

2010 Vermont Seal of Quality Market Research Study

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Prepared by
Rosalie J. Wilson Business Development Services
rosaliewilson.com
&
Louise Calderwood
rcalderwod@aol.com

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Table of Contents

Table of Contents.....	1
Appendices.....	2
Executive Summary.....	3
Background	4
Methodology.....	6
Findings	7
Program Interviews.....	7
Producer Interviews.....	15
Recommendations	20

Appendices

Resources Consulted

State/Provincial Run Program Operating Details

Details on a Sampling of Independent State-based Product/Service Organizations

Get Fresh. Buy Local Rhode Island 2010 Campaign Summary

Marketing Examples

Rhode Island

Rhody Fresh

R.I. Royal Potatoes

Rhody Warm Wool Blankets

Oregon

Department of Agriculture

Oregon Grown

Oregon Wine Board

New York

Pride of New York

Coordinated Gift Basket Ordering Webpage

30 second television ad template (see enclosed stream file)

Member Marketing Grant Program

60 second radio ad (see two enclosed audio files)

Quebec

Mettez Le Quebec Dans Votre Assiette

Consumer magazine

Sample Compliance and Membership Application Forms

New York

New Hampshire

New Jersey

Rhode Island

Potential Sources of Funding

Executive Summary

The goal of the Vermont Seal of Quality Market Research Study is to offer an educated recommendation on a direction for a Vermont product branding program that can effectively support individual and statewide marketing and promotional efforts of Vermont goods and services through leveraging the brand caché that being from Vermont offers them.

The study found that to make a meaningful impact on the sale of Vermont products the best use of the state's resources would be to redirect them towards outcomes driven initiatives. Specifically, the recommendation is for the Vermont Agency of Agriculture, Food and Markets, and the Vermont Agency of Commerce and Community Development to hire a dedicated Vermont Agricultural and Specialty Products Brand Ambassador.

The Vermont Agricultural and Specialty Products Brand Ambassador will increase sales of Vermont products by cultivating mindshare for Vermont products with retail buyers. The Vermont Agricultural and Specialty Products Brand Ambassador will assist retailers in sourcing Vermont products, creating Vermont product aisles and displays, merchandising Vermont products and displays, and coordinating an industry presence for Vermont products as opportunities arise such as at industry tradeshows.

To mitigate risk from state budget funding, the program's reliance on state funds will be limited to fixed administration expenses, namely the brand ambassador staff person. All variable program operating expenses will be secured by the brand ambassador as part of their job responsibilities.

Success of the program will be measured through benchmarking an increase in the volume of Vermont products sold to retail buyers, and through documentation demonstrating increased visibility for Vermont products in retail settings.

While the Agency of Agriculture, Food, and Markets and the Agency of Commerce and Community Development focus on a push-style marketing strategy aimed at the retail level, the Vermont Department of Tourism and Marketing can complement and maximize the impact of this effort through a pull-style marketing strategy aimed at Vermont tourists. This could be achieved through integrating three additional points into their existing messages: that a Vermont vacation gains visitors access to the full bounty of Vermont agricultural and specialty products that have made our state a culinary destination; to look for Vermont products and product displays while here; and to visit a (to-be-created) coordinated website to purchase their favorite Vermont products once they are back home.

Background

The Vermont Seal of Quality was created in 1977 as a means to add value to commodity products such as milk, apples, honey, potatoes, eggs and maple syrup. The iconic emblem used to promote the Seal was developed in 1980 and is specifically protected in Vermont statute. Created before the era of specialty foods, the Seal provided Vermont producers with a mechanism to set their products apart in the market place with a regulatory program based on specific quality standards. As originally developed, the Seal was intended for agricultural and food products for which at least 85% of the final product was either produced or value added in Vermont. The program was later amended to allow use on Vermont agricultural products that had been processed in facilities located outside of the state of Vermont. A board consisting of producers, processors and state government regulatory and development staff oversaw development and implementation of the program.

