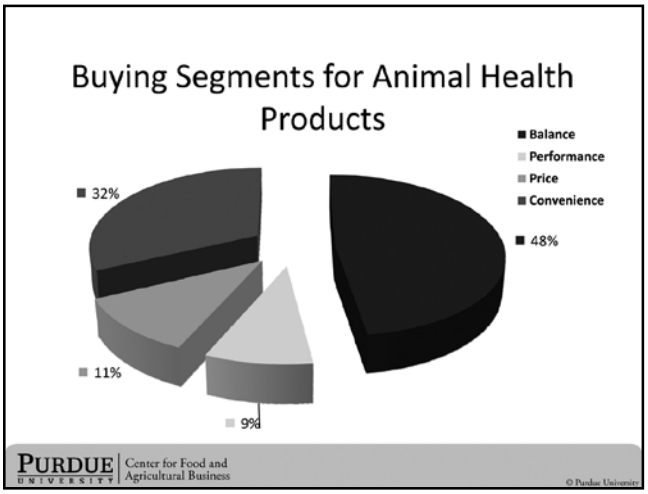

Figure 24: Buying Segments for Animal Health Products

Looking at the segments more closely, the animal health balance buyers tend to operate mid-sized farms, with a large portion having sales between $100,000 and $500,000. The balance buyers are also more likely to manage beef and dairy operations. They see differences in services and information between retailers, tend to be loyal to their local retailer and are willing to pay more for products from a local dealer. They also place a high value on their relationships with salespeople, and they particularly value honesty and technical competence.

The animal health convenience segment is the youngest, at an average age of 53. Like the balance segment, these buyers are more likely to manage dairy and beef cattle operations. The convenience buyers also tend to be brand loyal and more likely to purchase the lowest-priced product. They do not see differences in the services and information offered by local suppliers; instead, they view other farmers as the most important source of information. When working with a salesperson, these convenience buyers want someone who knows their operation.

The animal health price buyers tend to be more educated and operate large farms. Twenty-five percent of these producers operate hog farms. Not surprisingly, price buyers are the least willing to pay more for inputs from local suppliers, and they are also less likely to see brand differences. Like convenience buyers, the price segment also rates other farmers as the most important source of information.

The animal health performance segment tends to be more educated and operate large farms. The segment is also the oldest, with an average age of 57. Performance buyers are much more likely to operate hog farms, as well. They see differences in prices and information between local suppliers, and they are willing to pay more for products from local suppliers. However, they still rate other farmers as their most important source of information. Not surprisingly, they see the most

differences among brands and are the least likely to purchase based on price. Performance buyers tend to not care if a salesperson knows their operation. They prefer someone who is honest and technically competent.

Feed Products

At 68 percent, the balance segment is the largest when it comes to purchasing feed products. The price segment is 13 percent, while the performance segment consists of 10 percent. The convenience segment is the smallest at 9 percent (see Figure 25).

The feed balance segment is the oldest, with an average age of 57. These producers are less likely to operate a high-sales farm. As with the animal health products, feed balance buyers are more likely to operate beef and dairy farms. For feed balance buyers, the local dealer is the most important source of information.

The feed price segment is composed of relatively young farmers, averaging 50 years old. They tend to operate larger farms and raise hogs and dairy cattle, as opposed to beef. Not surprisingly, the price segment is not willing to pay more for inputs from a local supplier, even though the local dealer is their most important source of information. Price buyers also rely more on salespeople than they have in the past and value salespeople who represent what's best for the operation.

Producers in the feed performance segment are more likely to operate farms with more than $5 million in sales. These buyers typically raise hogs and dairy cattle. Local dealers are the most important sources of information for these buyers, and they're willing to pay more to purchase products from them. Feed performance buyers can identify differences in the quality of services and information offered from various local dealers. For salespeople, they place a higher value on technical competence than honesty.

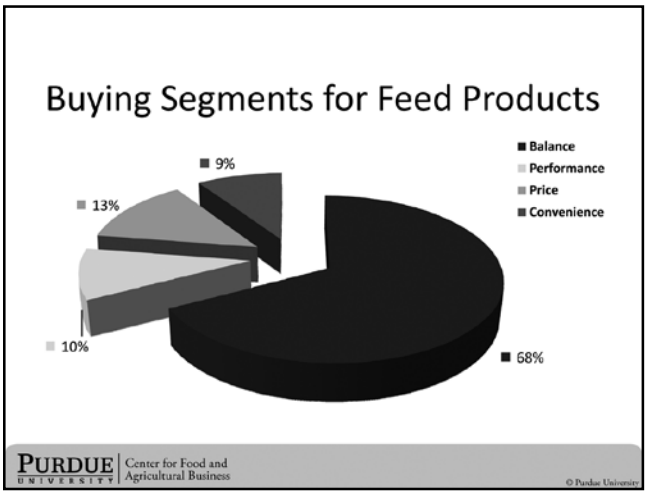

Figure 25: Buying Segments for Feed Products

The feed convenience segment is the most educated, with more than 20 percent having a master's degree. They tend to operate smaller farms consisting of beef cattle or hogs. Few convenience buyers operate dairy farms. These buyers see significant differences in prices between local suppliers. In general, they rate all information sources as less useful than any other segment. They also value their relationship with the salesperson more than the company he represents.

Capital Equipment

Most producers (54 percent) fall into the balance segment when purchasing capital equipment. The performance and price segments each consist of 15 percent. The service segment is 12 percent, and 4 percent of producers make up the convenience segment. While four segments surfaced during the data analysis for expendable products, researchers identified five segments for capital equipment, with an additional group of buyers who value customer service above all the other factors (see Figure 26).

The capital equipment balance segment is more likely to operate livestock farms than crop farms. For these buyers, local dealers are their most important source of information, and they are the most willing to pay more for products from local dealers. Balance buyers also place a higher value on their relationship with their salesperson than the company he represents.

The price segment for capital equipment tends to be relatively more educated and slightly more likely to operate crop farms than livestock farms. The price segment is the least loyal to local dealers, and these producers rate other farmers as their most important source of information.

The capital equipment performance segment is more likely to operate large, high-sales farms. These buyers typically operate crop farms and rate their local dealer as the most important source of information. Performance

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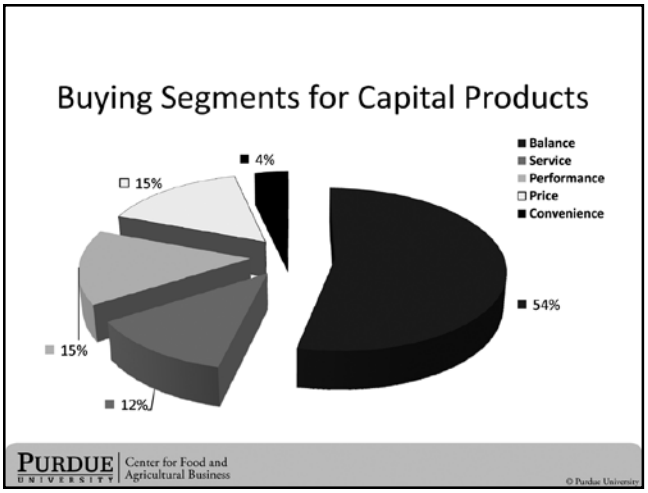

Figure 26: Buying Segments for Capital Products

buyers place a higher value on their relationship with the salesperson than the company he represents. They also place a higher weight on honesty and technical competence for salespeople than the other segments.

Service buyers of capital equipment are generally less educated and more likely to operate mid-sized farms. They are equally likely to have crop and livestock farms. The service segment is the least loyal to brands, but the most loyal to local suppliers. They see differences in the quality of information and services from local suppliers and rank manufacturer representatives as the least useful information sources.

The capital equipment convenience segment is relatively more educated. They are equally likely to have crop and livestock farms. Convenience buyers see significant differences in the quality of services among local suppliers, and they are the most loyal to local dealers. Dealers in their area are their most important source of information, and they notably rank manufacturer representatives as the least useful sources of information. Convenience buyers also value their relationship with the salesperson more than the company he represents.

Financial Products

The financial balance segment, which is the largest group, makes up 66 percent of the total respondents. These producers choose a lender based on all of the factors — convenience/location, customer service, price, performance and support service. The financial price and service segments account for 17 and 12 percent respectively. Producers in the financial price segment place 52 percent of their purchasing decision on price. The financial service segment focuses mostly on customer service at 46 percent of their decision, as well as convenience/location, which accounts for 29 percent of their decision. The financial convenience segment is the smallest at 5 percent. Producers in this segment will choose a lender based almost entirely on their convenience/location, placing 92 percent of their decision on this factor (see Figure 27).

These segments are based on the producers' buying behaviors for financial products, and it is important to characterize these segments based on their demographics. The financial balance segment is an average of 54 years old, and 23 percent of producers in this segment have a college degree or a more advanced degree. Producers in the balance segment are more likely to operate corn/soybean, dairy and hog farms. They are also the most likely to see differences among lenders.

The financial price segment is, on average, the most educated and tend to operate large crop farms. Price buyers choose their lender based on interest rates, and they are the most willing to borrow from non-traditional lenders who offer them the lowest rate.

Producers in the financial service segment are, on average, the youngest at 54 years of age. They tend to operate mid-sized farms with sales in the $100,000 to $500,000 range. These buyers are more likely to operate cattle, hog, dairy and wheat/barley/canola farms.

At an average age of 56, the financial convenience segment is the oldest. This group tends to operate

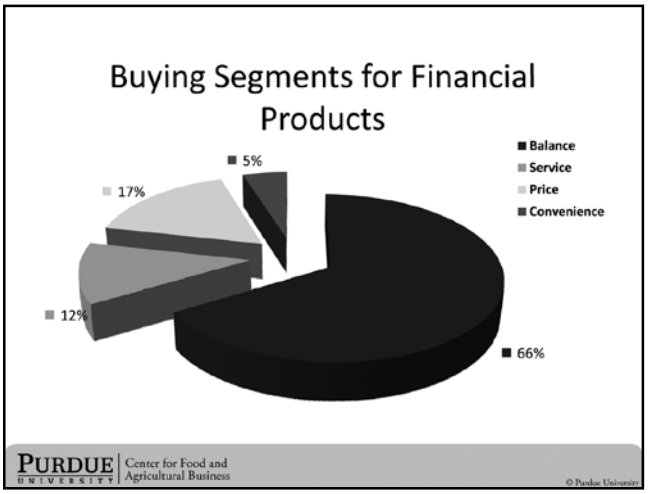

Figure 27: Buying Segments for Financial Products

the smallest farms, with 24 percent managing farms with less than $100,000 in sales. Producers in the convenience segment are more likely to operate cotton and cattle farms.

Changes Over Time

Looking at the changes in buying segments for capital equipment offers a strong example for how buying behavior in general has changed over the last five years. The survey asked producers the same question regarding

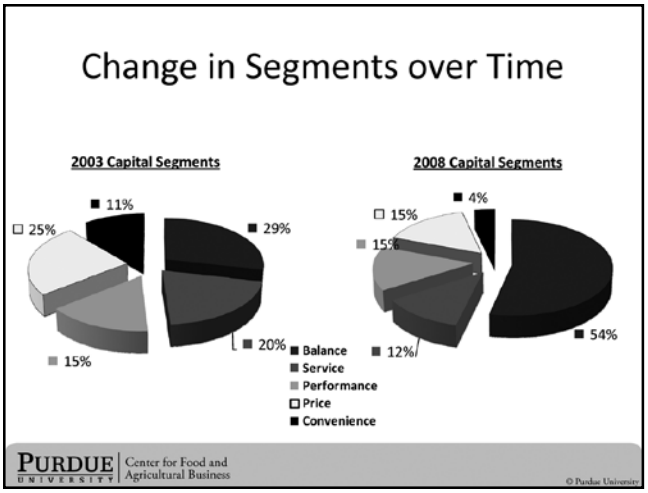

Figure 28: Change in the Capital Segments Over Time

capital equipment in both the 2003 and 2008 surveys, providing a basis for comparison over time.[1]

Cluster analysis identified the same five buying behavior segments for capital equipment in both 2003 and 2008 (balance, price, performance, service and convenience); however, there are several major changes that have occurred over the last five years (see Figure 28).

The balance segment is still the largest, but it is much larger in 2008 at 54 percent, compared to 29 percent in 2003. One reason the balance segment has grown so much may be that dealers are doing a much better job at providing high-quality products, services and information.

1 In the 2003 survey, seed, animal health, feed and crop protection chemical products were all combined into one category (expendable) and treated as a single question about expendable products in general.

The service segment has shrunk; it represents only 12 percent of buyers in 2008, compared to 20 percent in 2003. Again, one explanation is that the quality of customer service has improved over the last five years, so fewer buyers are choosing based on this factor because they have come to expect good service everywhere.

The price segment has also shrunk; it is only 15 percent of buyers in 2008, compared to 25 percent in 2003. One explanation for this reduction in price buyers relates to the 2008 survey's timing. The survey was conducted during January and February 2008 when producers where seeing record high prices and expecting record high profits, so price may not have been a major factor when buying capital equipment. One would expect that as commodity prices and producers' revenue expectations decline, the size of this price segment may increase.

The performance segment remained constant at 15 percent of buyers in both 2003 and 2008. It's possible that performance buyers may have the most stable set of buying behaviors.

The convenience segment is only 4 percent of buyers in 2008, compared to 11 percent in 2003. After the 2003 survey, this segment was expected to decrease in size because the 2003 results indicated that these buyers were much older and operated smaller farms. Ultimately, they have probably retired.

Implications

While the market segmentation analysis identified four and five distinct groups of producers, it is worthwhile to compare these market segments to the traditional three market segments. Salespeople often categorize producers as business buyers, economic buyers and relationship buyers. Following this typology, producers in the balance segment and the performance segment can be categorized as business buyers. Producers in the price segment can be categorized as economic buyers. Finally, producers in the convenience and service segments can be categorized as relationship buyers. Understanding these five groups in this light, there are several implications for suppliers as they plan the value they will deliver in coming years.

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IV: Communicating Value Effectively and Efficiently

Topic/Issue

Agricultural producers are often faced with an array of choices. In addition, they are likely to have more information and data regarding their choices than ever before. This poses a challenge for input suppliers to communicate with producers effectively, as well as efficiently. There are many avenues through which to communicate with producers. For example, agricultural newspapers, periodicals,

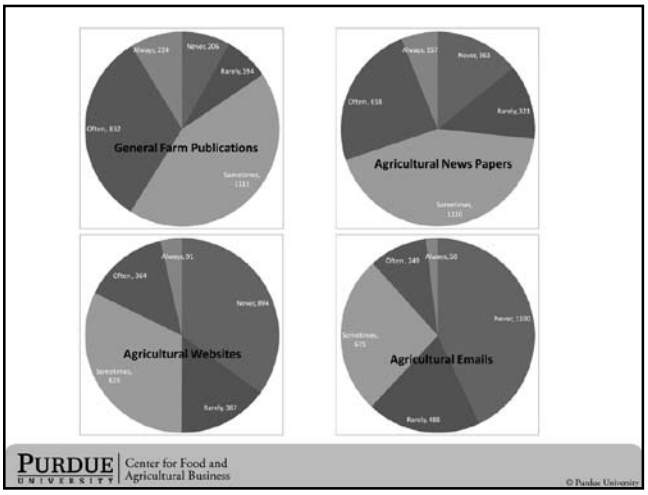

Figure 29: Distribution of Answers for Usefulness of Communication Media

radio broadcasts and increasingly, the Internet. Communicating effectively will require firms to create messages that cut through the overwhelming amount of information available to producers. To be efficient, they need to choose channels that reach the greatest number of customers at the lowest cost.

A message's effectiveness can be diluted by other firms' communication efforts regarding the value of their inputs and services. Building a strong brand image with producers is one means of improving effectiveness. Deciding which product to purchase depends not only on the producer's perception of value, but also on what differences they believe exist between alternatives. Suppliers looking to build a brand need to understand producer attitudes toward branded and generic (unbranded or private label) products. They should also explore the differences in the attitudes and buying behaviors of brand-loyal producers relative to those who don't consider brands as much when making buying decisions.

