



*Long-Term Thinking
for Today's Issues*

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Branding Ontario Farm Products

--- A Discussion Document for the Farmers and Friends of the CFFO ---

Purpose Statement

This document explores brand development and the benefits it provides for both producers and consumers. The idea of branding Ontario farm products for greater economic returns from the marketplace springs from the 2006 CFFO Seminar Series. The members of the CFFO consistently identified branding as one of their top choices for adding value to the commodities and food products coming from their farms. We hope this document provides a better understanding of how branding functions in the marketplace, plus sketches out some initial ideas on how branding could be commercially pursued by the farmers and friends of the CFFO.

What can a brand do for agricultural marketing?

In an age of decreasing returns for farmers on the open commodity market, agricultural producers are exploring new ways to increase their market share. Amidst these challenging conditions, there are success stories where producers have been able to command a stronger share of market revenue. One of the ways that this has been done is through the development of brands.

Consumers today have the freedom to choose from a wide variety of food products. With this wealth of variety comes with the challenge of determining which products to purchase. Branding food products has been the solution for manufacturers and distributors of foods since the 1880s, when brands like Uncle Ben's Rice® and Aunt Jemima Syrup® were introduced to build trust between the consumer and the manufacturer. (Haig, 2003)

The CFFO believes that there is the potential for the development of a variety of different brands that could be shaped in a manner that would wrestle market share back into the hands of the producer. There are issues for consumers regarding the production and safety of food, environmental standards, animal well-being and labour standards that could be used to build a brand or certification process.

The power of developing a trusted brand is that it allows consumers to make a decision based on a name or logo, rather than having to consciously evaluate every item available. A successful brand can serve to strengthen the position of agricultural producers in several ways:

- A brand adds value to a product beyond its functional purpose, which supports volume and price.
- A brand serves as a link between producers and consumers, building trust and continuity between the two groups.
- A brand can serve to provide agricultural producers with purpose and direction, such as meeting ethical, environmental, and labour standards that it can impose on itself as part of the brand's image.
- A strong brand commands market share while potentially commanding premium prices. (Miller and Muir, 2004)

There are several key elements to brand development and maintenance to consider:

- The perception of a brand is based on the behavior of the organization behind it. Everything an organization does affects the value of a brand, both good and bad.
- The value of a brand exists only in people's minds – it is a collection of feelings and perceptions. (Miller and Muir, 2004)
- A strong brand must be linked to a strong marketing program which receives continual reinvestment.
- A brand must be consumer oriented. Failing to identify what the consumer wants and values will inevitably result in the failure of the brand. Agricultural producers must determine what urban consumers really want, not project the values they believe urban consumers should have onto them.
- A brand can change the relationship between producer and consumer from a transactional relationship (simply money for product) to an identified emotive relationship, attaching sentimental value to a product. (Phil Dick, OMAFRA)

The Dollar Value of Brands

Branding creates an identity for a product that can add value or set relative value to products in every industry. The consumer's perceptions of a brand sets the value it has relative to its competition. It isn't very difficult to see this effect. If you walk into a sporting goods store, a Nike Swoosh™ on a hat easily commands at least \$30. When shopping for a computer, the Acer™ symbol means a very affordable computer for consumers on a budget. Meanwhile, the IBM® symbols represent high-end quality and pricing. When shopping for a car, Honda means affordable and dependable, BMW represents a good car with moderate social status, while a Mercedes represents

a superior car with high social status. All these brands have a place in their markets, each fulfilling a need among consumers.

This same principle applies to the food that consumers purchase at grocery stores and farmers markets. Loblaw's President's Choice® brand of food products is a great example of brand development. Their Insider's Report which was launched in conjunction with the brand, helped to establish them as a company that is knowledgeable about food. They accomplished this by telling obscure, but interesting, stories of different foods from around the world. They successfully demonstrated that they were knowledgeable in a fashion that was sharing and communicative rather than condescending. Consumers came to trust President's Choice because they were able to establish a strong image for their brand.