Participation in the original Vermont Seal of Quality program required payment on a sliding scale based on the dollar value of product sold. Inspections were conducted by staff from the Consumer Assurance section of the Vermont Department of Agriculture (before its designation as an agency). Participation was based on validation of production and processing methods and conformance with market standards beyond the minimum required for entry into commerce. For example, eggs labeled with the Seal of Quality had to surpass the legal standard for conformity of size and indicators of freshness.

Early backing for the Vermont Seal of Quality included advertising supported by the Vermont Department of Agriculture, significant staff support for inspections and assistance to producers to conform with the necessary steps to be eligible for participation in the program. Staff time and financial support was provided for the rulemaking process necessary to promulgate the standards required for use of the Seal. Throughout the 1980's administrative rules were developed to allow adoption of the Seal of Quality by a number of products and the program expanded in both the number of eligible products and utilization by producers.

As Vermont became known for "specialty foods" the limits of the Seal of Quality program became apparent. The rigidity of the program that provided for specific quality standards for commodity products could not accommodate the necessary flexibility to allow adoption by specialty food products. Difficulty in defining what constituted "quality" for specialty foods such as salsas and pies limited utilization of the program. For example, there are no established quality standards for caramel, much less a caramel created utilizing goat's milk. Application of the program to meat products was significantly limited by regulatory oversight of labeling standards.

The rulemaking process necessary for utilization of the Seal of Quality is expensive. During the 1990's the cost of rulemaking exceeded \$1,500 per product and required significant staff time to process. With tightening of state budgets the ability to support the Seal of Quality program with enforcement, producer support, and advertising was

diluted. By the late 1990's use of the program by Vermont agricultural producers had largely diminished to eggs, maple, and dairy products.

In 2000 the Seal of Quality was expanded to include the "Commissioner's Choice," "Agricultural Partner," and "Farm Heritage Partner" designations in an attempt to broaden use of the program. The Commissioner's Choice was reserved for traditional users of the program; agricultural products which have been entirely produced and processed in the State of Vermont. Agricultural Partners were associations of Vermont agriculture producers, who demonstrated a substantial commitment to the production, processing, and sale of Vermont agricultural products. Farm Heritage Partners were food stores, restaurants, or any business selling Vermont agricultural products or Vermont specialty food products that demonstrated a substantial commitment to selling or using Vermont agricultural products and Vermont specialty food products.

Expansion of the program and associated advertising brought about a brief flurry of activity but was soundly criticized for causing confusion amongst consumers about the meaning of the various emblems. What did it mean when a bank displayed the Seal of Quality in its windows? Use of the program continued to decrease to the point that the Vermont Sugarmakers Association, long a supporter of the program, did not include the Seal on its newly designed packaging.

By 2010 the program was languishing amidst confusion on the part of producers and consumers, and lack of funding for regulatory oversight, rule development, and advertising.

Methodology

To explore logistical models and operating mechanisms the project conducted a review of existing geographic based branding programs from Québec, NH, NJ, NY, OR, and RI.

The objective was to understand:

- initial desires, goals, and intent of each program;
- organizational model;
- operational model/program implementation;
- relationship with state government;
- regulatory oversight;
- financial model
 - operating budget
 - # of staff
 - source of funds
 - marketing budget
- marketing plan- promotion, outreach and awareness
- program successes
- what was needed for start-up
- environmental factors
- strengths/weaknesses
- recommendations for Vermont

To explore demand for state assisted marketing in terms of form and content the research conducted interviews with 16 individuals representing current and former users of the Seal, producers who have never used the Seal, and marketing directors and executive directors for food based Vermont organizations. Subjects were chosen to assure a breadth in geography, in-state and out-of-state marketing, and product type. The list of organizations contacted is as follows:

Cheese:	Cabot, The Cellars at Jasper Hill, Fat Toad Farm
Maple:	Couture's Maple Store & Bed and Breakfast, Dave Marvin
Meat:	Vermont Smoke & Cure
Apples:	Champlain Orchards, Sunshine Orchards, Shelburne Orchards
Specialty:	Eden Ice Cider, The Vermont Country Store
Milk:	Monument Dairy
Eggs:	Maple Meadows
Vegetables:	High Meadows Herbs and Vegetables
Retailers:	Vermont Grocers Association
Winery:	Snow Farm Winery

