

## TEAM 2 MARKETING PRACTICUM

### **Oak Bluff Farm Hydroponic**

### **Greenhouse Mixed Greens**

Oak Bluff Farm  
1605 Belford Church Road  
Jackson Springs, NC 27281  
(910) 974-3558

Owned by: Joe Shuping

Oak Bluff Farm currently produces hydroponic tomatoes and early winter hydroponic cucumbers in two greenhouses, purchased four years ago from Crop King ([www.cropking.com](http://www.cropking.com)).

The farm produces other garden-grown vegetables (broccoli, cabbage, peppers, cucumbers, squash, and greens), value-added products including chow-chow, tomato relish, and a variety of pickled products.

Oak Bluff Farm serves the consumer market, as well as restaurants.

It has a retail outlet onsite, open 8 a.m. to 5 p.m., Monday through Saturday and 1 to 5 p.m. Sundays. The farm store has an established customer base. Joe also sells to two retail outlets in Montgomery County. The primary market for the farm's tomatoes is in Moore County. Customers include The Fresh Market, a high-end specialty super market in Southern Pines, upscale restaurants and other retail outlets.

Joe's plans for his farm include expanding his specialty crops, concentrating on year-round production. Recently he has begun growing mushrooms.

Joe sees strong potential in growing greenhouse hydroponic mixed greens for his current customers and recognizes opportunities to expand his market. An added value to growing the mixed greens, he says, is that it would allow him to enter another niche market he has identified. The nutrient solution used to grow the greens is the same that is used for many herbs. One Pinehurst chef has said he would buy chives, rosemary, dill, mint, lavender, parsley, sage, basil, oregano and cilantro.

**Analysis of the market --- "Where we are now"**

## **a. Industry trends**

Health became a key driver to the world's food marketplace in 2004, according to *Food Technology* magazine article. Food trends once primed to focus on families are reshaping as baby-boomers become empty-nesters, and health-related products are booming worldwide.

The magazine's April 2005 cover story explored the *Top 10 Global Food Trends*. Half of the trends identified provide excellent evidence that mixed greens are and will remain a solid staple for the world's tables.

1. Quick Fix – Time to prepare food is still at a minimum, so a limited number of side dishes are prepared with entrees and ease of preparation is a major factor in eating at home.
2. Inherently Healthy – More people are eating more fruits, vegetables, grains, nuts and yogurts.
3. Fancy – The premium foods market is projected to grow to nearly \$100 billion before 2010.
4. Farm-Friendly – Foods deemed to be closer to the farm are capturing consumers' dollars.
5. Low-, No- and Reduced – With low-carb interest waning, consumers are returning to watching their fat and calorie intake. Low-fat tops the many health claims consumers now seek out.

Explanations for mixed greens being a major factor in these trends are:

- Market supply: The increase of supply has reinforced the demand. Within the last few years many farms that were producing general vegetables have moved to production of salad greens because of the increased margins and market demand.
- Presentation/appearance: Presentation as an element of the culinary experience has taken on more value as chefs have become more creative over the last several years.
- Health consciousness: Americans have become more health conscious and mixed greens have supported this goal as salad greens are inherently healthy and a salad mix is far tastier than the old standby of Romaine or Iceberg.

## **Headlines:**

### **Mixed greens market explodes!**

### **Pre-cut Veggies Going Gourmet**

*Supermarket News, September 2004*

- Gourmet greens are eclipsing iceberg lettuce in bagged salad mixes.
- Packaged salads are a \$2.6 billion business
- Fresh-cut vegetables generate \$1.4 billion in sales annually

- In the produce aisle, as a total category, bagged salads outsell perennial-popular bananas

### **Fresh-cut Salad Sales as of September 2004**

*Information Resources, Inc., October 2004*

- Dollar sales: \$3.3 billion
- Percent change since 2003: 9.3%
- Unit sales 896.4 million
- Percent change since 2003: 5.9%

### **Mixed Greens see rise in market**

*Growing for Market, Fall 2001*

- Mixed greens wholesaling for slightly more than \$3.80/lb, which translates to roughly \$4.95-\$5.35 at the retail level.
- In 2000, the national market for mixed greens reached \$87 million in sales. This specific type of produce is forecast to grow at 8%, far greater than the rest of the agricultural industry.

### **Buyer profile and behavior**

- Produce accounts for 9.86 per cent of grocery purchases
- Bagged salad popularity continues to grow due to the convenience and consumers' need for quick-and-easy meal solutions
- Consumers are choosing healthier alternatives when shopping for food. A new Pennsylvania State University study suggests that starting your lunch with a salad can make you feel full enough to reduce your calorie consumption for the rest of the meal.
- Food Marketing Institute reports that more people are eating home-cooked meals at home -- 83 percent do so at least three times per week.

### **Other Behavior Factors**

Specialty mixed greens buyers:

- Are willing to pay a premium for higher quality, tastier greens
- Attribute value to the freshness of local salad greens
- Tend to eat out at least once a week
- Tend to patronize higher-quality restaurants
- Are cognizant about their health

### **Target Market Demographics**

Geographics: Oak Bluff Farm's target market is Moore County, population 79,267, according to the 2000 Census.

Growth: Moore County's population grew 26.7 percent in the 1990s, higher than the state's growth rate of 21.4 percent. According to the N.C. Office of State Budget & Management, the county's population is expected to grow to 89,533 by 2010 and 104,051 by 2020.