Results

Here, communicating value is broken into two pieces — communications vehicles (what channels agribusinesses use to connect with producers) and branding strategies (how agribusinesses communicate many product and service attributes in a succinct manner). In general, producers still prefer printed to electronic materials, though this is less true for younger producers. In addition, among survey respondents, roughly one-third are brand loyal and see differences among brands. Younger producers, however, tend to be more brand loyal than their middle-aged counterparts.

Communications Vehicles

Agribusinesses use multiple channels to connect with producers. The survey indicates that producers prefer messages delivered through printed materials. More than half of producers indicated that they never or rarely find e-mails or Web sites useful. Just

less than three-fourths of respondents indicated that they find general farm publications and agricultural newspapers sometimes, often or always useful (see Figure 29). This translates to a usefulness rating of more than three out of five (see Figures 30 and 31).

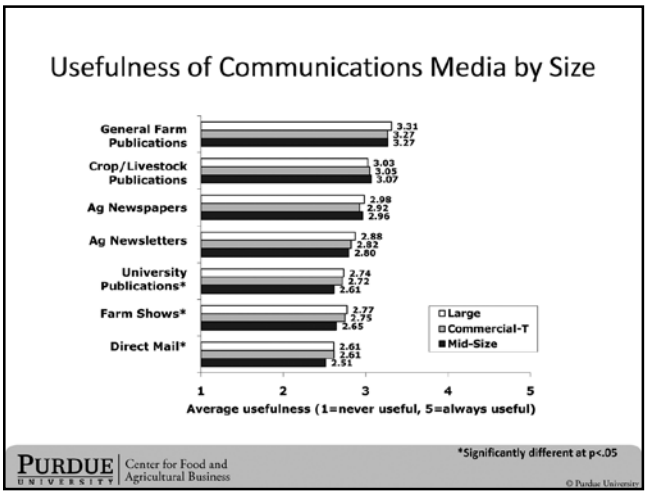

Figure 30: Usefulness of Communication Media by Size (part 1)

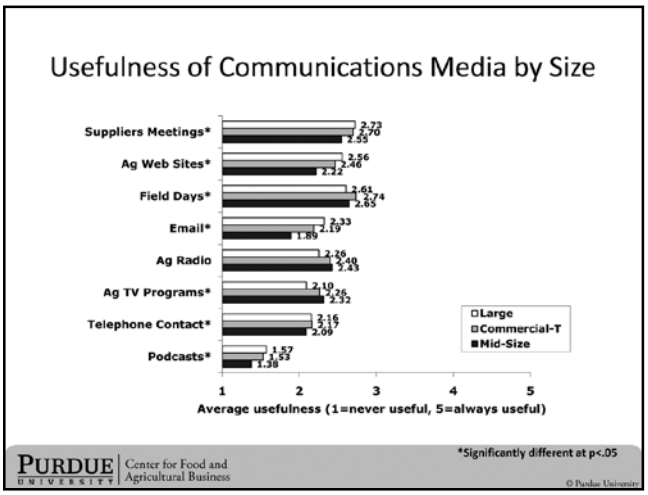

Figure 31: Usefulness of Communication Media by Size (part 2)

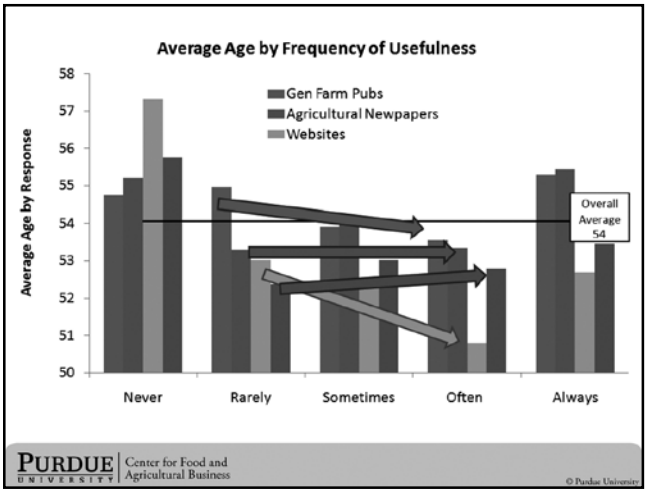

Figure 32: Usefulness of Communication Media by Age

In general, younger, more educated producers find both print and electronic sources useful. This suggests that these producers are more comfortable using the technology and want to read multiple sources to avoid bias. Also, it appears that producers, over time, have not changed their opinions much regarding the usefulness of agricultural Web sites (see Figure 32). For example, producers that rate Web sites as "often" useful are more than two years younger, on average, than producers that rate Web sites as "rarely" useful.

At the 2008 National Conference for Agribusiness, Greg Vincent, editor of *Top Producer*, indicated that media sources are seeking to leverage their print material with online supplements. They want to give interested readers the opportunity to gather more information about the subject online and increase the print material's usefulness. Agribusinesses can work with companies to leverage their presence in print on the Internet or through other channels, such as e-mail or radio.

Brands

With respect to brands, producers are generally split on whether or not there are differences among brands of capital inputs. About one-third of producers agreed or strongly agreed that national brands are "more or less the same" among capital items, such as equipment. Meanwhile, about 40 percent disagreed or strongly disagreed with this statement. It is difficult to ascertain a trend among producers' feelings regarding differences among brands; however, it is clear that, compared to other surveys, more producers in 2008 felt strongly that brands are more or less the same (see Figure 33).

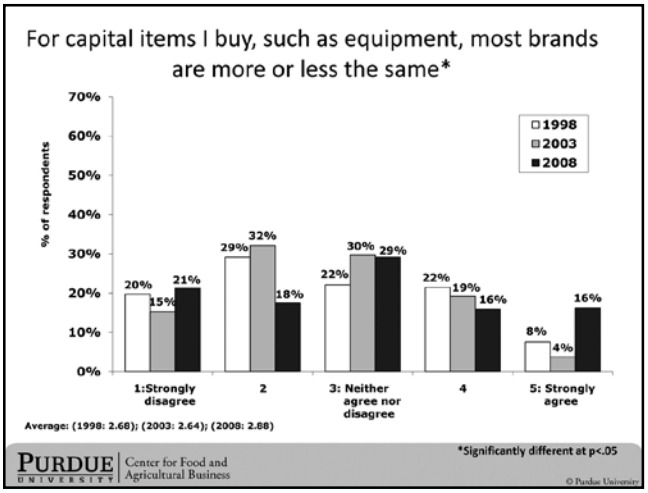

Figure 33: Producer Opinion — Similarity of Capital Brands by Year

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Interestingly, although there is little agreement regarding the differences among brands, producers tend to be loyal. One-half of the sample indicated they agree or strongly agree that they are loyal to the brands of capital items they buy. Just 27 percent disagreed or strongly disagreed regarding their loyalty to capital item brands. Again, the trend is difficult to identify, but it appears that the intensity of their loyalty has slightly decreased, compared to past surveys (see Figure 34).

Generic products often offer an alternative to branded expendable items. Among cash crop producers, about one-third agreed that branded products offered a higher level of performance; one-third disagreed; and the remaining third would neither agree nor disagree. When considering animal production, differences existed among specie. In general, dairy and swine producers tended to respond with indifference or disagreed that branded products offered a higher level of performance relative to generics. Cattle producers, however, tended to respond with greater agreement that branded products were superior. Forty percent of cattle producers saw this difference, while one-third disagreed (see Figures 35 and 36).

Even though, on average, producers neither agree nor disagree about differences among branded products and generics, there tended to be widespread agreement that generics offered a higher value when producers considered their lower price. Among cash crop producers, roughly just one-fifth disagreed that generic expendable items represent a good trade-off between price and performance (see Figure 37). This is also generally true among livestock producers, although more than one-fourth of swine producers disagreed with this statement (see Figure 38). Historically, producers have answered this question of the survey

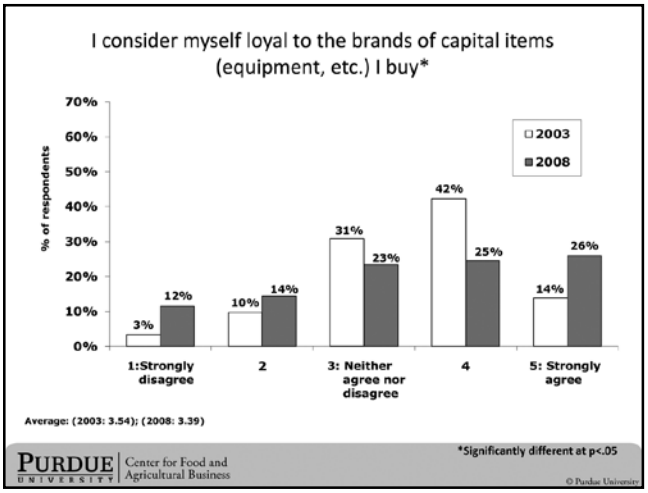

Figure 34: Producer Opinion — Loyalty to Brands of Capital Items by Year

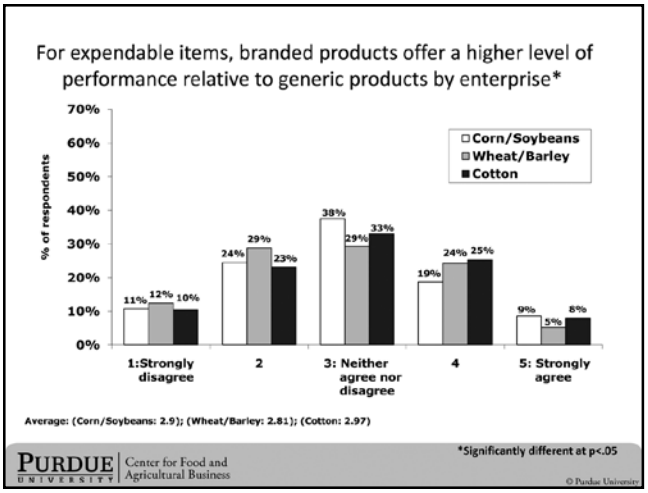

Figure 35: Producer Opinion — Performance of Branded Products Relative to Generic Products by Enterprise (part 1)

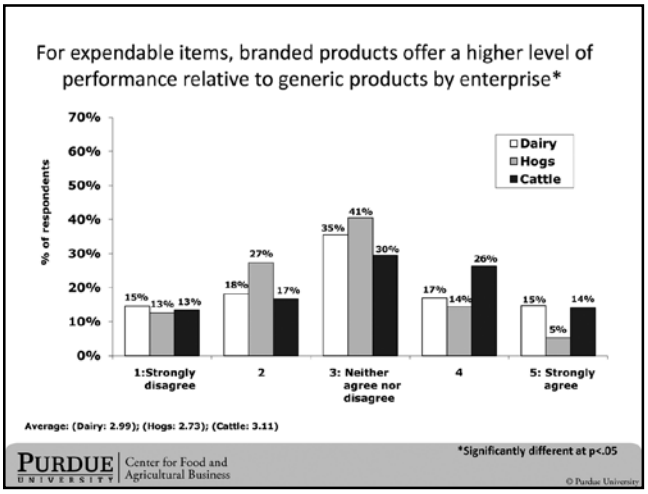

Figure 36: Producer Opinion — Performance of Branded Products Relative to Generic Products by Enterprise (part 2)

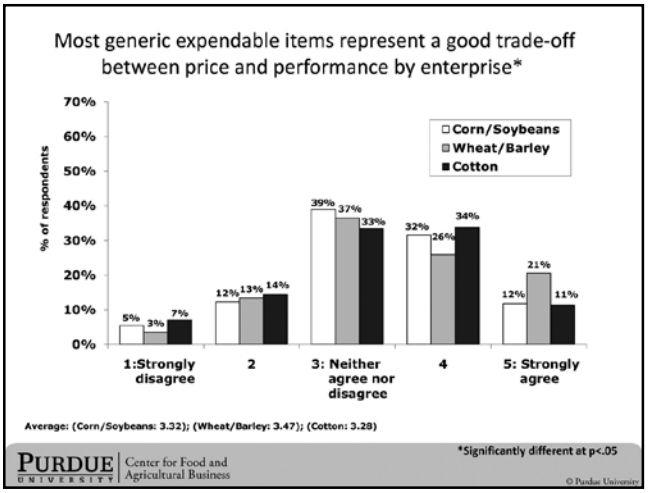

Figure 37: Producer Opinion — Value Proposition of Generic Expendable Items by Enterprise (part 1)

with indifference. Often, nearly one-half of producers have chosen to neither agree nor disagree that generics are a good trade-off, but in 2008, they started to break from this view and tended to agree with the statement in increasing numbers (see Figure 39).

When focusing on future customers, it is worth noting that younger producers and those expecting greater growth tend to be more loyal to brands and see differences among seed brands (see Figures 40 and 41). Alternatively, they tend to be much less loyal to chemical brands among most age groups (see Figure 42). In addition, farmers with high-growth expectations tend to exhibit little loyalty to chemical brands (see Figure 43).

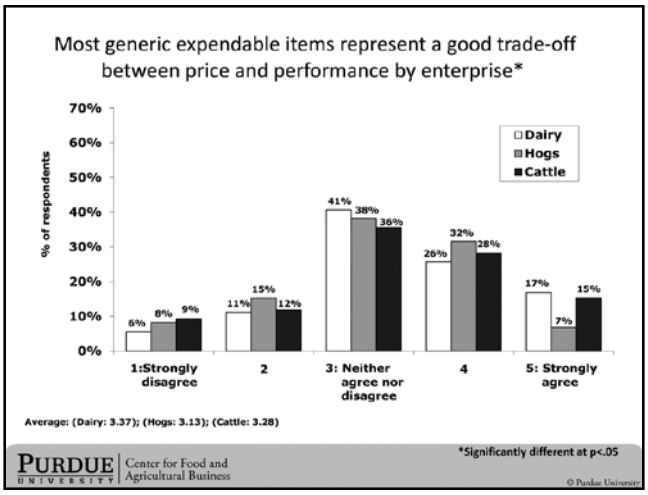

Figure 38: Producer Opinion — Value Proposition of Generic Expendable Items by Enterprise (part 2)

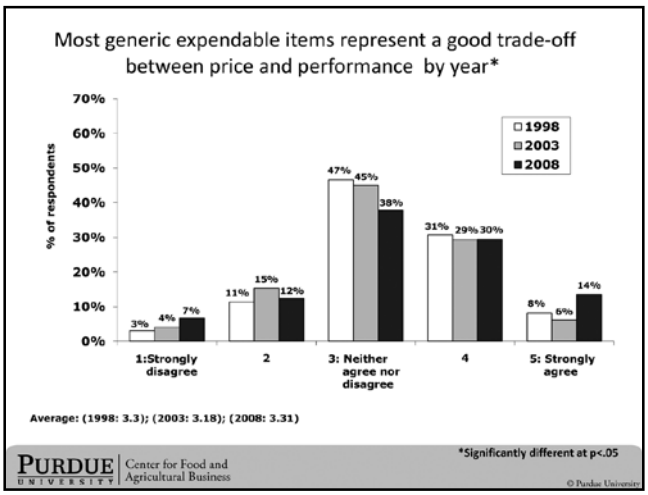

Figure 39: Producer Opinion — Value Proposition of Generic Expendable Items by Year

Implications

Communications Vehicles

It is likely that agricultural producers will increasingly use electronic means (e-mail and Internet) to communicate with suppliers. In general, printed newspapers and periodicals are struggling to remain profitable and continue daily printing operations. Major dailies in large cities have cut back the number of days they deliver per week, and some periodicals are moving entirely to Web-based versions.

As long as producers continue to demand printed

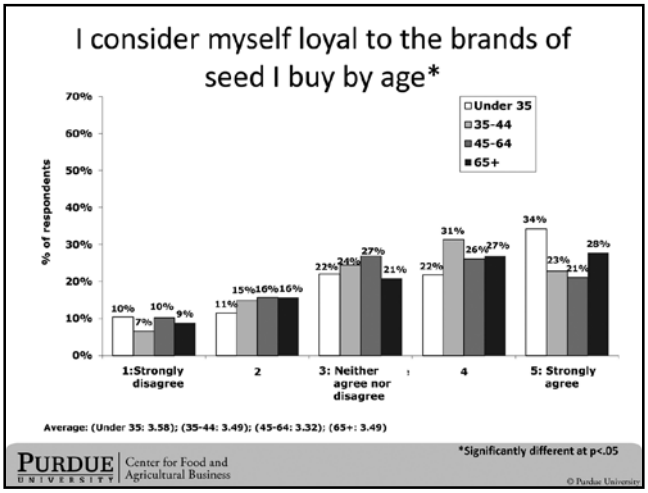

Figure 40: Producer Opinion — Loyalty to Brands of Seed by Age

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materials, agricultural media and advertisers should find this avenue attractive. However, younger, more educated producers appear to be as comfortable with electronic media as they are with print media. This may be indicative of the end of printed media, but this is not a foregone conclusion. Leveraging both print and electronic media appears to have benefits that far exceed the costs of pursuing a print-only strategy. The results might suggest that input suppliers provide additional information to interested producers on the Internet that are too costly to share via print media.

