

Marketing Specialty Forest Products

No one has ever made any money growing specialty forest products (SPFs).

They make money selling them.

Producing SFPs can be a profitable enterprise, but producers must thoroughly understand the unique nature of niche markets before they make production investments.

What are Specialty Forest Products?

Specialty Forest Products (or SFPs) generally fall into one of four categories:

- 1) medicinals and botanicals
- 2) forest-based food products
- 3) woody decorative florals
- 4) handicraft products and specialty woods.

In this publication, we'll introduce you to the wide range of specialty forest products and markets. Because there are hundreds of plants that produce SFPs, we have listed additional resources where you can find more specific information.



The Nature of Specialty Forest Product Markets

Most Specialty Forest Product (SFP) markets are "niche" in nature, requiring producers to spend much more time and energy in marketing than needed for traditional "commodity" row crops. Because many of these unique crops are not suitable for large-scale production, few large producers control the markets, providing opportunities to new growers. Some markets are quite large and structured, with both wholesale and retail outlets (e.g., woody decorative florals and some fruits and nuts). Other markets are more restricted (a local jelly company, winery, floral shop, craftsperson or hobby club, food co-op, or the town farmers' market). Clearly, producers of specialty forest products need to know as much about markets and marketing as they do about production.

Most SFP enterprises face some risk, either because the products are perishable, or because the markets are small and easily saturated. Prices can be volatile, depending on product supply and quality. Government support programs may be limited.

Some products have seasonal markets (e.g., pussy willow in the spring, holly in the holiday season, berries for fresh fruit sales when ripe).

Others have more year-round markets (e.g., curly willow, nuts, frozen fruit). A few large producers or processors dominate some markets (e.g., cedar oil). Other processors or wholesalers may purchase products from a number of small producers. Jelly, jam, juice and wine producers often establish written or verbal contracts with a limited number of berry growers or harvesters. This allows them to avoid the high costs of dealing with a large number of growers who bring small quantities of fruit of variable quality to their processing facilities. Finally, newcomers to SFPs may have trouble finding production or market information, as existing producers are fearful of losing their already small markets, and thus are unwilling to share. Despite these realities, there are many market opportunities for producing a range of SFPs.



"Floral Greens" - a major industry in northern states

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Strategies for Marketing Specialty Forest Products

Know Your Customer

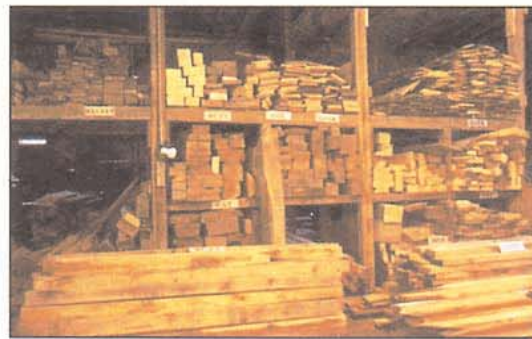
In SFP niche marketing, knowing your customer's needs, wants, problems, frustrations, hopes, dreams, perceptions and expectations is vital to success. You can uncover this information by asking them in person, or through surveys, questionnaires or other forms of market research (e.g., via the World Wide Web or by visiting places where similar products are sold). Using these channels, you can also learn much about the strengths and weaknesses of your competitors. Essential questions to ask to understand potential customers include:

- To whom are we marketing?
- To whom are we not marketing?
- What are they like?
- What do they like?
- What are their current wants and needs?
- What are their perceptions?
- Do/Can our products meet their expectations?

Armed with this information, chances are you can identify areas in which you can successfully compete (e.g., timing,

quality, freshness, new products, lower transport costs, etc.). Customers often can be divided up into two groups: light users and heavy users. Heavy users often make up 20% of the

population of users, but consume 80% of the product. Knowing your customers and competition allows you to clearly define and effectively target your key markets and develop a marketing strategy that will keep you ahead of the trends.