The objective was to understand:

- what producers would like to see out of the program
- what support would retailers and producers find most valuable in increasing the sale of Vermont products
- what regulatory oversight the program should have

Findings

Program Interviews

From the research with program administrators, three themes emerged

1. Programs were migrating away from enforcement models.
2. Programs were looking outside of state budgets for funding.
3. Programs were relying on the honor system for compliance.

Program Models

Program administrators have been making a conscious effort to shift their programs away from quality based state-run marketing programs. As the market has evolved states are moving away from promoting the quality of products as a selling point of the geographic location to promoting the geographic location as a unique selling point of the products.

Why this change in direction?

Program directors and their producers felt the consumer is the best judge of quality. Many of agricultural products are now value added products that do not lend themselves to quality standards understood or valued by consumers, or that are easy to enforce. And, when resource constraints are an issue a program can maintain a higher level of impact if it doesn't need to divide its budget between promotion and enforcement.

Comments from interviews

New Hampshire Made Executive Director, Laurie Ferguson expressed:

“NH Made doesn't vet the quality of the products. If you produce crappy fudge your longevity will be determined by the market not the program. We haven't had negative repercussions from members whose quality of products is low because they normally aren't in business long and they go away on their own.

[Instead of focusing on members' quality] we try to maintain the integrity of the logo “New Hampshire Made.” We do this by verifying members are New Hampshire based businesses paying taxes in New Hampshire.

The goal of the program is to market and promote our members as best we can. The end goal is trying to find a way to keep our members in the program, not kick them out.”

Pride of New York's Manager, Sue Santamaria echoed this sentiment:

“New York used to have a Seal of Quality Program but it was very stringent and had a lot of quality regulations. The program had little farmer support and was difficult to operate. By the end of the 1990's it had run out of money. At this point the program was reorganized by the farmers. They relaxed the program and adopted a new logo, *Pride of New York*. Since this time the program has been able to maintain buy-in from its members for more than ten years, with some even putting the logo on their tractor trailers. The goal of the program is to have members buy into it. It is to help them market their products. In this environment the member can't afford to put out bad quality. If they do the market will be the judge. The member will lose more credibility than the program, they will be gone from the market quickly, and consumers have a short memory, so the program doesn't worry about needing to be the overseer [of members' quality]. The program will stay in existence a lot longer if you don't regulate it. It should be an opportunity for growers to feel proud of being from their state, not exclusionary.”

Diane Souther from Apple Hill Farm in New Hampshire noted:

“Cabot cheese is allowed to be a “supporting member” of NH Made even though it is not from NH because eighty of New Hampshire's dairy farms send their milk to Cabot so supporting sales of Cabot cheese supports NH dairy farms.”

Similarly, Sue Santamaria noted that:

“Garelick Farms is a member of Pride of NY even though their milk isn't all from New York. The bottom line is, you want to promote business in the state. It's marketing and promotion. It's credibility of the program [not the producer]. And it's education of buying local and supporting your neighbors.”

Jersey Fresh Program Director Bill Walker noted:

“Jersey Fresh used to have a budget of \$1.2-1.5 million per year. We had four marketing specialists, a chief, and a quality grading staff. We used to spend \$600,000+ on advertising, \$200,000 on point-of-sale, and \$300,000+ on staff. Now our budget has been reduced to \$150,000 (and this was from a Specialty Crop Block Grant) + 1 marketing staff. The \$150,000 is split 50-50 between point-of-sale and quality grading staff. Since the budget cuts we have noticed a significant drop in mindshare. In

retrospect, it would be less damaging to have started with a small program focused on relationship development than to be a large program focused on advertising and promotion that gets its budget cut. Supermarkets are responsible for 85% of the food sold in the U.S. Therefore, to be most effective with your resources use them on relationship development in the retail environment. Even with our single marketing staff person we continue to maintain an impact by cultivating one-on-one relationships at the chain [head quarter] and store level of the grocery stores, organizing trade shows, doing outreach, and making phone calls. [The core of the program] is a lot of economic development work.”

