January 30, 2011

Final Report

Re: 791N0200094
Enhancing the Competitiveness of Michigan’s Fresh and Processed Asparagus Industries through Increased Promotion and Updated Information

Project Objectives
There were two main objectives of this project. The first was to conduct a detailed survey of all commercial asparagus producers in Michigan and the second was to enhance sales and grower profitability through radio promotion in SE Michigan

Project Background
Asparagus is a perennial crop, coming into full production 4 to 5 years after seed planting, and producing a commercially viable crop for 11 – 20 years. Many factors affect the productivity and longevity of an asparagus planting, the most significant being the variety selected and any adverse weather event during field life. Raw product price and the normal decline in productivity in later years are major considerations in determining when a field will be removed.

The decade beginning in 2000 saw major changes and shifts in the asparagus industry in Michigan. At, or below cost-of-production prices in 4 of 10 years, a major shift in varieties planted, and a 1 in 100 year weather event (17 inches of rain) in May 2004 left growers, fresh packers, processors and grower organizations all questioning the true potential production in the upcoming years.

All involved parties agreed that a comprehensive survey measuring field age, condition, variety planted, planting and plowing intentions would greatly serve the entire industry. Raw product pricing, marketing focus and planting decisions would all benefit from having up-to-date potential production information.

The second objective of the project was to raise consumer awareness of the availability of Michigan “locally grown” fresh asparagus and thus enhance grower returns.

Fresh Michigan asparagus becomes available in late April and can be purchased until late June. Promotable quantities are generally available starting mid-May followed immediately by peak production which then tends to tail-off as the season progresses. This relatively narrow window (2 of 12 months) offers a unique marketing challenge each spring. Past experiences with the “Select Michigan” promotion program has shown that consumers in Michigan and neighboring states have a strong desire to purchase Michigan fresh asparagus but need to be reminded each year that the season has started. Many consumers have lost touch with the seasonality of Michigan’s asparagus harvest due to the year-round availability of fresh asparagus from South America, Mexico and the western US.
The sales of Michigan fresh asparagus have grown steadily from 2.7 million lbs in 2004 to 6 million lbs in 2009. This growth in the fresh market has occurred over a period when total state production has been trending downward and Michigan’s processing asparagus market has been challenged by cheap off-shore imports. Michigan shippers have reported that much of the growth in the fresh market can be attributed to sales in Michigan and surrounding state. They also report that these sales tend to offer the highest returns to growers as the result of higher per-box selling price and lower shipping costs. It is estimated that in-state sales return 5 – 7 cents per lb higher grower net than sales made on the East coast or SE United States.

Declining production in Michigan has resulted in lower assessment income and that coupled with a larger investment in research has limited MAAB’s ability to increase promotion expenditures. MAAB, working with MDA’s Ag development division and the “Select Michigan” program have effectively covered Central, West, and South West Michigan with radio and in-store fresh promotion programs in the past. Unfortunately, due to the relatively high cost of radio spots, MAAB has not been able to effectively cover Michigan’s most densely populated region – SE Michigan. This grant enabled the Michigan industry to, for the first time; cover that important area of the state.

Project Activities
Objective 1
The Michigan Field Office of the USDA National Agricultural Statistics Service (NAAS) was contracted to conduct the survey of the Michigan asparagus industry. NASS employees met with industry representatives in late 2009 to develop the parameters of the survey. The Michigan Asparagus Advisory Board (MAAB) informed growers of the importance of the survey through newsletters and grower meetings. In addition, MAAB offered a chance to win a $250 Cabela’s Gift card to raise awareness of the survey and encourage participation. Surveys were mailed out in late December 2009 and non-respondents were contacted by phone and if needed in person. Dave Kleweno, NASS, gave a power point presentation of the results of the survey to the MAAB board for critique on March 4, 2010. NASS then released the survey publicly as well as presented the survey to the entire industry at Oceana Asparagus Day in Hart Michigan on March 11. A crowd of 170 growers, processors, packers and industry representatives were on hand to accept the survey. The drawing for the Cabela’s gift card also took place at that time.
Copies of the survey were attached to the fall 2010 MAAB newsletter and sent to all Michigan asparagus growers.

Copies of the survey and power point presentation are attached to this report.
Objective 2

MAAB contracted with the Citadel Radio Group to run a series of radio ads on 3 stations in SE Michigan to promote fresh asparagus sales. A total of 76 spots were run on 93.1 “Doug” FM with a net reach of 393,100; 50 spots on 96.3 FM WDVD with a net reach of 416,000 and 40 spots on WJR News/Talk 760 AM with a net reach of 259,000, beginning on May 17 and ending on May 30. Total cost for this radio promotion was $16,110.00 and was paid for by MAAB on May 14, 2010. (see attached WJR_AM invoice) The total cost associated with this promotion will be turned in for reimbursement from granted funds.