Brands

With producers split in their opinions of branding strategies, input suppliers might find it difficult to draw a strong conclusion about which strategy to pursue. It is clear from the data that producers are aware of generic products. Furthermore, most producers tend to see the performance-price trade-off among generic products as a good bargain. This results means that if agribusiness input suppliers are going to pursue a branding strategy, then they will need to boldly communicate the brand advantages if they are to command a premium price in the marketplace. Agricultural producers, like many sectors of the economy, face narrowing margins and increasing pressure to control costs. If the performance-price trade-off among branded products is not viewed favorably, the two-thirds of respondents that indicated

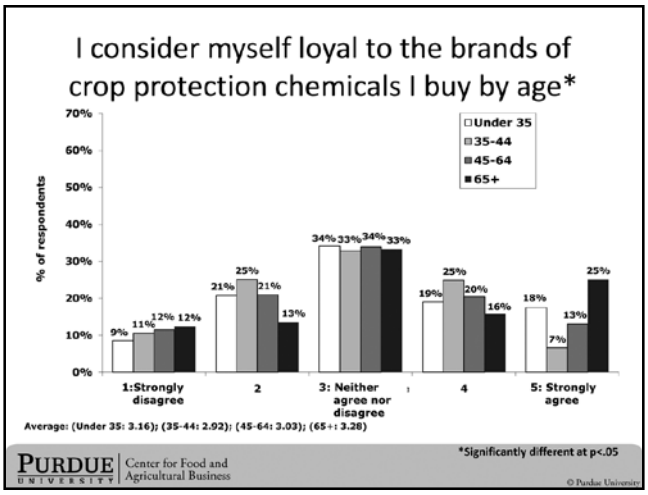

Figure 42: Producer Opinion — Loyalty to Brands of Crop Protection Chemicals by Age

Figure 41: Producer Opinion — Loyalty to Brands of Seed by Growth

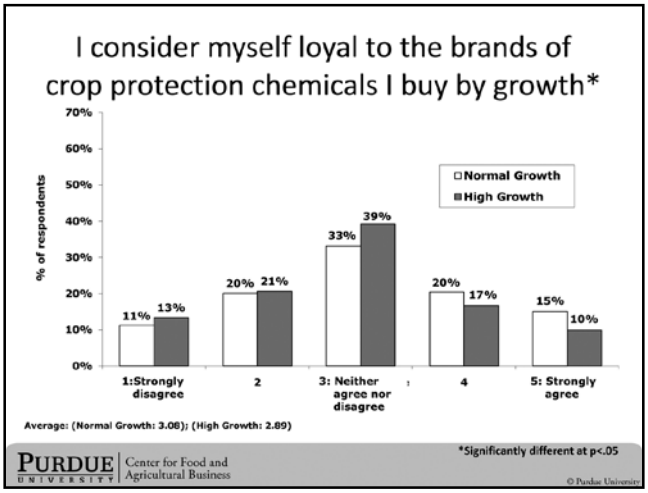

Figure 43: Producer Opinion — Loyalty to Brands of Crop Protection Chemicals by Growth

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V: Maintaining a Local Presence (Developing a Competitive Advantage in Agricultural Retailing)

Topic/Issue

The business climate for the farm sector and agricultural retailers is changing dramatically. Retailers are trying to better understand their customers and respond to the market forces in these increasingly turbulent times. With further consolidation of farming operations, and of competitors in the marketplace, retailers are constantly under pressure to serve their customers better than the supplier down the road. The 2008 survey results provide insight on how farmers perceive their retail and capital suppliers in terms

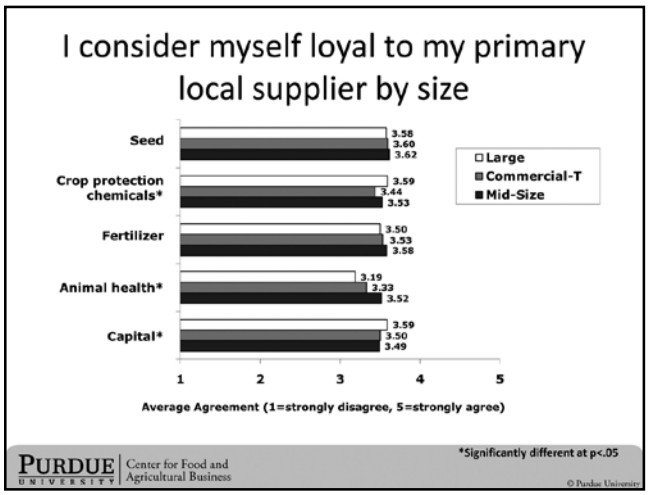

Figure 44: Producer Opinion — Loyalty to Local Supplier by Size

of the quality of services and information, pricing practices, sales and support, as well as their loyalty to local suppliers. The purpose of this discussion is to help input suppliers understand these perceptions and use this information to obtain a sustainable competitive advantage.

Results

Loyalty to Suppliers

Generally, producers consider themselves loyal to their primary local supplier of animal production and agronomic inputs, with mid-size producers being more loyal than larger farmers (see Figure 44) and younger more loyal than older producers. Cotton producers are more loyal to their suppliers of agronomic inputs. On the livestock side, hog producers report less loyalty to local suppliers of animal health products. High-growth producers (those expecting to grow more than 50 percent in size over the next five years) are less loyal to local suppliers of animal production and agronomic products.

Producers also consider themselves loyal to their primary local supplier of capital items, with smaller producers being more loyal than large producers (see Figure 44); those under 35 years old and those 65 or older express more loyalty than other producers. Corn/bean producers express the least loyalty to their local suppliers of capital items, while dairy farmers are the most loyal to their local suppliers of capital items. Compared to survey results from 2003, producers express about the same loyalty to their local capital-item supplier than in the past.

One-Stop Shopping

The survey asked producers whether they preferred to buy most of their animal production and agronomic inputs from one supplier (one-stop shopping). Generally, producers are almost equally

split as to whether they prefer, are indifferent or don't want to buy all of their inputs from a sole source. Smaller producers express more preference for single or sole sourcing compared to larger producers; those under 35 years old and those 65 or older express more preference for a single-sourcing strategy (see Figure 45); and high-growth producers express less preference for sole sourcing. Regarding enterprises, wheat/barley, cotton and cattle producers are more interested in a sole supplier for expendable items. Generally, producers express less support for single sourcing of animal production and agronomic inputs than in the past.

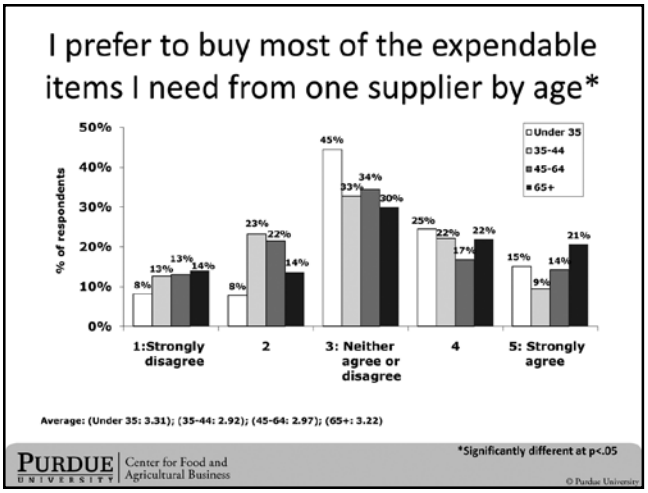

Figure 45: Producer Opinion — Sole Sourcing of Expendable Items by Age

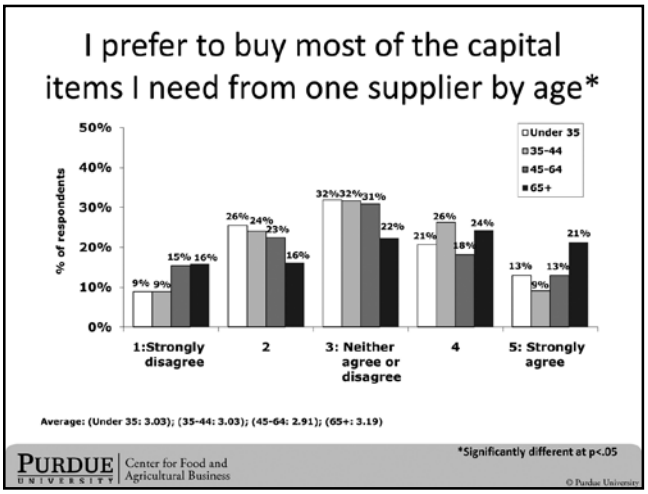

Figure 46: Producer Opinion — Sole Sourcing of Capital Items by Age

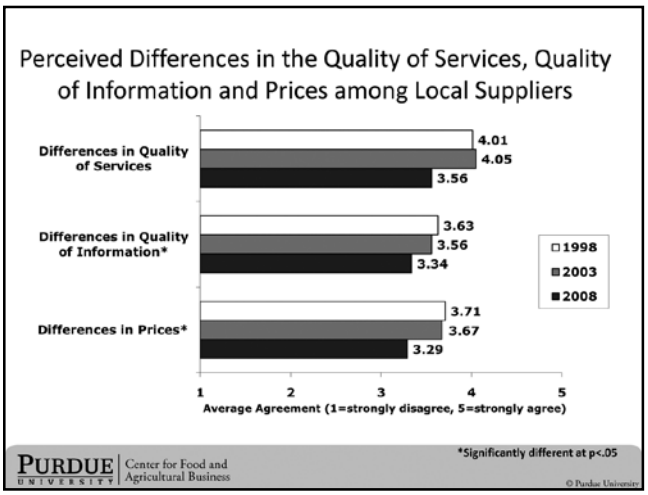

Figure 47: Producer Opinion — Differences in Quality of Services, Information and Prices among Local Suppliers by Year

Producers answered the same question regarding capital items. Results show that producers are almost equally split as to whether they prefer, are indifferent or don't want to buy all of their capital items from a sole source. Large producers express more preference for single or sole sourcing compared to smaller producers, which was the opposite for expendable items; those 65 or older and cotton and cow-calf producers express more preference for a single-sourcing strategy (see Figure 46); and high-growth producers express less preference for it. Generally, producers express about the same support for single sourcing of capital items as in the past.

Quality of Services

Generally, producers see significant differences in the quality of services provided from one local retail supplier compared to others in the market. Dairy and cattle breeders are more likely to perceive differences; producers under 34 years old don't recognize as many differences; and high-growth producers observe more service-quality differences from local suppliers. In general, compared to previous surveys, producers in 2008 perceive fewer differences in the quality of services from one local input supplier to another (see Figure 47).

As with quality of services, producers generally perceive that there are differences in the quality of information provided by local suppliers. Smaller farmers see more differences than larger farmers, and cattle producers recognize more differences compared to producers of other products. Older producers, as well as high-growth farmers, more frequently perceive differences. Compared to previous years, producers recognize fewer differences in the quality of information provided by local input suppliers (see Figure 47).

Pricing

Generally, producers agree that there are often significant price differences for similar products from

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one local supplier to another. Farmers under 35, cow-calf producers and high-growth producers are more likely to see price differences among local suppliers. Again, compared to previous years, producers in 2008 are less inclined to perceive price differences for similar products from one local supplier to another (see Figure 47).

Producers answered a question asking whether they usually purchased the lowest-priced products. In general, they indicated that this was not the case for all products, but particularly for seed. Large producers were more inclined to purchase the lowest-priced products for production inputs. Corn/soybean producers are less inclined to buy the lowest-priced seed or fertilizer products, while cotton producers look more for the lowest-priced crop protection chemicals. On the livestock side, cow-calf producers were not as focused as others in purchasing the lowest-priced animal health and capital products, while hog producers were more inclined to buy the lowest-priced capital items. Farmers under 35 years old were less inclined to buy the lowest-priced input, except for animal health products. High-growth producers were less inclined to pay the lowest price for seed, but more inclined to purchase the lowest-priced crop protection chemicals and capital items (see Figure 48).

When asked whether they are willing to pay slightly more to buy inputs from locally owned suppliers, producers generally agreed; larger producers and high-growth producers, however, were less inclined to pay more. Wheat/barley producers (see Figure 49), those under 35 years old and those 65 or older were more inclined to pay slightly more for the same input from locally owned suppliers. Over time, there has been little difference in this willingness to pay price premiums to acquire inputs from locally owned suppliers.

Implications

There continues to be differences in the quality of services, price and quality of information among local input suppliers of animal production and agronomic inputs. However, these differences are less than they have been in the past, indicating that there is less differentiation between local input retailers. Producers continue to place a high value on local suppliers. They are loyal to local suppliers and, in general, willing to pay a price premium for locally supplied inputs.

The implication of these results is that the retail market space is becoming more competitive – more "commoditized." Agricultural retailers who want to succeed will have to work harder at differentiating themselves from their competitors. They will need to provide the highest quality of services and information at a competitive price. Beyond maintaining and increasing differences, agricultural retailers need to better understand different customer segments and what those different segments want from them in terms of price, convenience, service, information, technical competence, availability, reliability, etc. The previous section on buying segments (theme III) may provide some guidance for retailers in thinking about differences in customer segments.

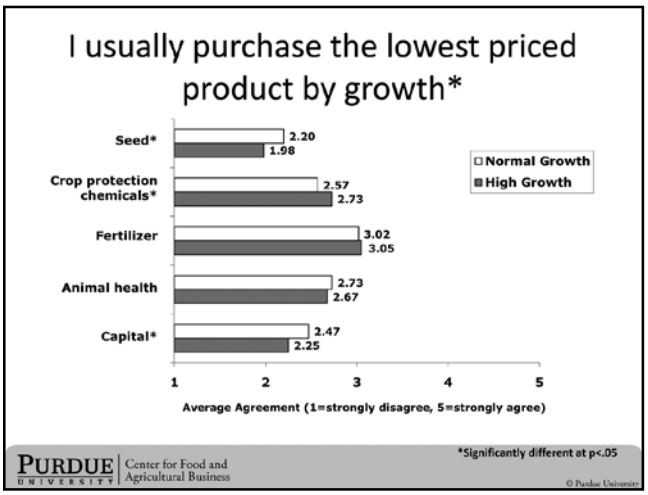

Figure 48: Producer Opinion — Purchase of the Lowest-Priced Product by Growth

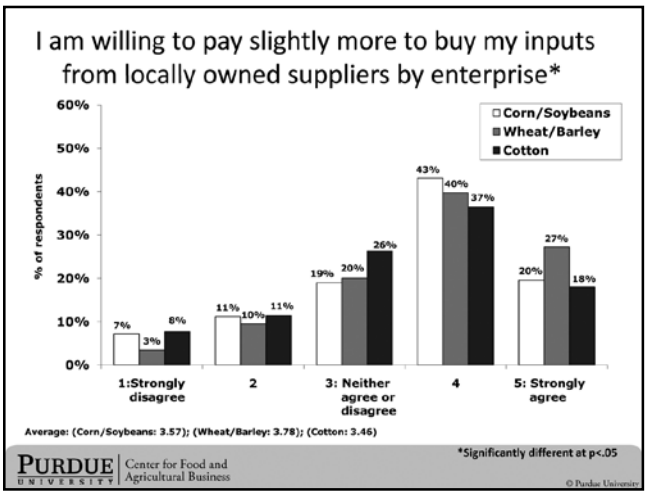

Figure 49: Producer Opinion — Premium for Local Suppliers by Enterprise

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VI: Delivering the Promise through our People

Topic/Issue

Organizations make and fulfill promises in the marketplace through their people. Salespeople are integral to communicating the value of products, services and information. The survey examined the need for salespeople and farmers' preferences for the characteristics and roles that salespeople bring across the distribution channel.