Financial models

Program administrators from every program interviewed including Québec, acknowledged that relying on state/provincial funding was a significant weakness. To compensate for this weakness program administrators have shifted away from relying on the state budgets as their sole source of funding, and, as noted in #1, have shifted the focus of their programs from regulatory to promotion-based, enabling them to omit regulatory expenses from the budget.

Sources of funds leveraged by other programs include:

a. Federal Grants

USDA Specialty Crop Block Grants (SCBG) & Market Access Program Grants (MAP)

Pride of NY uses SCBG to finance their core program function, a 50-50 matching marketing grant program for members.

Get Fresh. Buy Local RI uses SCBG to fund its annual operating expenses including its \$75,000/yr marketing campaign.

OR uses SCBG and MAP to finance cost-sharing of trade show booths and market development activities for producers.

NJ received \$150,000 from SBCG to cover its current year’s operating budget because its state money was cut.

b. Membership Fees

Three states had membership fees, NJ, NY, and NH.

For NH, membership fees are determined on a sliding scale ranging from \$75-150 based on the size of your operation. NH Made membership fees make up a significant portion of the organization's annual operating income, generating more than \$65,000 per year.

For NY, the Pride of NY membership fee is a one-time \$30 expense. The program regards the fee as a token gesture that conveys a sense of ownership onto the member. With up to 3,000 members, over the course of ten years, NY has generated approximately \$90,000 in membership income.

NJ also has a \$30 membership fee. While it is an annual fee, with only 144 members the annual income derived from membership fees, approximately \$4,320/yr, becomes a rather minor component of the total operating budget.

c. Donations/Foundation Grants/Corporate sponsors/Citizen contributions/In-kind

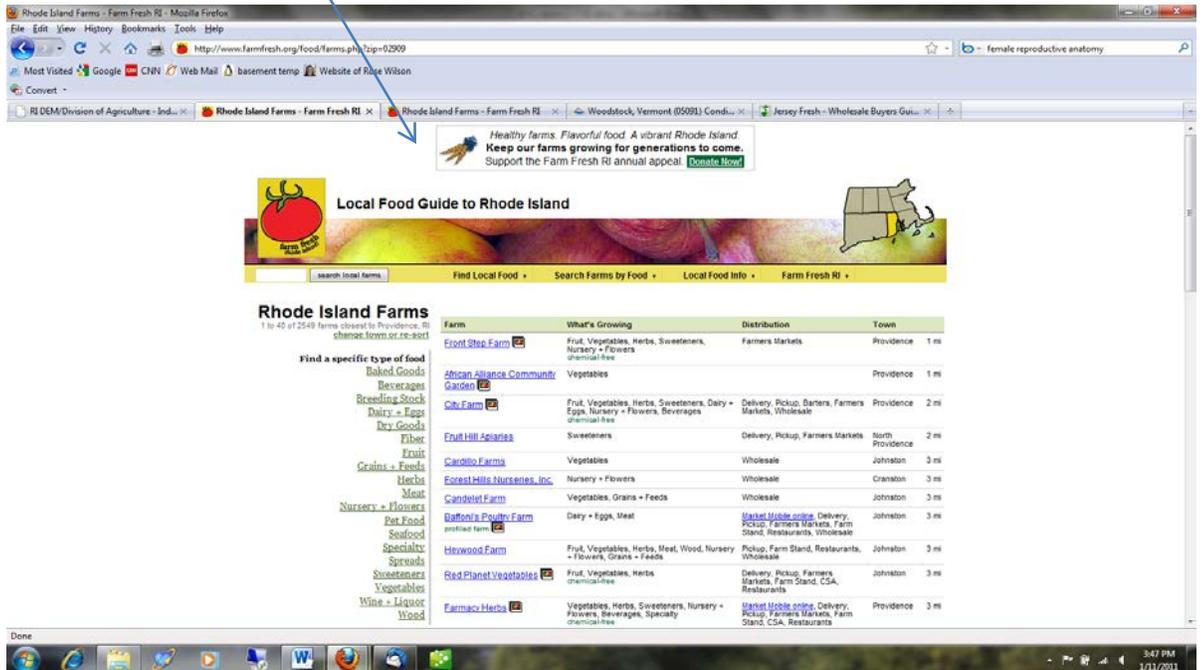
New Hampshire generates up to \$200,000 of its operating income from corporat sponsorships, foundation grants, and fundraising campaigns. It is currently embarking on a \$100,000 capital campaign to build a farm to chef website.