Loblaw's and its chain of supermarkets have done an excellent job of extending President's Choice and developing other brands that appeal to different sectors, each fulfilling a need amongst consumers. President's Choice® is Loblaw's premium brand, offering high quality products at competitive prices. They also have extensions of the President's Choice brand, including PC Blue Menu® for health-conscious consumers; and PC Organics® for environmentally-conscious consumers. These specialty brands command premium pricing over standard food items. Loblaw's also has the No Name® brand which offers affordably priced goods. Loblaw's has successfully built a presence in every market segment with these products, strengthening its market share while providing strong competition for their competitors.

There are other facets of consumer demand for food that are filled by other organizations. Kosher branding of products is done by a variety of organizations fulfilling the dietary needs of the Jewish community. Halal products have been introduced to fulfill the dietary needs of Canada's growing Muslim communities. In Great Britain, the Linking Environment and Farming (LEAF) organization fulfills a consumer desire to know who produces their food and the environmental conditions surrounding production.

Success Stories

There are many examples of concerned groups using brands to command market share and reap the benefits for those involved.

There are several kosher certification organizations that provide services to food processors throughout North America and the world. The level of involvement by these organizations varies depending on the product involved. Fruit and vegetable production involves training and random inspections to ensure that no forbidden products are used in processing these foods. Meat-processing is more intensive. A trained ritual butcher uses a very sharp knife to perform the slaughter in a specific

form. In either case Kosher certifying companies and processors are able to reap profits for their services.

Halal is the Arabic word for “permitted.” This term applies to the everyday lives of Muslims, including their choices in food selection. There are a variety of Halal food certifying organizations as well, most of whom are non-profit. Their greatest concern is the slaughter of animals, which must be done in a ritualized fashion, blessing the animal as it dies. While these organizations are non-profit, an Alberta Agriculture, Food, and Rural Development study has shown that the Muslim community is willing to pay a premium for Halal foods. (see link below for more information)

The market for organically grown foods has been on the rise for the past few years. The desire for natural, chemical-free food amongst an increasingly health conscious segment of society has given rise to specialty stores focused solely on obtaining organic produce. Naturally, these stores have to be supplied by farmers who are growing organic produce. The specialized niche that organic food occupies allows both the owners of these specialty stores and organic producers to command premium prices for their goods.

There is also a growing concern among urbanites regarding the environmental practices utilized by farmers. In the United Kingdom, LEAF provides consumers and producers with a link to each other. The labeling of LEAF approved products provides consumers with a producer tracking number, providing transparency and communication between producer and consumer. The tracking number also allows the consumer to examine the rating the producer within the LEAF Audit Index. These forms of communication and transparency build an intimate level of trust between consumers and producers.

What options are there for Branding Agriculture in Ontario?

There are many different avenues that producers could choose to pursue. The possible branding options cover a wide spectrum ranging from the very simple to the very complex. One of branding's sub-forms is certification. The following are some of the certification options available. Certification effectively places a seal of approval on a producer's goods and generates quality assurance to consumers. It is a cooperative approach, rather than a controlling approach to establishing a brand.

- 1.) **Certification alone.** Also known as the Rubber Stamp Method. A seal of approval from an accredited organization is given to the processor. Being accredited does not involve additional regulations beyond those already imposed by the Canadian Food Inspection Agency (CFIA). For example, Brand Canada is an export-oriented brand sponsored by Agriculture and Agri-food Canada that allows its membership to use the Brand Canada Logo to demand better pricing in foreign markets.

- Strengths: Certification alone is low cost; if it is oriented outward it can sell itself on the perception of the locale involved. Very simply, “Canada” the brand equals high quality, safe food in foreign markets because Canada is perceived to be a lush, safe country. No additional regulations are required for producers and processors beyond those that are already in place.
- Weaknesses: Some export commodities are currently a losing game. Getting a premium on a loss is a break-even strategy, not a profitable one. There is little to no appeal locally, for it fails to differentiate itself from all other local foods. Certification alone lacks direct communication between producers and consumers. If producers want a stronger share of the market dollar, they need urban consumers to be sympathetic with their concerns. The better the dialogue between these two groups, the greater the clout producers will have when dealing with other participants in the supply chain.

2.) **Certification with inspection.** Certification is granted upon meeting the standards of the accrediting body. Random inspections performed by a third party,¹ done without advanced notice, are used to ensure standards are met. For example, the Islamic Food and Nutrition Council of America (IFANCA) and the Islamic Society of North America (ISNA): Canada are Halal certifying agencies that utilize this approach to certification.