MAAB also contracted for three additional fresh promotional activities in other areas of the state.

The RBS MEDIA GROUP, L.L.C. was contracted to run in-store radio promotions in the 238 Spartan Group (Family Fare, D&W, Glen’s, Felpausch, VG’s plus 142 independents) stores from May 9 – June 5, 2010. Total cost of this promotion was $3000.00 and was paid by MAAB on April 1, 2010.

The MAC DONALD BROADCASTING COMPANY was contracted to air 150 spots between May 20 and June 6, 2010 on WHZZ, covering central Michigan including the greater Lansing area. Total cost for this promotion was $3000 and was paid by MAAB on April 29, 2010.

REGENT BROADCASTING of GRAND RAPIDS was contracted to air 180 spots between May 17 and June 6, 2010, 90 spots on 95.7 WLHT and 90 spots on 100.5 WTRV covering west Michigan including the greater Grand Rapids area. In addition to the radio spots the following items were included: 2 Meijer remotes (5/15 at Knapp’s Corners & 6/5 at Standale) which included live interviews prior to each remote, 30 streaming commercials per week x 3 weeks on WLHT, Video Gateway on WLHT.com, Banner Ad on WLHT.com with click thru, and E-mail blasts to database of 4500. Total cost for this promotion was $9,000 and was paid by MAAB on May 14, 2010.

Project Outcomes

Objective 1

The asparagus survey was accepted with great interest by the Michigan asparagus industry. After analyzing survey data, it is projected that asparagus acreage in Michigan will decline from present levels of 10,000 acres down to 8,500 before stabilizing.

The survey was released a bit late to have significant effect on the price discovery process between MACMA asparagus division (growers) and processors for the 2010 crop season. (the negotiated price for cut & tip asparagus was $0.62 in 2010; down from $0.66 in 2009) However, the MACMA asparagus committee feels the survey will be a valuable tool in advancing the processing price in years to come.
Perhaps of greater long-term significance, a study committee was formed to review all aspects of the industry. This committee will deliver to the industry recommendations encompassing everything from maintaining fiscal health of key organizations (Advisory Board, Marketing & Bargaining & Research), structural changes to the Marketing and Bargaining process, to seed procurement and quality monitoring.

Based on the NASS survey we are projecting the following outcomes:

1) The Marketing and Bargaining Board will be able to secure higher grower prices anticipating lower average volumes and targeting the highest paying customers.

2) Revenue for key asparagus organizations is dependent on harvested volumes. These organizations have a valuable tool for projecting income and maintaining fiscal health.

3) Growers will begin an aggressive replanting program.

Objective 2

The fresh asparagus promotion on radio stations covering the lower half of the Lower Peninsula had a significant impact on the volume of fresh asparagus sold within the state and overall grower returns. Record fresh volumes were committed and would have been delivered had it not been for dismal weather conditions experienced during the 2010 asparagus harvest season. Abnormally high temperatures in April brought the crop out of the ground early only to be devastated by May frosts and June heat. The total volume of asparagus harvested in Michigan in 2010 was the lowest recorded in over 50 years. 15.2 million lbs of asparagus was harvested statewide in 2010 compared to 21.9 million lbs in 2009, a 30% reduction. Despite this huge loss in production fresh sales were nearly identical to the previous year only dropping from 5.8 to 5.4 million lbs. In contrast to the relatively good fresh volumes, sales to the processing market dropped from 16.1 million lbs in 2009 to 9.8 million lbs in 2010.

Record high grower returns for fresh deliveries were reported in 2010. Michigan’s two largest fresh packers, representing 3.5 million lbs of the 5.4 million lbs sold shared information for this report. Net grower returns on gross lbs delivered to them in 2010 was $0.95 compared to $0.76 in 2009 and $0.72 in 2008.

The high returns experienced in 2010 were a direct result of average to tight supplies coupled with high demand for Michigan grown product throughout the state. The highest volume of fresh sold coupled with the highest price per lb. occurred during the three week radio promotion starting mid May and ending the first week of June. Michigan asparagus shippers that responded to a request for information indicated that 38% of the pack was sold in-state, higher than the previous year.

It is estimated that less than 4 of 10 asparagus farms in Michigan sold asparagus into the fresh market in 2010. Many farms that sold 50% or more of their crop fresh in 2010 reported that despite lower yields their net revenue on asparagus was equal to the previous season. Farms that sold their entire crop to the processing market reported net revenues of only 70% of the previous year.
Many farms that have sold their entire crop to the processing market are now exploring entering the fresh market with a percentage of their crop. The result of this should create higher demand and higher prices for processed asparagus and reduce risk in their own operations.

**Summary Sheet of Financial Activity Attached**

**Copy of Paid Invoices Attached**