Specialty woods and lumber

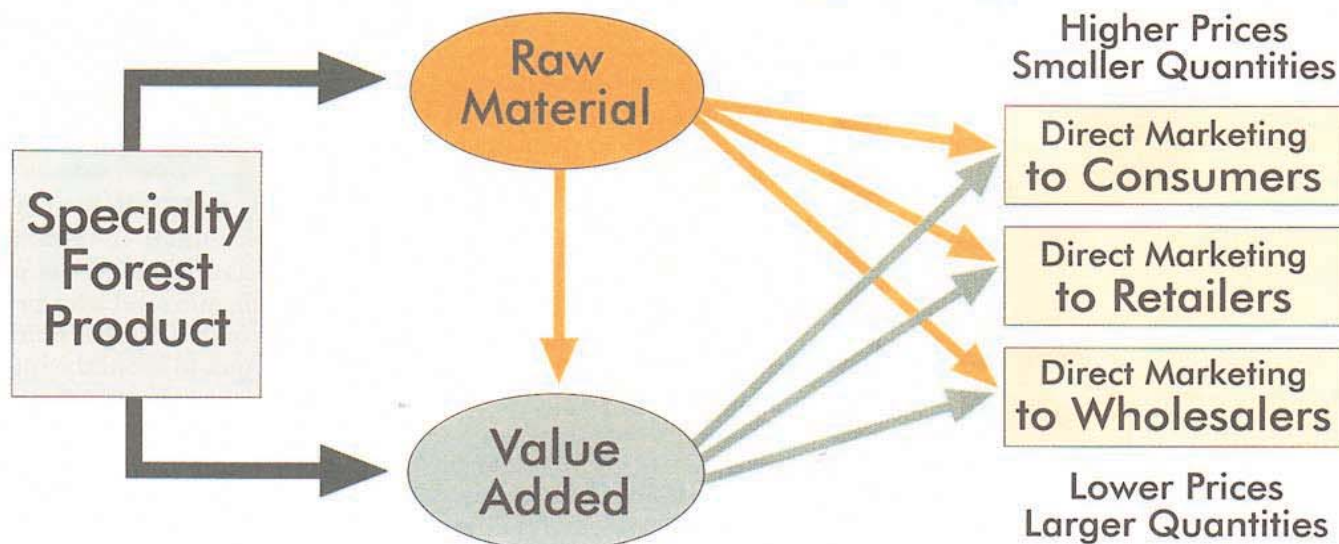
Identify Your Marketing Options

Several marketing options (**Figure 1**) exist for selling specialty forest products:

- 1) direct to the consumer through fairs, shows, farmers' markets, roadside stands, WWW, etc.;
- 2) retail;
- 3) wholesale;
- 4) via distributors.

Not all of these will be appropriate for your product line, nor match your personal goals and objectives for the enterprise. Deciding which market is best for your operation depends on a thorough market analysis that examines current and

SPF Marketing Options



(Figure 1)

potential demand, competitors (number and quality), current price structure (can you compete on price?), or other areas in which to compete.

If you decide to enter the wholesale markets, you'll need to assemble the labor and capital necessary to fill regular large orders. Some producers may decide to stay small, and only market via other channels. To reduce the time devoted to marketing, other producers market their products via contractual agreements with independent sales representatives or distributors (who require a fee). These brokers then market the products to wholesalers and retailers. Under this arrangement, it is essential that you maintain control of the wholesale price of your products. No matter what marketing option you use, keep your customers happy. The customer you need to worry most about is the one you never hear from again!

Develop Niche Products with Multiple Markets

Producing a specialty forest product with only one market increases your risk as a producer. If that market fails to materialize at harvest, you have few options to move product. Producing specialty products with multiple markets reduces market risk and provides producers with greater flexibility. For example, elderberry fruit may have only a limited jelly or wine market, and must be harvested when ripe and delivered quickly to the processor. On the other hand, hazelnuts can be sold in-shell, or sold as crushed nuts, pressed for oils, used in confections, or stored for later sale.

Secure Markets Ahead of Time

It definitely pays to line up markets *before* production investments are made. Solid marketing and quality production can earn a producer higher prices and consistently greater profits. When marketing SFPs, *"be a price maker, not a price taker."* Niche products cannot be marketed as a commodity—once they become such, the chance to influence prices is lost. By lining up buyers for your product ahead of time, and then working closely with your customers to ensure that your products meet their needs, you will be able to obtain higher prices and maximize your bottom line.