- Strengths: Developing one’s own standards allows for real differentiation of one’s products to be developed, which in turn creates a place within the local market. However, simply being different does not guarantee success. Research needs to be done that looks into the real concerns of consumers, and whether these concerns are great enough to command premium pricing. This option is still relatively low cost.
- Weaknesses: Random inspections could be seen as a token effort at quality assurance by consumers who may not understand the logistics involved in inspecting widely spread farming facilities. Educating the public about these difficulties is important. As with certification alone, this option lacks direct communication between producers and consumers.

¹ Third party inspection is generally held to be the best method for assuring an objective assessment of a product. The reason for this is that the third party has no vested interest in passing questionable goods or failing qualified products because of problems occurring in other areas of the business relationship. Furthermore, consumers consider the assessment of a third party as being far more credible than if it were left in the hands of either participant in the supply chain.

- 3.) **Certification with inspectors or other full-time staff on hand.** Third-party inspectors or qualified personnel are always on-hand to ensure that the rigorous standards of the certifying body are met at all times. The Halal Monitoring Authority (HMA) is a Halal certifying agency that uses this approach to ensuring that Muslim dietary requirements are met.
- Strengths: A direct hands-on approach could create a stronger level of trust between producers/processors and consumers. Independent standards create differentiation and thus a place in the local market.
 - Weaknesses: A large, full-time inspection staff is far more costly than random inspections. Of course, it would not be feasible to place inspectors on every farm. However, it may be possible to place inspectors in processing plants to ensure high standards are met. This option lacks direct communication between producers and consumers.
- 4.) **Certification with inspection and communication services between producers and consumers.** Certification is granted upon meeting the standards of the accrediting body. Random inspections performed by a third party occur. An on-line service places consumers in-touch with producers. LEAF is one such organization that is taking advantage modern communications to establish a link between primary producer and consumer.
- Strengths: The on-line service helps to build trust and intimate relationships between consumers and producers. The high level of accountability and transparency increases producers' motivations to meet the standards laid out by the certifying agency. Independent standards create differentiation and thus a place in the local market.
 - Weaknesses: This option is high in cost and complex in implementation. The lack of a public relations filter between the members of the organization and the general public increases the vulnerability of the organization, with the possibility of a communications fiasco occurring between a producer and consumers. This may mean that a public relations seminar will be required to join the organization.

There is also the possibility of creating a full brand with a variety of products run as a business venture. The creation of a full brand would almost certainly have to involve a form of inspection and fully developed standards and an accreditation system. A couple of the options available are the following:

5.) **A Brand Name which receives promotional and research support from an established company.** Various companies have brand development divisions that help establish new brands, providing marketing staff and equipment solutions.

- Strengths: The potential burden of marketing would be placed in the hands of skilled professionals. The new Brand would likely receive a high profile launch and premium initial placement on store shelves.
- Weaknesses: Working with a competitive partner means that there will always be the possibility the producer's market share being reduced over time. The perceptions that consumers have of the partner company will inevitably affect the perception of the new brand. Should a member company commit a major political, social, or environmental blunder, then any of its partners run the risk of being associated with the tarnished brand.

6.) **A Brand Name established by farmers, for consumers.** The possible ways that this could be done are nearly limitless. It could be cooperative or competitive. The marketing and research could be done either by the new company or outsourced to a professional marketing firm. The organization behind the brand could establish ties with processors and/or distributors to get their produce into the market place. The organization could adopt direct-sales or Community Shared Agriculture (CSA) approaches to gaining market access. It could form a bottom-up style of vertical integration, emphasizing a fair share for all members, not just those at the top. The possible frameworks of this venture are limitless.

- Strengths: The freedom to establish any system for distribution of profits (or losses). By being disconnected from any other brands, the possibility of a sister brand creating a political backlash is reduced.
- Weaknesses: Very high risk and high cost.

Summary

The CFFO believes that there is an opportunity for agricultural producers to capitalize on the concerns of the general population through the formation of a brand or brands that would allay those concerns, thereby creating a high-value market where producers could benefit from a greater share of the market dollar.