Results

Paramount to understanding the characteristics and roles of salespeople is to consider the value they bring through the channel. Salespeople play

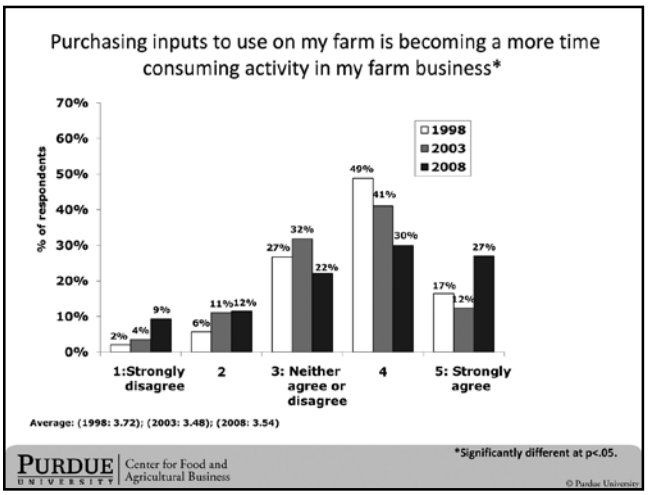

Figure 50: Producer Opinion — Time Spent Purchasing Inputs by Year

a matching role — drawing from their knowledge of individual customer needs to select and advise specific solutions. This process appears to have become more cumbersome for some farmers since 2003 (see Figure 50). The survey asked producers to consider whether purchasing inputs is becoming a more time-consuming activity. In 2003, 54 percent of respondents indicated that purchasing inputs was becoming more time consuming. In 2008, 57 percent of respondents agreed, and their conviction was stronger, with more than a quarter of respondents agreeing strongly, as compared to only 12 percent in 2003. This effect was strongest among the largest operations, with 67 percent of large operators in agreement. Agreement extended across species, with the exception of hogs. The lower conviction in responses for hog producers may reflect the industry's degree of integration. Contract production and processor direction may drive more of the decisions in this sector, resulting in hog farmers spending less time purchasing inputs than their crop or other livestock counterparts.

Given increasing conviction in the cumbersome nature of decision making by farmers, the opportunity for salespeople to expedite farm input decisions for their customers would seem clear. Indeed, the survey asked producers to indicate their level of agreement with the statement that they rely more on salespeople for information and advice than they did five years earlier. This variable had the highest correlation with attitudes toward the time-consuming nature of purchasing inputs (.36) across all variables considered in the study. The role that information transfer plays in salesperson interaction with farmers is complex. The survey also asked producers for their level of knowledge relative to local suppliers. Responses have not changed much, on average, since 2003, but have slightly increased

since 1998. However, conviction for strong agreement among commercial operators has grown from 8 percent in 2003 to 15 percent in 2008, with

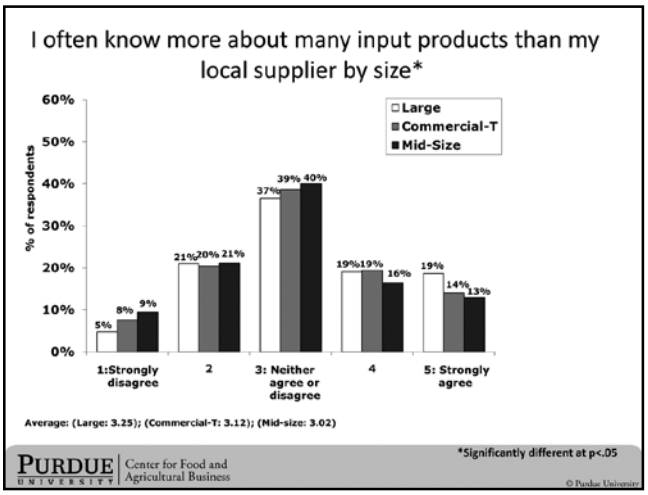

Figure 51: Producer Opinion — Knowledge Compared to Local Supplier by Size

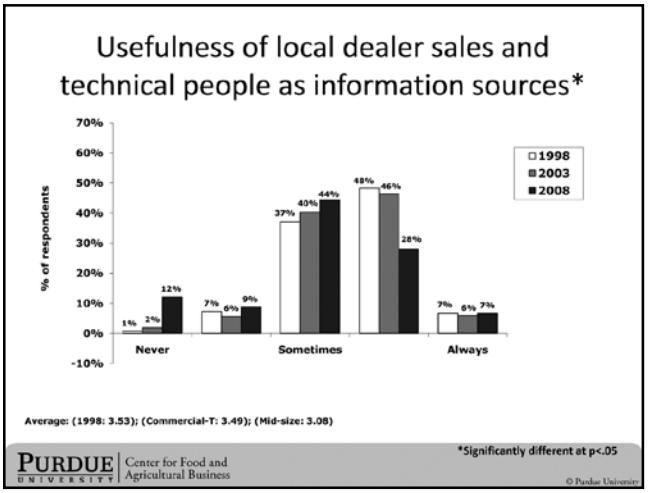

Figure 52: Producer Opinion — Usefulness of Local Dealer Sales and Technical People as Information Sources by Year

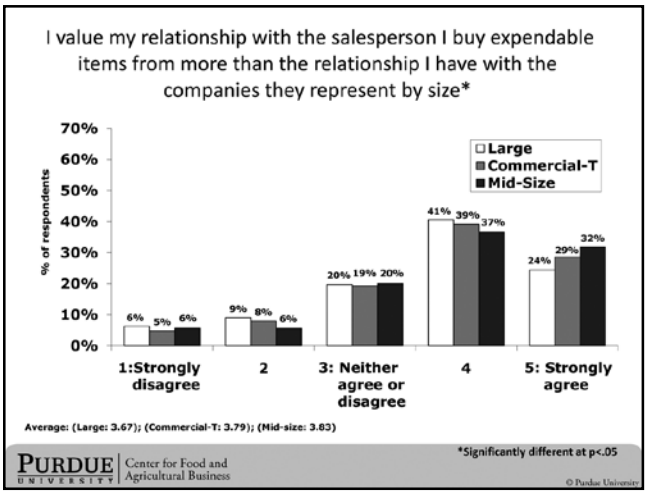

Figure 53: Producer Opinion — Role of Salespeople Relative to Represented Companies by Size

19 percent of the largest operators strongly agreeing that they know more about many input products than their local suppliers (see Figure 51).

This challenge is reflected in attitudes toward local dealer sales and technical people as information sources. While information coming from local staff who support farmers is still valued, the level of value has eroded since 2003, and 1998 for that matter (see Figure 52). Manufacturer sales and technical people are seen as relatively less valuable. Negative responses to manufacturer salespeople as information sources have grown from 20 percent in 2003 to 39 percent in 2008. Only 17 percent of producers always or almost always see value from manufacturer sales representatives. For manufacturer technical people, the results show less value with negative responses growing from 41 percent in 2003 to 59 percent in 2008.

This is reflected in the resistance to form direct relationships with manufacturers. Thirty-six percent of producers do not desire to expand their relationships with manufacturers of capital items, compared to 20 percent in 2003. Relationships with manufacturers of seed, crop protection, fertilizer and animal health products are not desired for 30 percent, 33 percent, 27 percent and 33 percent of respondents respectively.

Agricultural products and services sales are still largely person-to-person. The resistance to form relationships with manufacturers may have to do more with attitudes toward relationships with business entities, as

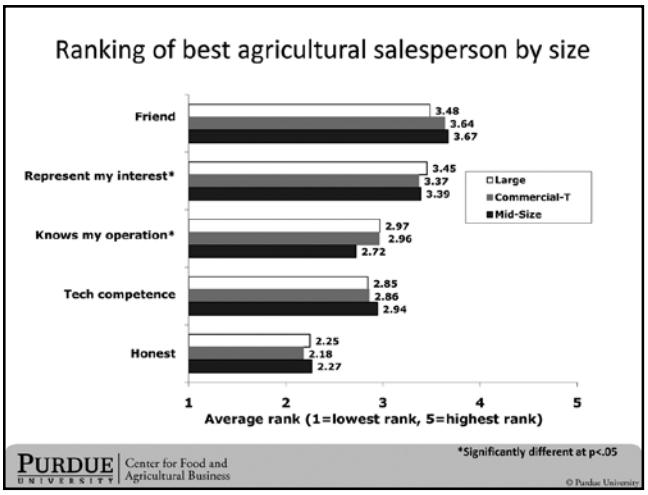

Figure 54: Ranking of Best Agricultural Salesperson by Size

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opposed to relationships with people, than with the value delivered through these connections. When asked about the role of salespeople relative to the companies they represent, there continues to be clear preferences for interaction with individuals than companies. This seems to hold true across various operation sizes, with at least 62 percent of even the largest operations confirming the value of the people they interact with over the suppliers of expendable items they represent, and 52 percent for capital items (see Figure 53).

As in past years, the survey sought to clarify both the characteristics and roles that salespeople play in delivering the value preferred by farmers. For 2008, consistent with other research, salesperson characteristics and activities were evaluated as separate items, with five characteristics ranked and seven activities considered on a five-point Likert scale. In previous studies, questions about salesperson characteristics and activities were combined as a single item that asked participants to identify the top three distinguishing factors for the best salesperson they worked with. Because of these differences in questioning styles, comparison between years was not possible.

Honesty has consistently been identified as the number one characteristic for a salesperson throughout the 15 years the study has been conducted. The 2008 study was no exception (see Figure 54). About 36 percent of all respondents, regardless of their operation size, ranked honesty as the highest characteristic for their best salesperson. Technical competence ranks as a close second in terms of characteristics farmers look for from supplier salespeople. Representing the farmer's interests and knowing their operations were ranked third and fourth respectively among the five-ranked characteristics in the study. Consistent with the past several studies, friendship ranked last in importance.

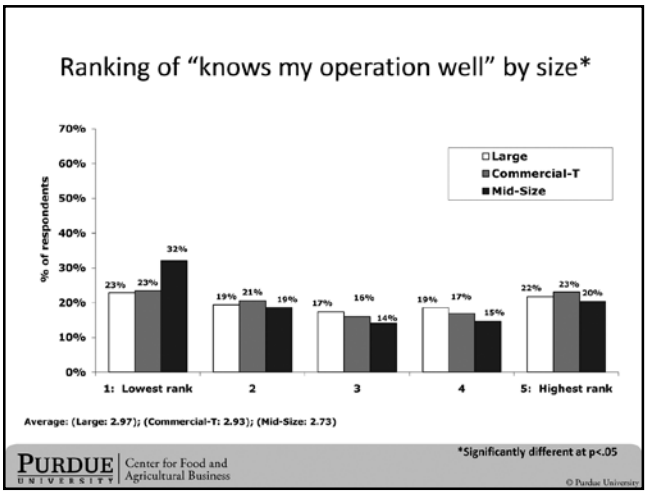

Figure 55: Ranking of Salesperson's Activities "Knows My Operation Well" by Size

Farmers see their purchases as business decisions and look for business-oriented benefits from suppliers who follow through on promises made. Producers who were 65 or older gave slightly more preference to sellers who know their operation. This characteristic was interesting for producers of all ages, in that the distribution tended slightly toward the extremes. Nearly as many ranked "knows my operation" as last out of the five as ranked it first, with fewer in the middle (see Figure 55). This measure warrants more study to determine whether buyers tend to have strong preferences, positively or negatively, toward rewarding salespeople who know their customers' operations.

In terms of activities performed by the best salespeople, good follow-up, relevant and timely information, and good prices are more important than frequent calls on producers. Like friendship in the discussion of salesperson characteristics, calling on producers is relegated by respondents to the lowest value among all salesperson activities. Sales calls to producers of any size, without purpose, seem to be a wasted effort.

Further examination of these responses showed some variation by age, however. For respondents under 35 years old, relevant and timely information was preferred over good follow up (3.88 compared to 3.85, $p<.05$) (see Figures 56 and 57). While the difference is small, the rising prominence of information usage among this segment of farmers may be worth noting. This group also gave the most favorable scores to being called on frequently (3.23). More study is warranted to determine if this segment is hungry for information and sees interaction with salespeople as an opportunity to learn or perhaps the attention from sales professionals makes them feel important. On the other end of the spectrum, for respondents over 65 years old, helping buyers feel confident about their purchases ranked second among all salesperson activities.

Researchers compared responses from large, commercial and mid-size producers in the 2003 and 2008 surveys (see Figure 58). Responses for 2008 asked producers to state how important each activity was as they considered the best agricultural salesperson they know. Responses for 2003 show the percentage of producers who selected the associated activity as one of three most important factors demonstrated by the best salesperson they work with. These percentages were ranked for comparison against the ranked Likert responses from 2008. The results show strong consistency between years. Access to supplier resources was more important in 2008 than it had been in 2003 for both commercial-T producers and their mid-size counterparts. For the large producers, bringing the best price showed somewhat less importance in the 2008 study, than it did in 2003.

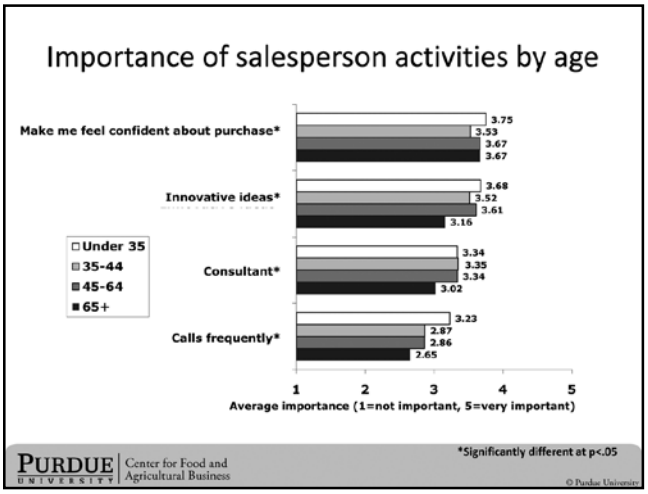

Figure 56: Importance of Salesperson Activities by Age (part 1)

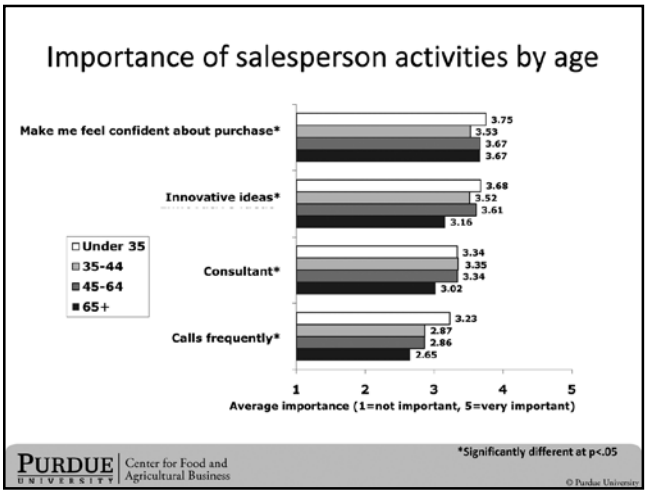

Figure 57: Importance of Salesperson Activities by Age (part 2)

	Large				Commercial-T				Mid-Size			
	2008		2003		2008		2003		2008		2003	
		Rank		Rank		Rank		Rank		Rank		Rank
Good follow-up	4.04	1	1	29.00	3.94	2	1	38.46	3.90	1	1	37.59
Relevant /timely info*	3.97	2	3	26.00	3.95	1	2	28.25	3.81	2	2	22.21
Best price*	3.92	3	1	29.00	3.80	3	3	24.12	3.72	3	3	20.73
Access to supplier resources*	3.69	5	5	14.72	3.77	4	7	6.45	3.64	4	7	8.41
Innovative ideas*	3.78	4	4	16.68	3.64	5	4	13.63	3.50	5	4	9.61
Consultant	3.47	6	6	10.24	3.47	6	5	12.66	3.25	6	5	9.59
Calls frequently*	2.93	7	7	9.00	2.95	7	6	6.63	2.83	7	6	9.06

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Figure 58: Importance of Salesperson Characteristics by Year

Implications

For managers, delivering on promises made through people means recognizing the value of information in the sales process. Social relationships are not adequate for suppliers who want to bring value to the farmgate. Farmers of all ilk prefer not to be called on by their friendly supplier. Instead, they prefer strong performance relative to product performance, and they want access to timely and relevant information. They are generally confident about their knowledge relative to most who call on them today, but appreciate local salespeople who are available when there is a problem. For manufacturers and local suppliers, there is opportunity to provide better solutions through understanding the level of knowledge possessed by the farmers they work with and helping them learn about technology or solutions that they may not be aware of today. Managers must train and support salespeople in their role of prioritizing and tailoring information for individual producers if they are to improve farmer perceptions of the value they deliver through the channel.

