The 2008 Large Commercial Producer Survey: Serving Producers in Volatile Times

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Center for Food and Agricultural Business
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Large Commercial Producer Survey

• Explore the buying behaviors and preferences of commercial producers for seed, chemical, fertilizer, animal health, feed, capital and financial products.

• Nationwide survey focusing on corn/bean, wheat/barley, cotton, hogs, dairy and cattle producers

• 2,500+ responses

• Farm management practices as well as preferences for: brands, distribution, attributes, and marketing and sales approaches
## Farm Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Midsize</th>
<th>Commercial-T</th>
<th>Large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn/soybeans (acres)</td>
<td>861</td>
<td>2,862</td>
<td>10,947</td>
</tr>
<tr>
<td>Wheat/barley (acres)</td>
<td>1,863</td>
<td>4,669</td>
<td>10,531</td>
</tr>
<tr>
<td>Cotton (acres)</td>
<td>641</td>
<td>2,008</td>
<td>8,371</td>
</tr>
</tbody>
</table>
PRODUCER BUYING BEHAVIORS
The Segment Question

- When you choose a supplier for crop protection, how is your decision influenced by the following factors?
  - Convenience/Location
  - Customer Service
  - Price
  - Product Performance
  - Support Services

- Assign 100 points across the factors
Buying Segments for Crop Protection Chemical Products

- Balance: 59%
- Performance: 19%
- Price: 12%
- Convenience: 10%
## Factor Weights for Crop Protection Segments

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Performance</th>
<th>Price</th>
<th>Convenience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience/Location</td>
<td>17</td>
<td>8</td>
<td>16</td>
<td>55</td>
</tr>
<tr>
<td>Customer Service</td>
<td>23</td>
<td>8</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Price</td>
<td>21</td>
<td>19</td>
<td>48</td>
<td>12</td>
</tr>
<tr>
<td>Performance</td>
<td>22</td>
<td>57</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Support Services</td>
<td>17</td>
<td>7</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>
Crop Protection Segment Demographics

- Price is the oldest (57), Balance and Performance are the youngest (54)
- Performance segment is most educated
- High Sales ($5mil +) more Performance and no Convenience
- Large and Commercial more Price and Performance
Crop Protection Segment
Demographics

Corn/Soybean CP Segments
- Balance: 59%
- Performance: 20%
- Price: 10%
- Convenience: 11%

Wheat/Barley CP Segments
- Balance: 67%
- Performance: 13%
- Price: 16%
- Convenience: 4%

Cotton CP Segments
- Balance: 51%
- Performance: 18%
- Price: 17%
- Convenience: 14%
Change in Crop Segments over Time

2003 Expendable Segments

- Balance: 34%
- Service: 16%
- Performance: 16%
- Price: 19%
- Convenience: 15%

2008 Seed Segments

- Balance: 69%
- Service: 13%
- Performance: 5%
- Price: 13%
- Convenience: 13%

2008 CP Segments

- Balance: 59%
- Service: 10%
- Performance: 12%
- Price: 19%
- Convenience: 19%
Influencing Value Perceptions
I consider myself loyal to the brands I buy

- **Seed***: Large - 3.35, Commercial - 3.40, Mid-Size - 3.41
- **Crop protection chemicals***: Large - 3.08, Commercial - 3.00, Mid-Size - 3.10
- **Animal health***: Large - 3.25, Commercial - 3.18, Mid-Size - 3.01
- **Capital Items**: Large - 3.38, Commercial - 3.40, Mid-Size - 3.37

*Significantly different at p<.05*
Current Use of Consultants

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Current Use (%)</th>
<th>Future Use (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indep. crop consultant</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>Environmental cons.*</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>Marketing cons.*</td>
<td>27%</td>
<td>30%</td>
</tr>
<tr>
<td>Management cons.*</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>

*Significantly different at p<.05
Usefulness of Information Sources by Size

**Usefulness of consultants was calculated only for the respondents who use environmental, crop, management consultants or nutritionists.

All significantly different at p<.05
The Distribution Channel
The Key Issues

- Loyalty to Local Supplier
- Quality of Services
- Quality of Information
- Price Differences
- Pay More for Local
Loyalty to Local Supplier

• Generally, producers consider themselves to be loyal
• Mid-size producers more loyal
• Younger more loyal
• High-growth producers are less loyal for seed and for crop protection
I consider myself loyal to my primary local supplier by product

- Seed*: 3.61 (Mid-Size), 3.60 (Commercial), 3.51 (Large)
- Crop protection chemicals*: 3.53 (Mid-Size), 3.44 (Commercial), 3.52 (Large)
- Fertilizer*: 3.58 (Mid-Size), 3.58 (Commercial), 3.44 (Large)
- Animal health*: 3.40 (Mid-Size), 3.46 (Commercial), 3.22 (Large)
- Capital Equipment: 3.47 (Mid-Size), 3.58 (Commercial)
- Financial Products: 3.72 (Mid-Size), 3.75 (Commercial)

*Significantly different at p<.05
Perceived Differences in the Quality of Services, Quality of Information and Prices among Local Suppliers

*Significantly different at p<.05
A Companion Study

• To check out how closely our assumptions reflect reality,
  – We selected agronomic retailers
    • And asked many of the same questions
      – About buying behavior that we asked farmers
    • To get a glimpse of how ‘in-tune’
      ➢ one important part of the supply industry might be
Quality of Services Differences Among Suppliers

- Generally, producers see differences
- Large see more
- High-growth producers see more
- “Under 35” see less
- Less than in the past
There often are significant differences in the quality of services from one local supplier to another?