--- Discussion Document researched and written by CFFO Staff (October 13, 2006)

Appendix 1

Commercial Branding Opportunities Open to CFFO Members

--- An Initial Exploration of the Options ---

Brand development presents many different approaches that could be taken by CFFO membership that would take advantage of its benefits. The options outlined below progress from the simplest to the most difficult. They could be seen as both a long term plan or as different starting (or ending) points for Brand development. All of these options are possible if there is sufficient political will and financial support.

- **Option #1: Grass-roots, independent small brands under an umbrella certification process.** Individual producers of horticulture and meat producers with their own abattoirs would sell their product locally, at targeted farmer's markets or through CSA or direct-to-home sales. In doing so, they would develop a reputation for their produce and creating a brand for themselves. Overlaying these individual branding initiatives would be a larger brand certification process, which would unify the individual initiatives under a larger brand in the minds of consumers. For the consumer, a transparent set of quality standards applying to all of the brand's membership would emerge through the actions of the individual initiatives. The advantage of the overlaying level would be that someone vacationing could visit a local farmer's market and would know they could trust the brand. The drawback to this approach is that it is limited in scope, benefiting horticulturalists and those with their own abattoir while producers of other commodities would not benefit from this program. However, success at the grassroots level could potentially lead into larger markets once the viability of the brand is established.
- **Option #2: Limited-scale brand placement.** The establishment of a high-quality brand of produce committed to meeting consumers concerns, processed by small, independent processors, and distributed to independent retailers. This option has a greater opportunity for involvement from a wider variety of agricultural commodity producers. The producer and the processor would both have to meet the standards of the brand, using the HACCP method, along with third party inspection. The first advantage of this option is the larger segment of CFFO membership that could benefit from this option. We would also be avoiding directly competing against other major brands in their

backyards. However, the costs involved in this process are considerably higher than the grass-roots approach, and would require cooperation between all levels of the value chain to make it work efficiently.

- **Option #3: Large-scale brand placement.** The establishment of a high-quality brand of food to be distributed in all three major grocery store chains in Ontario. The scale involved in this process presents the possibility of a broad-based brand of food could be developed in conjunction with other groups that have similar concerns on agricultural issues. Animal-rights groups, environmentalist groups, advocates of local production, and governmental agencies could be persuaded to work in conjunction with Christian Farmers to produce a brand with broad appeal to consumers. This option comes with a great deal of complexity and high costs, but has the greatest potential for high returns for everyone involved in the process. It can cost \$500,000 to bring a product to market, with one half being devoted to product placement and the other half being spent on marketing. For a manufacturer, a sustainable SKU needs \$2,000,000 in retail sales. To track sales and market penetration it can cost thousands to access the Neilson data (Phil Dick, OMAFRA). The price tag for this information may seem hefty at first glance, but given the other costs in large scale brand placement, it is a small investment that is absolutely crucial in furthering market penetration and market share.

Appendix 2

Sources

On Brand Development

Haag, Matt, *Brand Failures*, Biddles Ltd, Guildford and King's Lynn, London, 2003
Miller, Jon and David Muir, *The Business of Brands*, John Wiley & Sons, Chichester, 2004

On getting a brand to market and large-scale Brand Placement
Phil Dick, Investment Development Officer, OMAFRA

Brand Canada

http://ats.agr.ca/brandingcanada/intro/home_e.htm

HACCP

The Canadian Food Safety Enhancement Program Website
www.inspection.gc.ca/english/fssa/polstrat/haccp/haccpe.shtml

Halal Certification Agencies

The Islamic Food and Nutrition Council of America (IFANCA)

<http://www.ifanca.org/index.php>

The Islamic Society of North America (ISNA): Canada

<http://www.isnacanada.com/hca/index.html>

Halal Monitoring Authority (HMA)

<http://www.hmacanada.org>

Maple Lodge Zabihah Halal foods

<http://www.zabihahalal.com/>

Government of Alberta Publication: Canadian Halal Meat Market Study: an Alternative Market for Alberta's Meat Industry (2005)

[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/afu9886](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/afu9886).

Kosher

Kashruth Council of Canada

<http://www.cor.ca/en/2>

Loblaws Brands

http://www.loblaws.ca/en/on_our_shelves.asp

LEAF

<http://www.leafuk.org/leaf/>