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VII: The Three Pillars of Customer-Centered Delivery: Values, Goals and Needs

Topic/Issue

Understanding large farmers is more than understanding product preferences. It requires understanding their values, or the character issues that drive them; understanding their personal and operational goals; and understanding their needs. Needs may be characterized as operational, financial, marketing and staffing. Because the complexity of large operations has evolved over time, this may be challenging for traditional suppliers who see their role as selling products. To be recognized as uniquely qualified, suppliers must innovate in the three categories of products, services and information.

Results

Values are exclusive to individuals and difficult to assess with survey instruments. They are often observed through attitudes and behaviors that require the involvement of sales professionals who are schooled in human interaction. Study questions that may reflect producers' values include those that ask about attitudes toward honesty, loyalty, innovation and community.

It is surely no surprise that honesty ranks high among farmers of all sizes as an important value. It is human nature to desire this value among others. However, it is important to recognize that not all producers may reciprocate the same level of honesty that they seek from suppliers. Indeed, while the majority of farmers rank honesty the highest of all character traits they desire in salespeople, 10 percent of large farmers rank honesty last among the various character traits they look for in salespeople (see Figure 59). This group may assume that everyone involved in a transaction is only concerned about their own interests. That doesn't imply that this group of respondents is dishonest themselves, but sellers in agribusiness transactions should understand that their counterparts may not hold honesty as the preeminent driver of behavior.

Figure 59: Ranking of Honesty as the Best Salesperson's Attributes by Size

Loyalty may be another value trait held by farmers that should be considered by suppliers. The capital equipment business, along with seed, may arguably hold the strongest loyalties of any segment in agriculture. This was reflected in the study with at least 50 percent of all farmers, regardless of operation size, expressing some positive response toward that end (see Figure 60). Although brand

loyalty may be more obvious with external signals like caps, shirts and equipment colors, loyalty to people is even stronger. Loyalty to local dealers of all types of livestock and agronomy supplies[1] (except animal health products for large and commercial-T farmers) exceeded 52 percent, regardless of operation size. Loyalty to the relationships that are developed between farmers and the people who serve them received even stronger responses, as indicated previously.[2]

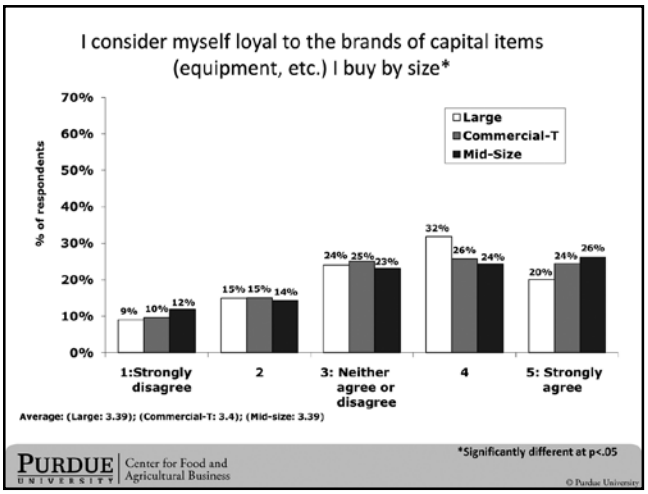

Figure 60: Producer Opinion — Loyalty to Brand of Capital Items

Figure 61: Importance of Innovative Ideas as the Best Salesperson's Characteristics by Size

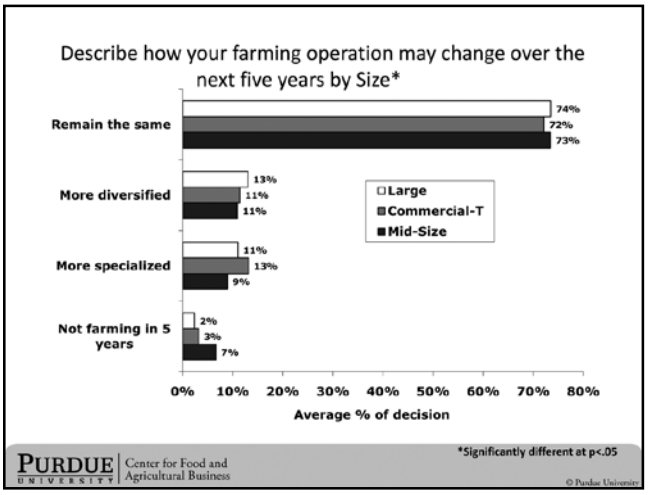

Figure 62: Anticipated Change in Farming Operation by Size

Other values to consider are attitudes toward innovation and change. Large farmers may see themselves as innovative and value education. Indeed, large producers in particular have pursued more educational opportunities than their mid-sized counterparts, with 40 percent receiving a four-year college degree or more, compared to 23 percent for the mid-sized group. Valuing innovation and education may also be observed in their desire to receive ideas from suppliers. Fifty-six percent or more of all farm sizes see innovative ideas as being important or very important (see Figure 61).

The degree to which farmers anticipate changes in their operation may also reflect how they value new ideas and innovation. Although market conditions may be driving some of this anticipated change, nearly 25 percent of all commercial-T operations expect to become more diversified or specialized in the same time period (see Figure 62). As further example of the importance of innovation and change, the largest livestock producers in the study were also more likely to consider organic production (see Figure 63). While this number is small

1 Refer to Maintaining a Local Presence for more details.
2 Refer to Delivering the Promise through our People for more details.

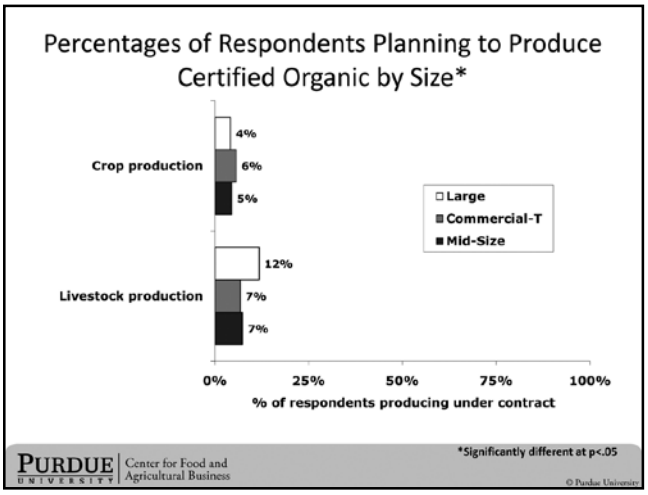

Figure 63: Anticipated Organic Production by Size

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(12 percent having or planning to have some certified organic production over the next five years), it is also a bit surprising because organic production has typically been the purview of smaller farms. Agribusinesses would be well served to consider how their customers value the progressive aspects of their operations as they develop strategies for serving them.

Viewing agriculture as a community endeavor may also be an important value to consider. This may relate to family roles in the operation and succession planning, but may even extend to purchase decisions. When farmers were asked for their degree of agreement with statements relating to their willingness to pay slightly more to purchase from locally owned sources, the response was positive among all operation types and sizes. However, the largest operations tend to be relatively less willing to pay more for the ability to purchase locally (see Figure 64). Only half of this group agreed or strongly agreed that they would be willing to pay a slight premium, compared to nearly two-thirds of mid-size producers. Suppliers should be cautioned that the expanded scope of the largest operations may make "local" more difficult for them to define and their broader scope may preclude traditional loyalties.

Although it is not the only important goal to consider among farmers, expected future growth tends to be a desirable trait for many suppliers. As farmers look to the future to set goals, their attitudes toward the opportunities they see on the horizon tend to influence their planning. Evidence of this can be gathered by looking backward to see if those who have chosen to grow their operations are somewhat more optimistic than those who have not. Indeed, there is support for this. While most producers in the study agreed with statements about their optimism for the future of farming, the largest farms were most positive, strongly agreeing 45 percent of the time (see Figure 65). Correspondingly, the farms with high gross sales that plan higher rates of growth for the future outnumber those that are planning normal growth (see Figure 66). Age is also reflected in growth plans. Thirty-five percent of high-growth producers are under age 45, compared to only 16 percent of the normal-growth category (see Figure 67). Responses of farmers who plan to grow are markedly different from farmers who do not have this goal. Suppliers should consider segmenting farmers on their attitudes toward growth, and then consider demonstrating how the value of products, services and information help the farmer accomplish this goal.

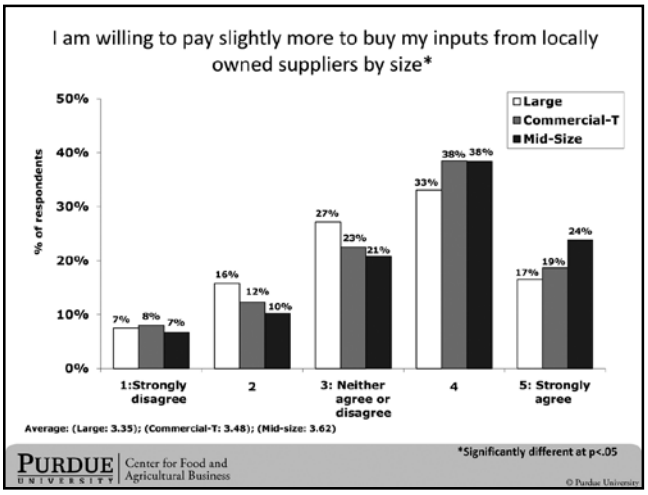

Figure 64: Producer Opinion — Premium for Local Suppliers by Size

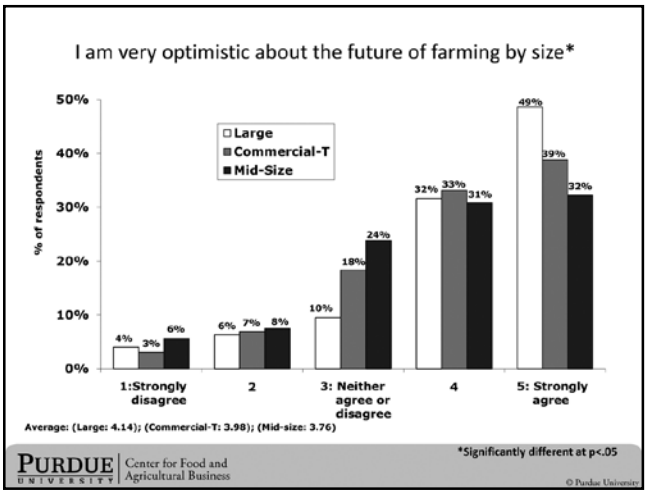

Figure 65: Producer Opinion — Future of Farming by Size

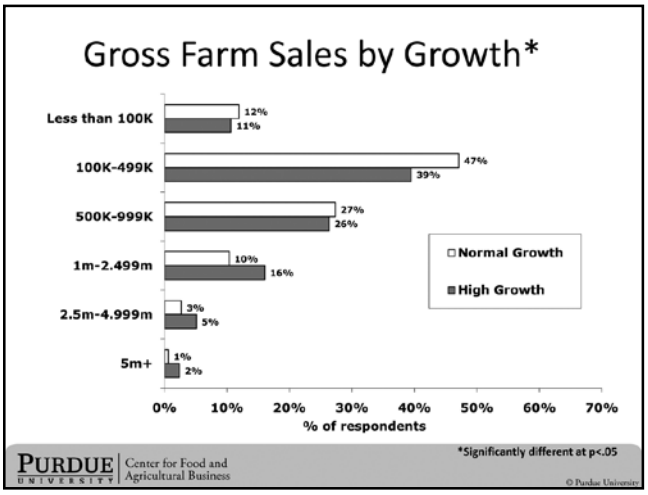

Figure 66: Respondents' Gross Farm Sales by Growth

Most of the interaction that takes place between farmers and their suppliers is centered on the farmer's needs. Needs for a value bundle of products, service and information arise in order to help the farmer accomplish his or her goals. Producers in the study identified challenges in managing their farm businesses that suppliers should consider as they assemble the value bundle. Profitability is an important outcome for all businesses. As such, it has consistently been identified among producers as their greatest challenge (see Figure 68). However, it is somewhat superficial to focus on this need. The more specific challenges with components that lead to that profitability may ultimately have a greater impact on producers from a supplier perspective. These generally fall in the categories of operations, financing, marketing and staffing.

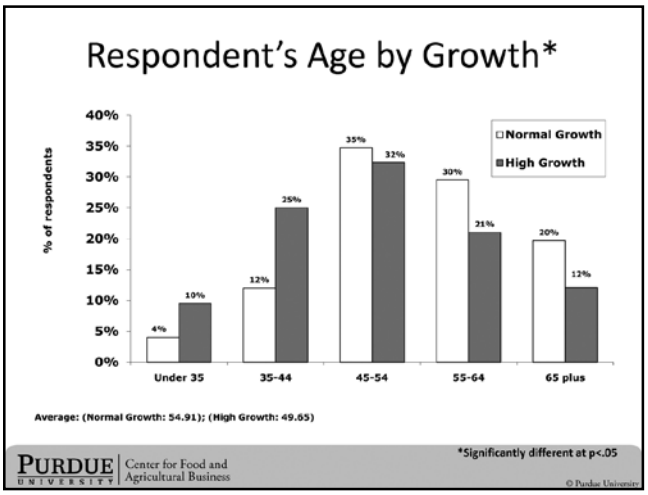

Figure 67: Respondents' Age by Growth

It should be no surprise that when the study was completed, market volatility in nearly all agricultural commodities was much on the minds of farmers. In the 2008 study, marketing was identified as the top challenge by nearly 20 percent of respondents, correspondingly reducing the profitability response by about 10 percent from the prior study in 2003.

Labor and management challenges are closely related. Staffing and succession planning, for the largest operations in particular, even surpass government as a challenge (see Figures 69 and 70). Some of the management challenges that relate to staffing include allocating, coordinating, training and supervising – all issues that relate to running a complex farming operation. At 9 percent of responses, labor challenges have grown in importance since 2003, but are perceived as a lower level of challenge than management, which is between 13 and 14.5 percent of responses. Resource and debt management are generally lower on this list. For large producers, managing debt is a slightly greater challenge than accessing resources, but the opposite is true for smaller producers. Agribusiness firms would

Figure 68: Respondents' Top Management Challenges by Year

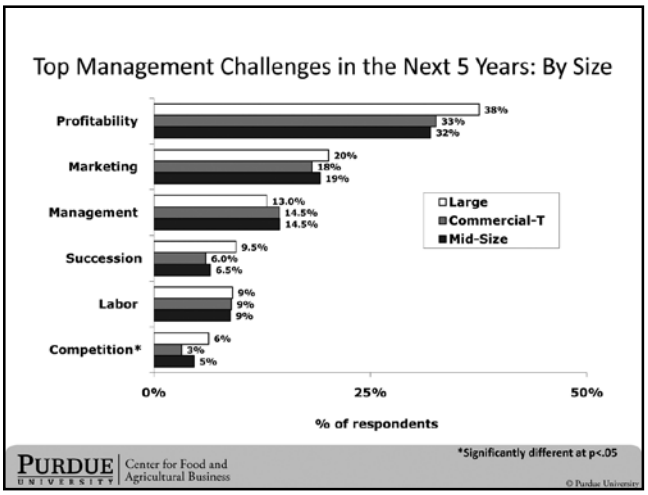

Figure 69: Respondents' Top Management Challenges by Size (part1)

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be well advised to consider how their products and services can assist customers in overcoming some of the challenges they face beyond those for which products are meant to address.

Implications

Producers' responses generally reflect strong support for effective products, services and information provided by the agribusiness firms with whom they do business. There are three areas of opportunity for firms to expand or improve their efforts. The first is making clear connections to producers' values, goals and needs beyond creating operational value. The study shows that producers value honesty, loyalty, innovation and community. Suppliers may be able to connect to these values in their marketing efforts.