- Retailers believe that there are more differences in the quality of services among suppliers than farmers do

All Significantly Different from Retailers
Quality of Information Differences Among Suppliers

- Generally, producers see differences
- Not much difference by size
- High-growth producers see more
- Older see more
- Less than in the past
There often are significant differences in the quality of information from one local supplier to another?

- Retailers believe there is a much greater difference in the quality of information than farmers actually believe there is.

All Significantly Different from Retailers
Know More About Products Than Supplier

- Generally, producers agree
- As size increases, producers agree more
- High-growth producers agree more
- “Under 35” agree more
- Not different from previous years
Farmers think they often know more about many input products than their local supplier?

- Retailers have far less confidence in farmers knowledge about products than farmers have in their own knowledge level.

All Are Significantly Different
Price Differences Between Suppliers

• Generally, producers agree
• No trend by size
• “Under 35” group agree the most
• Less agreement than previous years
For expendable items, there are often significant price differences for similar products from one local supplier to another by size.

Average: (Large: 3.26); (Commercial-T: 3.22); (Mid-size: 3.32)

Not significantly different at p<.05
Pay More for Local Suppliers

- Generally, producers will pay more
- As size increases, producers less likely
- High-growth producers less willing
- “Under 35” and “65+” more willing
- Not much difference compared to past
Farmers are willing to pay slightly more to buy their inputs from locally owned suppliers

- Retailers and farmers alike believe there is a preference for buying from ‘locally owned’ suppliers

No Significant Differences
Buying Behavior

• A Big Gap.....

• Retailers strongly believe there are far larger differences in
  – The quality of information among suppliers
  – The quality of service among suppliers
  – Their own level of product knowledge
    ➢ as compared to what farmers believe exists
  – How price sensitive farmers might be
Delivering the Promise
Through Our People
When farmers purchase inputs, how do they rank the following characteristics of salespeople?

- **Is honest**: LCP - Mid Size: 3.67, LCP - Commercial: 3.64, LCP - Extra Large: 3.29, Retailers: 3.48
- **Has high technical...**: LCP - Mid Size: 3.31, LCP - Commercial: 3.37, LCP - Extra Large: 3.37, Retailers: 3.37
- **Knows the farmer's...**: LCP - Mid Size: 2.72, LCP - Commercial: 2.96, LCP - Extra Large: 2.97, Retailers: 2.89
- **Represents the farmer's...**: LCP - Mid Size: 2.94, LCP - Commercial: 2.86, LCP - Extra Large: 2.85, Retailers: 3.22
- **Is a friend to the farmer**: LCP - Mid Size: 2.27, LCP - Commercial: 2.18, LCP - Extra Large: 2.25, Retailers: 2.17

Ranked 1-5, with 5 representing the most important characteristic.

Suppliers may think that representing customer interests is honesty.
Importance of salesperson characteristics

- Good follow-up
  - Crops: 3.92
  - Livestock: 3.89
  - FNV: 3.96

- Relevant /timely info*
  - Crops: 3.80
  - Livestock: 3.84
  - FNV: 4.00

- Best price*
  - Crops: 3.63
  - Livestock: 3.76
  - FNV: 3.96

- Innovative ideas*
  - Crops: 3.65
  - Livestock: 3.66
  - FNV: 3.41

- Make me feel confident about purchase*
  - Crops: 3.55
  - Livestock: 3.69
  - FNV: 3.60

- Access to supplier resources*
  - Crops: 3.52
  - Livestock: 3.46
  - FNV: 3.57

- Consultant
  - Crops: 3.84
  - Livestock: 3.34
  - FNV: 3.32

- Calls frequently*
  - Crops: 3.08
  - Livestock: 2.84
  - FNV: 3.26

Average importance (1=not important, 5=very important)

* Significantly different at p<.05

Very Fine Point
Assess the importance of the following salesperson activity

Calls on producers frequently

- Retailers: 3.66
- LCP - Mid Size *: 2.84
- LCP - Commercial *: 2.95
- LCP - Extra Large *: 3.01

Average rating on 1 to 5 scale (1=Not at all important, 5=Extremely Important)
Producer Perspective

Ted Schwartz
Tom Schwartz
Crop Producers
Illinois
The Takeaways
Values Based Innovation

Some basic grower/producer demands don’t change, but how do we re-interpret these for the current and expected business environment?

• Convenience?
• Local?
• Honesty?
• Trust?
• Performance?

• Follow-up Service?
• Relevant Information?
• Availability?
• Technical Competence?
• Best Price?
Ranking of honesty of best agricultural salesperson by size

Average: (Large: 2.45); (Commercial-T: 2.4); (Mid-Size: 2.34)

Significantly different at p<.05

- Keeping promises?
- Time? Experience?
- Telling it like it is?
- Referrals to other suppliers?
- How do we demonstrate honesty?
- Brand?
- Alignment with organization?
Reconciling Conflicts

• Producers see fewer price differences across suppliers, BUT
  – ‘Best Price’ remains a highly ranked element of the ‘best salesperson’

• Purchasing inputs takes more time, BUT
  – Growers/producers believe they know more than local supplier
Producer Perspective

John Dollinger
Diversified Crop Producer
Illinois
Narrowed Bases for Differentiation

• See evidence that service difference, information difference, price difference shrinking
  – Fine-tuning existing initiatives?
  – Importance of ‘multiple points of difference’
  – Search for different bases of differentiation?
  – If we pursue an initiative, how do we insure the value is communicated?
  – How do we turn ‘filters’ into ‘amplifiers’?
Needs
- Good service
- Product performance and price
- Convenience and timeliness
- Effective and efficient communication

Values
- Honesty and trust
- Strong relationships
- Community ties — local
- Loyalty

Innovative Delivery
- Segments differ in needs and values
- Positioning our people
- Novel approaches and ideas
- Quick response to market changes