Moore County residents enjoy higher education attainment rates and income levels than most North Carolinians.

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	Moore County	North Carolina
Bachelor's Degree or Higher	26.8%	22.5%
Household incomes above \$75,000	19.8%	18.3%

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Oak Bluff's primary target market consists of the 4,962 households reporting incomes above \$75,000.

**Other Target Demographics:**

- Male and Female
- Singles and families
  - Ages 25-64, this segment makes up 49.5% of the Moore County population, according to 2000 Census
- Have attended college or graduate school
- Have a household income of more than \$75,000
- 2,979 families with all parents in workforce

**Reaching the Primary Target Market**

According to Terry McNeill, head of the Environmental Health Department, Moore County has:

- 262 restaurants
- 32 food stands
- 16 meat and grocery stores
- 5 Bed and Breakfast Inns
- 20 Institutional cafeterias (nursing homes mostly)
- 1 jail
- 22 public school cafeterias
- 1 private school cafeteria

The primary target described above can best be reached through efforts to capture a share of the market, focusing on upscale and indigenous restaurants,

specialty markets, and the private school. Additionally, upscale nursing homes are a potential shoulder market.

### **c. Competitions strengths and weaknesses**

There are potentially two types of competitors – producers and sellers. Producers local and corporate. The local competitors will be the most aggressive because their business will be very similar. A local competitor will be most closely matched to another local business.

The corporate competition (could be a corporation or very large grower) will probably be located in another state (or country). The list of strengths and weaknesses below are describing a corporate competitor.

#### Strengths

- prepackaged quantities that can be shipped long distances
- name recognition
- preexisting diversity
- ability to increase or diversify production when necessary
- ability to keep prices low
- can start new business locally with minimal effort

#### Weaknesses

- 1 lack of personal contact with customer (when not locally grown)
- 2 may lack ability to customize product (rapidly or at all)
- 3 may be out of touch with customers
- 4 may lack high product standards (sacrifices quality for quantity)
- 5 subject to environmental conditions at growing sites
- 6 subject to higher product losses if shipped long distances

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There are three types of competitors that Oak Bluff Farm faces:

**Supermarkets:** These stores sell a salad greens mix to consumers. The advantage of the supermarket is convenience. There are 16 supermarkets around the city and they are open many hours during the day. For the most part, the average chain store's disadvantage is price and quality. The quality is sub par to the offerings of that of a local farmers. The cost is higher, usually 15% more.

**Similar local farmers:** Currently, one farmer in the region, David Vest of Green Haven Plant Farm, raises lettuce. He grows Bibb Lettuce all year long in an eight- connected bay greenhouse operation.

Green Haven ships 480 cases (12 head) per week (mostly to grocery stores, but also some restaurants), and about 40 cases per week of lettuce in bags (going to food service). They currently receive \$11 per case (was as low as \$9 per case a year ago). The box costs \$.65 each, and each clam shell costs \$.15 each. This makes packaging costs about \$2.45 per case. Bags are a fraction of that, about \$1 each.

Production is all hydroponic, living bibb lettuce, in gutters. Varieties are Elton and Charles in Summer (45 days from seed to harvest) and Rex or Maurice in Winter (60 days to maturity). Each plant requires 49 sq inches, or about 3 plants per square foot. They fit about 280 gutters per greenhouse, with 23 plants per gutter. He gets pelletized seed from Growers Supply in Lynn Haven Florida, or sometimes from Johnny's seed.

Green Haven is an established firm with an established market that is different from that which Oak Bluff plans to enter.

Additionally, it would appear, based on current food and population trends, that there is room in the market for one or more mixed green operations.

**Institutional distributors:** An example of this would be Monarch Foods, which buys a wide variety of products and quality of produce from farmers and distributes them to restaurants. The produce is not usually local and is a few days older from the field compared with the local farmers. The price is comparable and the quality can be comparable, but not necessarily. The disadvantage of a food distributor is the lack of flexibility relative to a local grower when serving local customers.

### **Oak Bluff's primary strengths and weaknesses:**

#### **a. Your products/firms strengths and weaknesses**

- Produce is grown close to its consumer markets.
- Consumer can be aware of where his/her food came from.
- Weakness: Price of LP gas to heat greenhouses. Joe is considering alternative sources – wood, recycled oils.

#### **b. Original research results**

## **2. Business proposition ----- Where do we want to be?**

**a. Key planning assumptions (cite sources of information)**

**b. Measurable and attainable goals - must be measured and have completion dates**

F. Measurable and Attainable Goals:

1. Sell \$\_\_\_\_\_ (based on financial projections) Product for the year January 1 through December 31, 2006.

Rating- 100% goal – Excellent  
90% Very Good  
80% Average  
70% Reevaluate Products/Pricing

2. Business should sell enough products for the first year to break even on expenses against profit.

Rating- Make a Profit – Excellent  
Break Even Very Good  
Loss 10% Average  
Loss 20% Reevaluate Products/Pricing

3. Long range Profitability years 2 through fifth year operation should show make money.

Rating- Make a Profit – Excellent  
25% Profit Very Good  
20% Profit Average  
10% Profit Reevaluate Business

4. Target Market for customers should be mixed. Must include Farmers Markets, Wholesale and Retail Customers. Marketing products to several markets reduces risk for failure.

Rating-Judgment Call. You either reached the market place or you failed.