The second opportunity is with high-growth producers in all species. Gaps between high-growth and normal-growth producers may be more apparent than gaps between large and mid-size producers. Perhaps most disconcerting is the purchase of farm inputs that seem to be more time consuming among both large and fast-growing farmers (see Figure 71). Given the consolidation that continues to occur in agriculture, a segmentation strategy that focuses on the unique needs of this group may be worthwhile for marketers to consider.

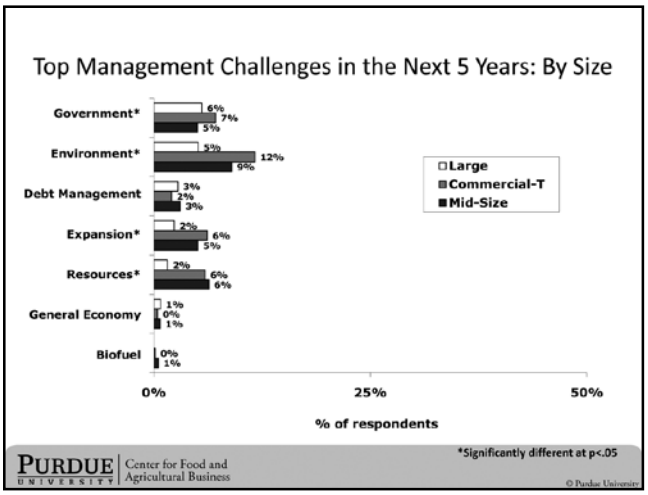

Figure 70: Respondents' Top Management Challenges by Size (part 2)

The third opportunity is to use information more effectively. While products and services have been traditionally important components of the value bundle for agribusiness firms who sell to farmers, information is becoming a point for differentiation. Even among service-oriented firms, like those who sell financial products, price has almost been superseded by support and customer services as an important factor for high-growth producers (see Figure 72). While product performance and convenience continue to be factors that influence purchase decisions, convenience that is defined by location may play a less important role among larger farmers.

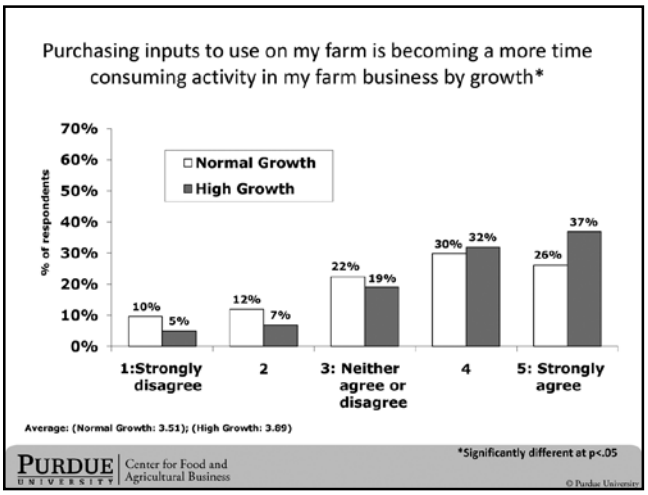

Figure 71: Producer Opinion — Time Spent Purchasing Inputs by Growth

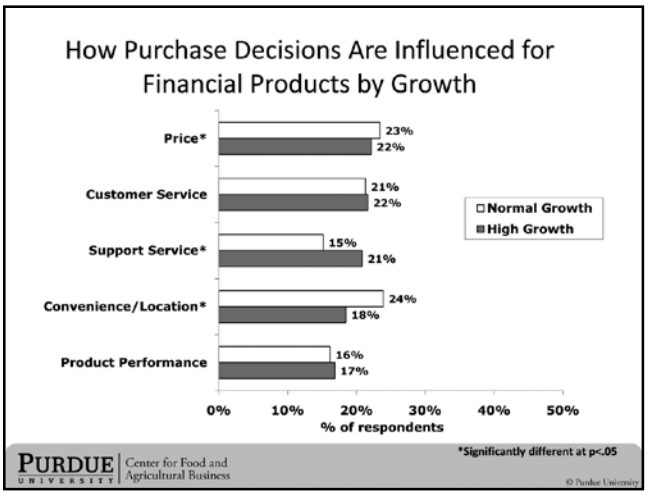

Figure 72: How Purchase Decisions are Influenced for Financial Products by Growth

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The Final Word

We hope this summary of what we've learned about commercial operations has triggered some thinking about what this group needs and wants from your business. Are you in touch with the needs of this segment of your market? Do you need to take some steps to better understand what they want from you? Most importantly, have you positioned your business and prepared your people to be successful with this group?

In the end, innovative thinking and flexibility may be the most important aspects of serving these commercial accounts. Organizations that are willing to look hard at the specific, individualized needs of those farm businesses, and think creatively about how they can add value for them, have many opportunities. Of course, this is where flexibility becomes important because what these producers need from you may not be "business as usual." Agribusinesses that are creative and flexible enough to add cost-effective value, while connecting to producers' values, goals and needs in these uncertain times, have a bright future within this commercial sector.

In addition to this report, more results are available in a series of PowerPoint presentations from the center. If you are interested, please visit www.agecon.purdue.edu/cab/programs/lcp or contact Aissa Good at aissa@purdue.edu.

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Appendix A: Survey Questionnaires

PURDUE UNIVERSITY

2008 Large Commercial Producer Project

Please answer the following questions to the best of your knowledge. If you have questions, please contact Dr. Allan Gray at (765) 494-4247 or by e-mail at gray@purdue.edu.

Crop Version

1a. How large is your farming operation today and how large do you expect it to be in five years? *Please provide appropriate numbers in the boxes provided.*

	Today (2007)	In 5 Years (2012)
Average number of cows milked/year	☐☐,☐☐☐	☐☐,☐☐☐
Finished hogs marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Feeder pigs marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Finished cattle marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Feeder/stocker cattle marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Custom fed cattle fed/year	☐☐,☐☐☐	☐☐,☐☐☐
Custom fed heifers fed/year	☐☐,☐☐☐	☐☐,☐☐☐
Acres of corn planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of soybeans planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of wheat/barley/other small grains planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of cotton planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of potatoes planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of tomatoes planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of other fruits/vegetables planted	☐☐,☐☐☐	☐☐,☐☐☐
Other_____	☐☐,☐☐☐	☐☐,☐☐☐

1b. Would you consider your farming operation to be focused primarily on crop production or livestock production? *Check the appropriate answer.*

- ☐ Crop production
- ☐ Livestock production

2. Which of the following statements best describes how your farming operation may change over the next five years? *Please check one box only.*

- ☐ Remain more or less the same as it is now
- ☐ Become more diversified by spreading resources over several crops and/or livestock enterprises
- ☐ Become more specialized by concentrating in one or two crops and/or livestock enterprises
- ☐ Do not expect to be farming in five years

3. What percentage of the following activities performed on your farm were hired out to a retailer, other farmer, or private custom service provider in 2007? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
Fertilizer application	☐	☐	☐	☐	☐
Pesticide application	☐	☐	☐	☐	☐
Seeding	☐	☐	☐	☐	☐
Harvesting	☐	☐	☐	☐	☐
Row crop tillage	☐	☐	☐	☐	☐

4. On average, what percentage of your total production is produced under contract in which the buyer/contractor sets guidelines for at least one input such as pesticides, equipment, etc. *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of total crop production	☐	☐	☐	☐	☐

5. Over the next five years, on average, what percentage of your total production do you plan to have certified as organic production? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of total crop production	☐	☐	☐	☐	☐

6. Over the next five years I anticipate that my crop rotation will be primarily determined by *(check one)*:

- ☐ Historical crop rotation patterns
- ☐ Crop prices during pre-plant planning
- ☐ Weather conditions at planting time

7. Do you currently use, or plan to use in the next five years, any of the following types of independent, paid consultants on your farm? *Check all boxes that apply.*

	Today	In 5 Years
Independent crop consultant	☐	☐
Environmental consultant	☐	☐
Marketing consultant	☐	☐
Management consultant	☐	☐
Certified Public Accountant	☐	☐
Financial Advisor	☐	☐
None of the above	☐	☐

8. You receive information about farm inputs from a variety of sources. *Check how often you obtain information useful for management/purchasing decisions from the following people.*

	Never	Rarely	Sometimes	Often	Always	N/A
Extension service	☐	☐	☐	☐	☐	☐
Manufacturer salespeople	☐	☐	☐	☐	☐	☐
Manufacturer technical specialists	☐	☐	☐	☐	☐	☐
Independent, paid consultants	☐	☐	☐	☐	☐	☐
Local dealer sales/ technical people	☐	☐	☐	☐	☐	☐
Lenders	☐	☐	☐	☐	☐	☐
Other business service providers (accountants, lawyers, etc.)	☐	☐	☐	☐	☐	☐
Other farmers	☐	☐	☐	☐	☐	☐

9. Please evaluate how often you obtain useful information from the following communications media. *Check your selections.*

	Never	Rarely	Sometimes	Often	Always	N/A
Supplier's meetings	☐	☐	☐	☐	☐	☐
Direct mail	☐	☐	☐	☐	☐	☐
Telephone contact	☐	☐	☐	☐	☐	☐
Email	☐	☐	☐	☐	☐	☐
Podcasts	☐	☐	☐	☐	☐	☐
Ag websites	☐	☐	☐	☐	☐	☐
Ag TV programs	☐	☐	☐	☐	☐	☐
Ag radio programs	☐	☐	☐	☐	☐	☐
Field days	☐	☐	☐	☐	☐	☐
General farm publications	☐	☐	☐	☐	☐	☐
Crop/livestock specific publications	☐	☐	☐	☐	☐	☐
Ag newspapers	☐	☐	☐	☐	☐	☐
Ag newsletters	☐	☐	☐	☐	☐	☐
Farm shows	☐	☐	☐	☐	☐	☐
University publications	☐	☐	☐	☐	☐	☐

10. On average, what percentage of your total financing needs are met through the financing options provided by your dealer/ supplier versus a traditional lender (Bank, Farm Credit, Others)? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of capital item purchases such as machinery	☐	☐	☐	☐	☐
% of expendable item purchases such as seed, chemicals, animal health products, etc.	☐	☐	☐	☐	☐

11. Which of the following risk management approaches did you use in 2007? *Check the appropriate response.*

	Yes	No
Crop insurance	☐	☐
Forward pricing contracts for products you produce	☐	☐
Forward pricing contracts for inputs you purchased for your farm	☐	☐
Futures and/or options contracts for products you produce	☐	☐
Futures and/or options contracts for inputs you purchased for your farm	☐	☐
Contract growing/production	☐	☐
Diversification into value-added or non-agricultural businesses	☐	☐
Diversification of agriculture related products and services produced on the farm	☐	☐
Joined or maintained active membership in a cooperative	☐	☐

12. Please provide your opinion on the following statements.
1 being "strongly disagree" to 5 being "strongly agree".

	Strongly Disagree 1	2	3	4	Strongly Agree 5
For capital items I buy, such as equipment, most brands are more or less the same.	☐	☐	☐	☐	☐
For money that I borrow, all lenders are more or less the same.	☐	☐	☐	☐	☐
For the seed I buy, most brands are more or less the same.	☐	☐	☐	☐	☐
For the crop protection chemicals, I buy most brands are more or less the same.	☐	☐	☐	☐	☐
I consider myself loyal to the brands of capital items (equipment, etc.) I buy.	☐	☐	☐	☐	☐
I consider myself loyal to the brands of seed I buy.	☐	☐	☐	☐	☐
I consider myself loyal to the brands of crop protection chemicals I buy.	☐	☐	☐	☐	☐
When buying capital items such as equipment, I usually purchase the lowest priced products.	☐	☐	☐	☐	☐
When borrowing money, I usually borrow from the lender with the lowest rate.	☐	☐	☐	☐	☐
When buying seed, I usually purchase the lowest priced products.	☐	☐	☐	☐	☐
When buying crop protection chemicals, I usually purchase the lowest priced products.	☐	☐	☐	☐	☐
When buying fertilizer, I usually purchase from the dealer with the lowest price.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of capital items (such as equipment).	☐	☐	☐	☐	☐
I consider myself loyal to my local financial services provider.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of expendable seed.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of crop protection chemicals.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of fertilizer.	☐	☐	☐	☐	☐
I prefer to buy most of the capital items (equipment, etc.) I need from one supplier.	☐	☐	☐	☐	☐
I prefer to acquire most of my financial services (loans, etc.) from one supplier.	☐	☐	☐	☐	☐
I prefer to buy most of the expendable items (seed, chemicals, etc.) I need from one supplier.	☐	☐	☐	☐	☐
For capital items such as machinery, there are often significant price differences for similar products from one supplier to another.	☐	☐	☐	☐	☐
For financial services, like loans, there are often significant price differences for similar products and services from one traditional lender (Bank, Farm Credit, etc.) to another.	☐	☐	☐	☐	☐
For expendable items such as seed and chemicals, there are often significant price differences for similar products from one local supplier to another.	☐	☐	☐	☐	☐
There often are significant differences in the quality of services from one local supplier to another.	☐	☐	☐	☐	☐

12. *continued* Please provide your opinion on the following statements.
1 being "strongly disagree" to 5 being "strongly agree".

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I value my relationship with the salespeople I buy expendable items from more than the relationship I have with the companies they represent.	☐	☐	☐	☐	☐
I value my relationship with the salespeople I buy capital items from more than the relationship I have with the companies they represent.	☐	☐	☐	☐	☐
There often are significant differences in the quality of information from one local supplier to another.	☐	☐	☐	☐	☐
Financing options are often more expensive from traditional lenders than the financing options provided by my local dealer/supplier.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with manufacturers of capital items.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with seed companies.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with manufacturers of crop protection chemicals.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with manufacturers of fertilizer.	☐	☐	☐	☐	☐
I am relying more on salespeople for information and advice than I did five years ago.	☐	☐	☐	☐	☐
Purchasing inputs to use on my farm is becoming a more time consuming activity in my farm business.	☐	☐	☐	☐	☐
My seed purchase decisions often determine my crop protection chemical purchase decisions.	☐	☐	☐	☐	☐
Relative to branded products, my farm will increase its use of generic (unbranded or private label) crop protection chemicals over the next five years.	☐	☐	☐	☐	☐
For expendable items such as crop protection chemicals, branded products offer a higher level of performance relative to generic products.	☐	☐	☐	☐	☐
Most generic expendable items (crop protection chemicals) represent a good trade-off between price and performance.	☐	☐	☐	☐	☐
I am willing to pay slightly more to buy my inputs from locally owned suppliers.	☐	☐	☐	☐	☐
I am very confident in my own ability.	☐	☐	☐	☐	☐
I consider myself successful.	☐	☐	☐	☐	☐
I am achieving most of my goals.	☐	☐	☐	☐	☐
I am very optimistic about the future of farming.	☐	☐	☐	☐	☐
I often know more about many input products than my local supplier.	☐	☐	☐	☐	☐
Other producers often ask my opinion about new products.	☐	☐	☐	☐	☐

13. Thinking about the best agricultural salesperson you know, how important are each of the following characteristics? *Rank each item in terms of its importance, with 1 given to the most important and 5 given to the least important.*

	Highest Rank 1	2	3	4	Lowest Rank 5
Has a very high level of technical competence.	☐	☐	☐	☐	☐
Represents my interests.	☐	☐	☐	☐	☐
Is honest.	☐	☐	☐	☐	☐
Is a friend.	☐	☐	☐	☐	☐
Knows my operation well.	☐	☐	☐	☐	☐

14. This question is a little different. Rather than ranking, this question asks you to identify how important some things that salespeople do are. 5 is most important and 1 is least important to you. Thinking about the best agricultural salesperson you know, how important are each of the following activities they perform? *Rate each item in terms of its importance.*

	Not Important 1	2	3	4	Very Important 5
Calls on me frequently.	☐	☐	☐	☐	☐
Provides good follow-up service.	☐	☐	☐	☐	☐
Is a consultant to my operation.	☐	☐	☐	☐	☐
Brings me innovative ideas.	☐	☐	☐	☐	☐
Provides relevant/timely information.	☐	☐	☐	☐	☐
Brings me the best price.	☐	☐	☐	☐	☐
Provides access to supplier resources.	☐	☐	☐	☐	☐
Helps me feel confident about my purchase decisions.	☐	☐	☐	☐	☐

15. Which of the following statements best describes the way in which purchasing decisions are made on your farm – for the following product categories? *Check only one under each category/column.*

	Seed	Crop Protection Chemicals	Capital Equipment	Financial Products
Made by me with very little input from family members and/or employees.	☐	☐	☐	☐
Made by me after extensive discussions with other family members and/or employees.	☐	☐	☐	☐
Made by the person responsible for using the item after extensive discussion with others on the farm.	☐	☐	☐	☐
Made by the person responsible for the item with little input from anyone else.	☐	☐	☐	☐
Made by a purchasing agent hired by our farm.	☐	☐	☐	☐

16. When you choose a supplier for the following product categories, how is your decision influenced by the following factors? *Assign a percentage value to each factor based on its importance in the decision. The percentages should add to 100% in each column.*

	Expendable Items			
	Seed	Crop Protection Chemicals	Capital Equipment	Financial[1] Products
Convenience/Location				
Customer service/ Information (responsiveness, follow-up, advice, etc.)				
Price				
Product Performance (yield, durability, rate of gain, etc.)				
Support Service (delivery, repair, application, etc.)				
	100%	100%	100%	100%

[1]Product performance for financial products refers to loan terms, reporting requirements, and collateral requirements. Support service refers to the ability to offer other services besides loans such as deposits, investment services, checking accounts, etc.