Thinking Small Can Pay Off Big

Small SFP companies can prosper even in saturated markets by identifying and fulfilling the needs of underserved or ignored market niches. As Frank Foltz, a Minnesota producer of specialty nursery stock, said, *"If you compete with the big boys, you must find areas where you will always win."*

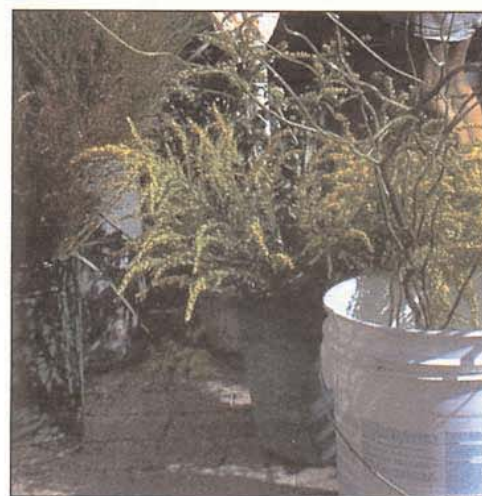
"If you compete with the big boys, you must find areas where you will always win."

Frank Foltz
Minnesota producer of
specialty nursery stock

Smaller niche SFP businesses can spend greater time attending to the needs of their customers and providing them with the quality they need and can't find elsewhere. The trick is to not focus on too small a niche. If the market is simply too small to move much product (and appears destined to stay that way), you'll be forced to set the price of your products far above what the market will bear just to cover your fixed costs. In this case, you'll need to diversify, or develop and produce products with larger markets. When first starting out in the SFP business, it is probably a good idea to start small, test market your products, focus on quality, and build your markets over time.

Setting Prices

Ask retail and wholesale buyers the prices they pay for particular products. Pay attention to quality characteristics that affect price—quality is often where you can best compete. Generally, wholesale prices are half of retail price. Buyers generally pay shipping costs. Don't underprice your products, or your time! Carefully calculate your costs including hired labor, overhead costs (rent, utilities, insurance, mileage, postage, advertising, packaging, etc.) before setting your price. If you can't keep your price low enough to be acceptable to wholesalers, sell at the retail level.



Woody decorative florals sell well at farmers' markets.



Many food products are made from specialty fruits.

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Direct Marketing to the Customer

Marketing direct to consumers is a personalized way to build a business, one customer at a time. Such "relationship marketing" requires considerable people skills (and time) to attract and increase your customer base. Direct marketing can allow small producers to secure the highest prices and profit margins for their specialty forest products. But remember - if you produce value-added processed food products, be sure you are fully aware of applicable regulations, permits, etc.

To introduce new customers to your products, offer samples when selling at fairs, farmers' markets, and craft and trade shows. Scan trade, food, decorating magazines and other publications to stay abreast of, or better still, ahead of the latest trends in color and form, especially with woody decorative florals.

When displaying your products at a fair or farmers' market, use all of your space (table, floor, screen), and vary the height of your displays. If the products can be used in a gift basket (such as an assortment of jellies, jams, syrups and nut products) display them as such for maximum impact. Price all of your products, and include a personalized "hang tag" that describes the unique nature of the product. Stand (don't sit) at the side of your display to encourage people to walk up to your booth (your "store"). And have a clipboard or small podium with a drawer to enable you to write orders.

If you are selling your products at retail outlets in town and at a fair, show or farmers' market, be sure to charge the same retail price as that charged in the store, or you will undercut and alienate your retailers! Better still, give your customers a list of stores that carry your products, and list these stores on your Web site.

Marketing direct to consumers is a personalized way to build a business, one customer at a time.



High quality ginseng roots.

Selected Specialty Forest Product Marketing Resources

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- *Marketing Specialty Forest Products.* 1999. Vollmers, C. and Streed, E. University of Minnesota Cooperative Extension. St. Paul, MN.
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