17. What were your gross farm sales in 2007?
Check the appropriate response.

- ☐ Less than $100,000
- ☐ $100,000-$499,999
- ☐ $500,000-$999,999
- ☐ $1,000,000-$2,499,999
- ☐ $2,500,000-$4,999,999
- ☐ $5,000,000 and over

18. What is the highest level of education you have completed?
Check the appropriate response.

- ☐ Attended high school
- ☐ High school graduate
- ☐ Graduate of two-year college, technical/trade program
- ☐ Some four-year college
- ☐ Four-year college graduate
- ☐ Master's degree
- ☐ Advanced graduate work

19. What is your gender?

- ☐ Male
- ☐ Female

20. What is your age?

_____

21. In order to better understand your responses: please tell us your role in your farm operation? *Check the appropriate response.*

- ☐ Primary farm decision maker
- ☐ Spouse of primary farm decision maker
- ☐ Other family employee
- ☐ Other non-family employee

22. What state do you consider to be the primary location of your farm business? *Fill in the state abbreviation.*

__ __

23. Over the next five years, describe the single biggest management challenge facing farming operations like yours.

_____
_____
_____
_____
_____
_____
_____
_____
_____

PURDUE UNIVERSITY

2008 Large Commercial Producer Project

Please answer the following questions to the best of your knowledge. If you have questions, please contact Dr. Allan Gray at (765) 494-4247 or by e-mail at gray@purdue.edu.

Livestock Version

1a. How large is your farming operation today and how large do you expect it to be in five years? *Please provide appropriate numbers in the boxes provided.*

	Today (2007)	In 5 Years (2012)
Average number of cows milked/year	☐☐,☐☐☐	☐☐,☐☐☐
Finished hogs marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Feeder pigs marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Finished cattle marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Feeder/stocker cattle marketed/year	☐☐,☐☐☐	☐☐,☐☐☐
Custom fed cattle fed/year	☐☐,☐☐☐	☐☐,☐☐☐
Custom fed heifers fed/year	☐☐,☐☐☐	☐☐,☐☐☐
Acres of corn planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of soybeans planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of wheat/barley/other small grains planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of cotton planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of potatoes planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of tomatoes planted	☐☐,☐☐☐	☐☐,☐☐☐
Acres of other fruits/vegetables planted	☐☐,☐☐☐	☐☐,☐☐☐
Other_____	☐☐,☐☐☐	☐☐,☐☐☐

1b. Would you consider your farming operation to be focused primarily on crop production or livestock production? *Check the appropriate answer.*

- ☐ Crop production
- ☐ Livestock production

2. Which of the following statements best describes how your farming operation may change over the next five years? *Please check one box only.*

- ☐ Remain more or less the same as it is now
- ☐ Become more diversified by spreading resources over several crops and/or livestock enterprises
- ☐ Become more specialized by concentrating in one or two crops and/or livestock enterprises
- ☐ Do not expect to be farming in five years

3. What percentage of the following activities performed on your farm were hired out to a retailer, other farmer, or private custom service provider in 2007? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
Livestock waste-handling	☐	☐	☐	☐	☐
Livestock finishing	☐	☐	☐	☐	☐
Raising of breeding stock replacements	☐	☐	☐	☐	☐

4. On average, what percentage of your total production is produced under contract in which the buyer/contractor sets guidelines for at least one input such as genetics, pesticides, feed, equipment, etc. *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of total livestock production	☐	☐	☐	☐	☐

5. Over the next five years, on average, what percentage of your total production do you plan to have certified as organic production? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of total livestock production	☐	☐	☐	☐	☐

6. Do you currently use, or plan to use in the next five years, any of the following types of independent, paid consultants on your farm? *Check all boxes that apply.*

	Today	In 5 Years
Environmental consultant	☐	☐
Marketing consultant	☐	☐
Management consultant	☐	☐
Independent nutritionist	☐	☐
Veterinarians	☐	☐
Certified Public Accountant	☐	☐
Financial Advisor	☐	☐
None of the above	☐	☐

7. You receive information about farm inputs from a variety of sources. *Check how often you obtain information useful for management/purchasing decisions from the following people.*

	Never	Rarely	Sometimes	Often	Always	N/A
Extension service	☐	☐	☐	☐	☐	☐
Manufacturer salespeople	☐	☐	☐	☐	☐	☐
Manufacturer technical specialists	☐	☐	☐	☐	☐	☐
Independent, paid consultants	☐	☐	☐	☐	☐	☐
Local dealer sales/ technical people	☐	☐	☐	☐	☐	☐
Lenders	☐	☐	☐	☐	☐	☐
Other business service providers (accountants, lawyers, etc.)	☐	☐	☐	☐	☐	☐
Other farmers	☐	☐	☐	☐	☐	☐

8. Please evaluate how often you obtain useful information from the following communications media. *Check your selections.*

	Never	Rarely	Sometimes	Often	Always	N/A
Supplier's meetings	☐	☐	☐	☐	☐	☐
Direct mail	☐	☐	☐	☐	☐	☐
Telephone contact	☐	☐	☐	☐	☐	☐
Email	☐	☐	☐	☐	☐	☐
Podcasts	☐	☐	☐	☐	☐	☐
Ag websites	☐	☐	☐	☐	☐	☐
Ag TV programs	☐	☐	☐	☐	☐	☐
Ag radio programs	☐	☐	☐	☐	☐	☐
Field days	☐	☐	☐	☐	☐	☐
General farm publications	☐	☐	☐	☐	☐	☐
Crop/livestock specific publications	☐	☐	☐	☐	☐	☐
Ag newspapers	☐	☐	☐	☐	☐	☐
Ag newsletters	☐	☐	☐	☐	☐	☐
Farm shows	☐	☐	☐	☐	☐	☐
University publications	☐	☐	☐	☐	☐	☐

9. On average, what percentage of your total financing needs are met through the financing options provided by your dealer/ supplier versus a traditional lender (Bank, Farm Credit, Others)? *Check the appropriate percentage.*

	0	1-25	26-50	51-75	76-100
% of capital item purchases such as machinery	☐	☐	☐	☐	☐
% of expendable item purchases such as seed, chemicals, animal health products, etc.	☐	☐	☐	☐	☐

10. Which of the following risk management approaches did you use in 2007? *Check the appropriate response.*

	Yes	No
Crop insurance	☐	☐
Forward pricing contracts for products you produce	☐	☐
Forward pricing contracts for inputs you purchased for your farm	☐	☐
Futures and/or options contracts for products you produce	☐	☐
Futures and/or options contracts for inputs you purchased for your farm	☐	☐
Contract growing/production	☐	☐
Diversification into value-added or non-agricultural businesses	☐	☐
Diversification of agriculture related products and services produced on the farm	☐	☐
Joined or maintained active membership in a cooperative	☐	☐

11. Please provide your opinion on the following statements.
1 being "strongly disagree" to 5 being "strongly agree".

	Strongly Disagree 1	2	3	4	Strongly Agree 5
For capital items I buy, such as equipment, most brands are more or less the same.	☐	☐	☐	☐	☐
For money that I borrow, all lenders are more or less the same.	☐	☐	☐	☐	☐
For the animal health products I buy, most brands are more or less the same.	☐	☐	☐	☐	☐
I consider myself loyal to the brands of capital items (equipment, etc.) I buy.	☐	☐	☐	☐	☐
I consider myself loyal to the brands of animal health products I buy.	☐	☐	☐	☐	☐
When buying capital items such as equipment, I usually purchase the lowest priced products.	☐	☐	☐	☐	☐
When borrowing money, I usually borrow from the lender with the lowest rate.	☐	☐	☐	☐	☐
When buying animal health items, I usually purchase the lowest priced products.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of capital items (such as equipment).	☐	☐	☐	☐	☐
I consider myself loyal to my local financial services provider.	☐	☐	☐	☐	☐
I consider myself loyal to my primary local supplier of animal health products.	☐	☐	☐	☐	☐
I prefer to buy most of the capital items (equipment, etc.) I need from one supplier.	☐	☐	☐	☐	☐
I prefer to acquire most of my financial services (loans, etc.) from one supplier.	☐	☐	☐	☐	☐
I prefer to buy most of the expendable items (animal health, etc.) I need from one supplier.	☐	☐	☐	☐	☐
For capital items such as machinery, there are often significant price differences for similar products from one supplier to another.	☐	☐	☐	☐	☐
For financial services, like loans, there are often significant price differences for similar products and services from one traditional lender (Bank, Farm Credit, etc.) to another.	☐	☐	☐	☐	☐
For expendable items such as animal health products, there are often significant price differences for similar products from one local supplier to another.	☐	☐	☐	☐	☐
There often are significant differences in the quality of services from one local supplier to another.	☐	☐	☐	☐	☐
I value my relationship with the salespeople I buy expendable items from more than the relationship I have with the companies they represent.	☐	☐	☐	☐	☐
I value my relationship with the salespeople I buy capital items from more than the relationship I have with the companies they represent.	☐	☐	☐	☐	☐
There often are significant differences in the quality of information from one local supplier to another.	☐	☐	☐	☐	☐
Financing options are often more expensive from traditional lenders than the financing options provided by my local dealer/supplier.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with manufacturers of capital items.	☐	☐	☐	☐	☐
In the next five years, I want a more direct relationship with manufacturers of animal health products.	☐	☐	☐	☐	☐
I am relying more on salespeople for information and advice than I did five years ago.	☐	☐	☐	☐	☐
Purchasing inputs to use on my farm is becoming a more time consuming activity in my farm business.	☐	☐	☐	☐	☐
Relative to branded products, my farm will increase its use of generic (unbranded or private label) animal health products over the next five years.	☐	☐	☐	☐	☐
For expendable items such as animal health products, branded products offer a higher level of performance relative to generic products.	☐	☐	☐	☐	☐
Most generic expendable items (animal health products) represent a good trade-off between price and performance.	☐	☐	☐	☐	☐
I am willing to pay slightly more to buy my inputs from locally owned suppliers.	☐	☐	☐	☐	☐
I am very confident in my own ability.	☐	☐	☐	☐	☐
I consider myself successful.	☐	☐	☐	☐	☐

11. *continued* Please provide your opinion on the following statements.
1 being "strongly disagree" to 5 being "strongly agree".

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I am achieving most of my goals.	☐	☐	☐	☐	☐
I am very optimistic about the future of farming.	☐	☐	☐	☐	☐
I often know more about many input products than my local supplier.	☐	☐	☐	☐	☐
Other producers often ask my opinion about new products.	☐	☐	☐	☐	☐

12. Thinking about the best agricultural salesperson you know, how important are each of the following characteristics? *Rank each item in terms of its importance, with 1 given to the most important and 5 given to the least important.*

	Highest Rank 1	2	3	4	Lowest Rank 5
Has a very high level of technical competence.	☐	☐	☐	☐	☐
Represents my interests.	☐	☐	☐	☐	☐
Is honest.	☐	☐	☐	☐	☐
Is a friend.	☐	☐	☐	☐	☐
Knows my operation well.	☐	☐	☐	☐	☐

13. This question is a little different. Rather than ranking, this question asks you to identify how important some things that salespeople do are. 5 is most important and a 1 is least important to you. Thinking about the best agricultural salesperson you know, how important are each of the following activities they perform? *Rate each item in terms of its importance.*

	Not Important 1	2	3	4	Very Important 5
Calls on me frequently.	☐	☐	☐	☐	☐
Provides good follow-up service.	☐	☐	☐	☐	☐
Is a consultant to my operation.	☐	☐	☐	☐	☐
Brings me innovative ideas.	☐	☐	☐	☐	☐
Provides relevant/timely information.	☐	☐	☐	☐	☐
Brings me the best price.	☐	☐	☐	☐	☐
Provides access to supplier resources.	☐	☐	☐	☐	☐
Helps me feel confident about my purchase decisions.	☐	☐	☐	☐	☐

14. Which of the following statements best describes the way in which purchasing decisions are made on your farm – for the following product categories? *Check only one under each category/column.*

	Animal Health	Feed	Capital Equipment	Financial Products
Made by me with very little input from family members and/or employees.	☐	☐	☐	☐
Made by me after extensive discussions with other family members and/or employees.	☐	☐	☐	☐
Made by the person responsible for using the item after extensive discussion with others on the farm.	☐	☐	☐	☐
Made by the person responsible for the item with little input from anyone else.	☐	☐	☐	☐
Made by a purchasing agent hired by our farm.	☐	☐	☐	☐

15. When you choose a supplier for the following product categories, how is your decision influenced by the following factors? *Assign a percentage value to each factor based on its importance in the decision. The percentages should add to 100% in each column.*

	Expendable Items			
	Animal Health	Feed	Capital Equipment	Financial[1] Products
Convenience/Location				
Customer service/ Information (responsiveness, follow-up, advice, etc.)				
Price				
Product Performance (yield, durability, rate of gain, etc.)				
Support Service (delivery, repair, application, etc.)				
	100%	100%	100%	100%

[1]Product performance for financial products refers to loan terms, reporting requirements, and collateral requirements. Support service refers to the ability to offer other services besides loans such as deposits, investment services, checking accounts, etc.

16. What were your gross farm sales in 2007?
Check the appropriate response.

- ☐ Less than $100,000
- ☐ $100,000-$499,999
- ☐ $500,000-$999,999
- ☐ $1,000,000-$2,499,999
- ☐ $2,500,000-$4,999,999
- ☐ $5,000,000 and over

17. What is the highest level of education you have completed?
Check the appropriate response.

- ☐ Attended high school
- ☐ High school graduate
- ☐ Graduate of two-year college, technical/trade program
- ☐ Some four-year college
- ☐ Four-year college graduate
- ☐ Master's degree
- ☐ Advanced graduate work

18. What is your gender?

- ☐ Male
- ☐ Female

19. What is your age?

_____

20. In order to better understand your responses: please tell us your role in your farm operation? *Check the appropriate response.*

- ☐ Primary farm decision maker
- ☐ Spouse of primary farm decision maker
- ☐ Other family employee
- ☐ Other non-family employee

21. What state do you consider to be the primary location of your farm business? *Fill in the state abbreviation.*

__ __

22. Over the next five years, describe the single biggest management challenge facing farming operations like yours.

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Appendix B: Geographic Location of Producers

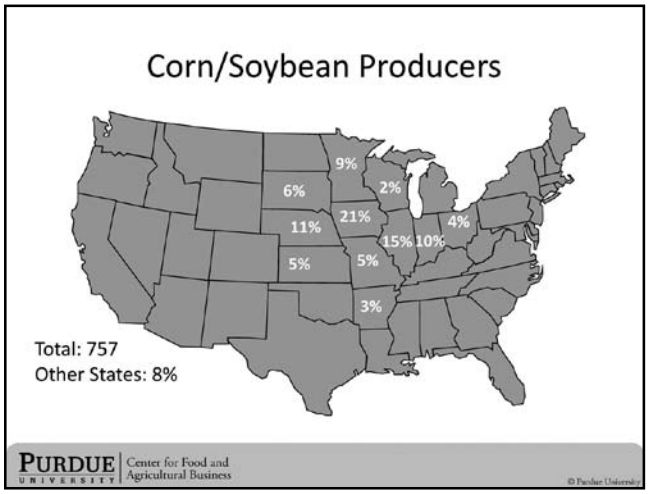

Figure B1: Geographic Location of Corn/Soybean Producers

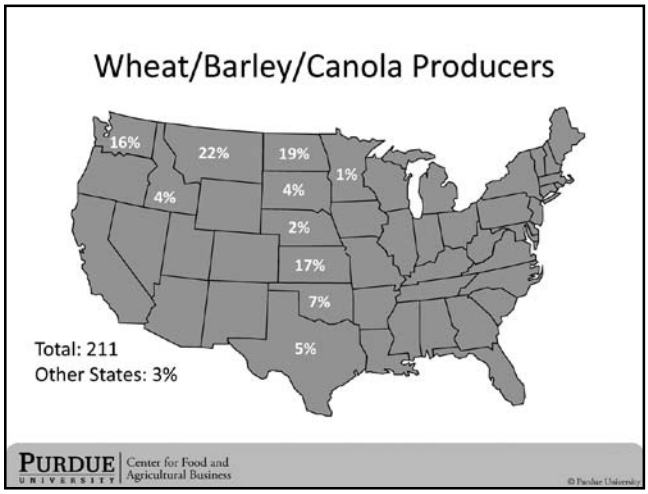

Figure B2: Geographic Location of Wheat/Barley/Canola Producers

Figure B3: Geographic Location of Cotton Producers

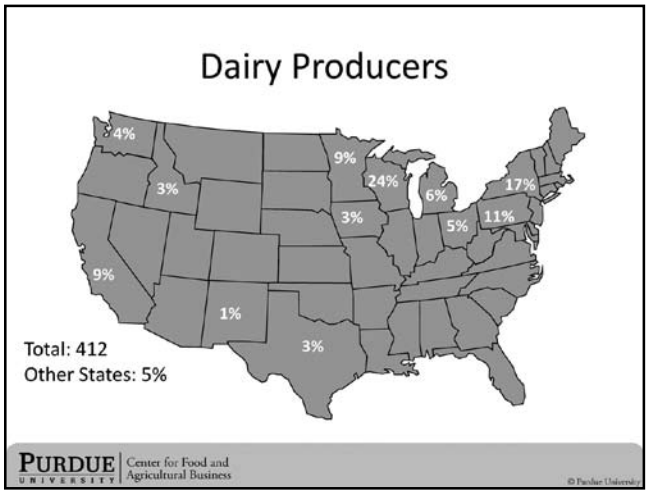

Figure B4: Geographic Location of Dairy Producers

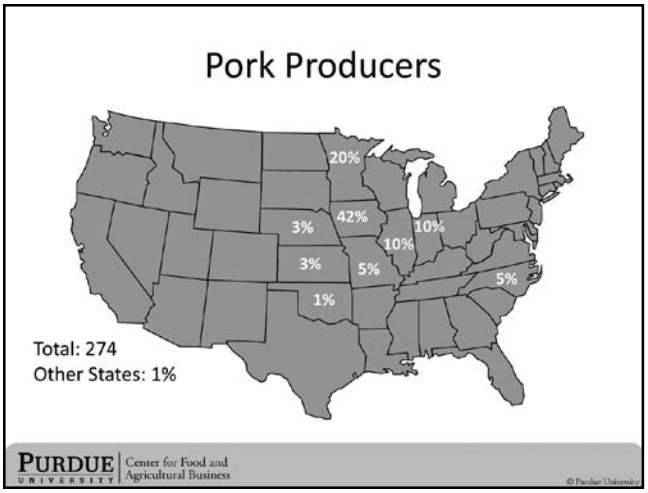

Figure B5: Geographic Location of Pork Producers

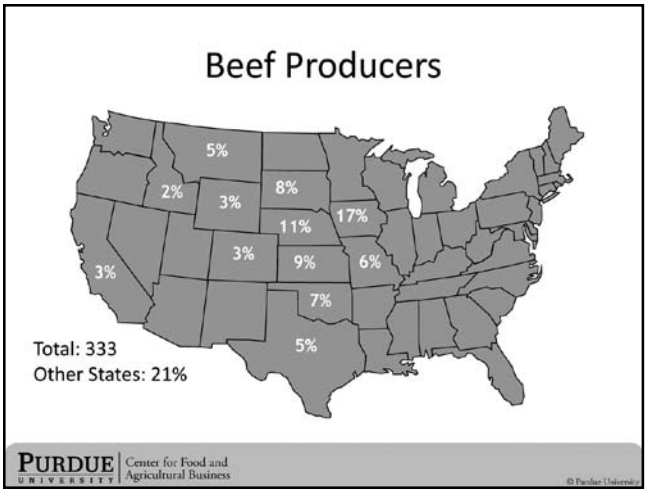

Figure B6: Geographic Location of Beef Producers

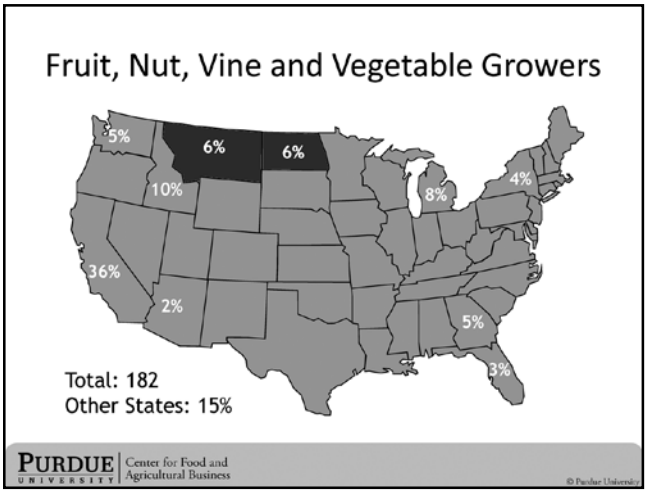

Figure B7: Geographic Location of FNV Producers

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Appendix C: Additional Demographic Analyses

Topic/Issues

This appendix provides a summary of the differences in attitudes and buying behaviors across various demographic characteristics. Many of these differences were highlighted throughout the report. Here, we collect the differences and highlight others not previously identified. The various areas summarized include high growth, age, gender, brand loyalty and education.

Results

Large operations average only 51.66 years of age, while mid-size producers are almost three years older on average at 54.76 years of age. Producers are slightly older than in past surveys, averaging 54.46 years of age. This suggests that the target group of this survey is aging, which may be a reflection of the U.S. farm population. Hog and corn/soybean producers are younger than average, while wheat/barley/canola producers are slightly older.

High Growth

High-growth producers (those who intend to aggressively expand their operation by at least 50 percent of the 2007 reported size) are younger. Furthermore, producers loyal to capital and seed brands are slightly younger, while producers loyal to animal health and crop protection chemicals are slightly older. The data indicates that younger producers are more likely to have some college experience (two to four years). Female respondents were also younger. Finally, older producers are likely to have less than $500,000 in gross farm sales.

Age

Age is a significant indicator of differences in producers' attitudes about a number of factors. Younger producers have, on average, larger operations and expect to grow more (either by specializing or diversifying). Younger producers are also more likely to base their crop rotation on price and to hire consultants. On average, younger producers are more likely to use risk management tools. Supplier meetings, agricultural TV programs, agricultural newspapers, agricultural newsletters and university publications are more likely to be found useful by older producers. Older producers are less likely to have their financing needs met through the financing options provided by their dealer/supplier versus a traditional lender for capital items. They are also more likely to think that most brands are more or less the same for seed and animal health products, and therefore, are more likely to seek out the lowest price for those items. Meanwhile, they consider themselves more loyal to brands and local suppliers of crop protection chemicals. Older producers believe that for expendable items, branded products offer a higher level of performance relative to generic products. They are also more likely to want to buy all their capital and expendable products from one supplier, but less likely to do so for financial products. Part of the reason might be because, in general, older producers are less likely to perceive price differences from suppliers.

Younger producers are more confident in their abilities and more likely to consider themselves

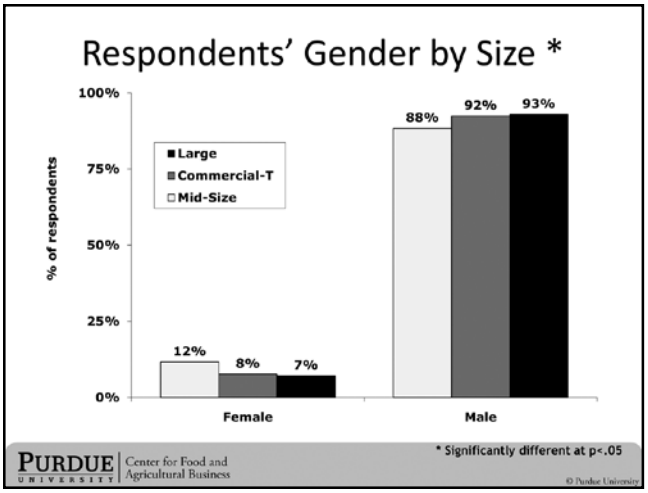

Figure C1: Respondents' Gender by Size

successful. Older producers do not believe they are achieving most of their goals and are not optimistic about the future of farming. Their lack of optimism and confidence may explain why they are more likely to delegate purchasing decisions to the person responsible for the purchase or to a purchasing agent for animal health, seed, crop protection chemicals, feed and capital equipment. While younger producers are more confident, they rely more on their salespeople than five years ago for information and advice; ultimately, they value their relationship with their sales representative more than the companies they represent. As their age increases, producers prefer a salesperson who they perceive to know their operation better than other salespeople. Producers older than 65 rate every salesperson's characteristics (except "makes me feel confident about my purchase") as not as important compared to other age groups.

Figure C1 displays the gender distribution of the 2008 survey by operation size. Most are male; however, there were more females responding to this survey than in the past. There are slightly more females in the mid-size group than in commercial-T and large operations, and they tend to represent farms with lower levels of gross sales. Female respondents were also more numerous in the livestock segment, especially dairy, and the corn/soybean segment.

Gender

Looking at the gender difference is of interest for input suppliers. While still uncommon, some farm operators are female (3 percent in our sample). Otherwise, they are usually the spouse of the operator. In our sample, 20 percent of the female respondents were the primary decision maker, and another 74 percent were the spouse of the primary decision maker. As we saw in the 2003 survey, spouses of farm operators, particularly when they are farm employees, have a non-negligible influence on purchasing decisions. Female respondents are more likely to outsource fertilizer and pesticide applications than their male counterparts. They are less likely to have their crop production under contract, but more likely to have their livestock production under contract than male respondents.

Besides contract growing production, female respondents tend to use fewer risk management tools, particularly when it comes to forward-pricing contracts, futures/options contracts for products, diversification into value-added or non-agricultural businesses and

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membership in a cooperative. As far as crop rotation, compared to the male respondents, women are more likely to base their crop rotation on weather and less likely to use price as a criterion. Females are more critical about service providers, finding manufacturer salespeople and technical specialists, supplier's meetings and university publications less useful sources of information; and preferring traditional publications (general or specific to crop and livestock) and agricultural newspapers for information more so than their male counterparts. In terms of financing, they are more likely to use dealer/supplier services, particularly for capital purchases.

Female respondents are slightly more loyal to brands, and therefore, are less likely to increase their use of generic expendable products over the next five years. They do, however, tend to look for the lowest-priced lender. They are also more likely to discuss or delegate purchasing decisions. Female producers are, in general, less interested in having a direct relationship with manufacturers and are less optimistic about the farming future. Technical competence, innovative ideas, relevant and timely information, best price, makes buyer feel confident about purchase are attributes female respondents found more important in their salesperson than their male counterparts.

Education

Overall, the respondents are, in general, less educated than in past surveys. Brand-loyal producers for crop protection chemicals and animal health products are, on average, less educated. Studying the differences in answers by education categories provides interesting results. First, farmers who indicated that they won't be farming in five years were less educated. More educated producers are more likely to outsource part of their farming activities and to have some livestock production under contract. They also tend to base their crop rotation on price, while the less educated operators tend to use the weather. More educated producers tend to find their information sources and communications media (particularly e-mail) more useful, as well. They are less likely to use their dealer/suppliers as a lender and are more likely to use risk management tools. They are more likely to see differences among brands, as well.

As they become more educated, producers are less likely to agree with the statements "I prefer to buy most of the expendable items I need from one supplier" and "For expendable items, branded products offer a higher level of performance relative to generic products." They also don't consider a direct relationship with manufacturers as necessary.

As far as their general attitudes, educated producers are more optimistic about the farming future and tend to be more confident in their own ability, consider themselves successful and believe they achieve most of their goals. They look for salespeople with good follow-up and are less interested in the fact that the salesperson will represent their farms' interest. For their purchase decisions, they are more likely to have extensive discussions with others before making their decision.

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Appendix D: Analysis of FNV Enterprises

In 1993, 1998 and 2003, FNV producers were surveyed, but the respondents were not weighted. To make the comparison with previous surveys meaningful, the center researchers decided to create two weights this year — one that did not include FNV respondents (as done in past surveys) and one that did. In the entire report, the former weight was included. In this appendix, we performed an analysis using the latter weight.

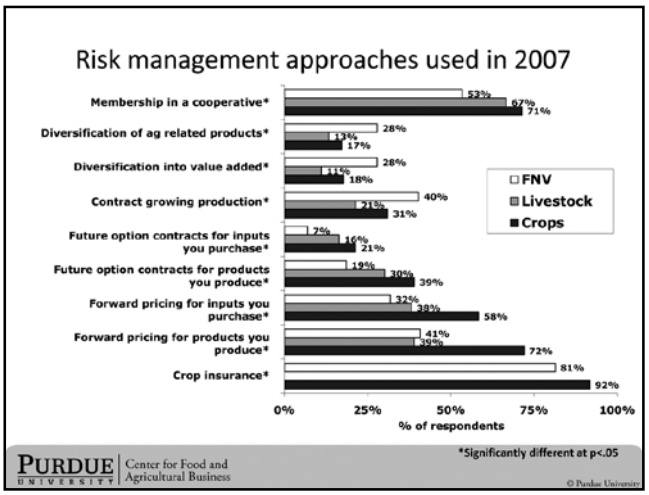

Figure D1: Risk Management Approaches used in 2007 by FNV Producers

FNV producers tend to represent farms with larger gross sales than the other groups. Compared to the crop and livestock segments, the 128 FNV producers in the survey are more educated and slightly older. On average, they plan to grow more than livestock producers but less than crop farmers. They are also more likely than others not to be farming in five years.

FNV producers are more challenged by marketing and management issues than other segments. To deal with these issues, they adopt several risk management approaches that significantly differ from their counterparts. For example, they are less likely to be members of cooperatives or to use futures/options contracts, but more likely to diversify and use contract growing production (see Figure D1). In terms of brands, they generally view differences among them, but are not really as loyal as other farmers to seed brands. While crop and livestock farmers agree with the statement "My seed purchases determine my crop protection chemical purchases," FNV producers slightly disagree.

From an information standpoint, they are more likely to use accountants and financial advisers. They also find the information from the Extension service and other farmers more useful, while thinking that local dealer sales or technical people and lenders are not as useful. As far as communication media, FNV producers are more likely to find general farm publications, agricultural newsletters, university publications and farm shows useful.

The survey also asked producers questions related to distribution. Compared to other farmers, FNV respondents do not believe that all lenders are more or less the same. Furthermore, they are more loyal

to local suppliers of capital, crop protection chemicals and fertilizer; while less loyal to financial and seed suppliers. Related to this, they are less interested in a sole supplier for financial and expendable products, and in general, are not as interested in a direct relationship with manufacturers.

FNV producers also view salespeople differently. They are more likely to value their relationship with their salesperson of expendable items than the companies they represent, but do not feel as strongly when it comes to capital items. Their time management does not seem to have changed as much as other producers. They do not believe that they rely more on salespeople than five years ago and are less likely to think that purchasing inputs has become a more time-consuming activity. Their opinions on price and pricing issues do not vary much from other respondents, except for capital items, where they report not to be as interested in the lowest-priced product.

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