Rhode Island encourages visitors to the state Department of Agriculture's website Get Fresh.Buy Local Program to support the effort with a direct appeal in a header ad. See example on page 11.

The Rhode Island public appeal header ad:



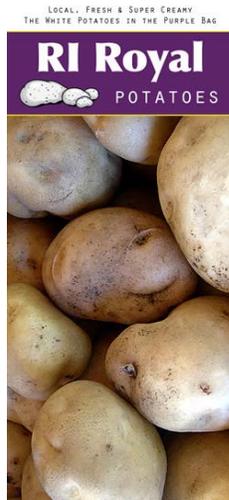
Healthy farms. Flavorful food. A vibrant Rhode Island.
Keep our farms growing for generations to come.
 Support the Farm Fresh RI annual appeal. [Donate Now!](#)



The screenshot shows a web browser displaying the Farm Fresh RI website. At the top, there is a navigation bar with the text "Local Food Guide to Rhode Island" and a search bar. Below this is a section titled "Rhode Island Farms" which contains a table listing various farms and their products.

Farm	What's Growing	Distribution	Town
Fruit Step Farm	Fruit, Vegetables, Herbs, Sweeteners, Nursery + Flowers	Farmers Markets	Providence 1 mi
African Alliance Community Garden	Vegetables		Providence 1 mi
City Farm	Fruit, Vegetables, Herbs, Sweeteners, Dairy + Eggs, Nursery + Flowers, Beverages	Delivery, Pickup, Farmers Markets, Wholesale	Providence 2 mi
Fruit Hill Apiaries	Sweeteners	Delivery, Pickup, Farmers Markets	North Providence 2 mi
Cascado Farms	Vegetables	Wholesale	Johnston 3 mi
Forest Hills Nurseries, Inc.	Nursery + Flowers	Wholesale	Cranston 3 mi
Candlet Farm	Vegetables, Grains + Feeds	Wholesale	Johnston 3 mi
Balfour's Poultry Farm	Dairy + Eggs, Meat	Market Mobile online Delivery, Pickup, Farmers Markets, Farm Stand, Restaurants, Wholesale	Johnston 3 mi
Hexwood Farm	Fruit, Vegetables, Herbs, Meat, Wood, Nursery + Flowers, Grains + Feeds	Pickup, Farm Stand, Restaurants, Wholesale	Johnston 3 mi
Red Planet Vegetables	Fruit, Vegetables, Herbs	Delivery, Pickup, Farmers Markets, Farm Stand, CSA, Restaurants	Johnston 3 mi
Farmacy Herbs	Vegetables, Herbs, Sweeteners, Nursery + Flowers, Beverages, Specialty	Market Mobile online Delivery, Pickup, Farmers Markets, Farm Stand, CSA, Restaurants	Providence 3 mi

d. Revenue based products and services.



Programs such as Rhody Fresh, RI Royal Potatoes, and Rhody Warm Wool Blankets generate their operating income from the sale of finished products.

Pride of New York requires its producers to contribute a 50-50 match in a competitive grant program as a way to stretch the program's dollars further. It also requires members to purchase any Pride of New York point-of-sale they desire at cost.

NH Made charges for services and opportunities available to members in addition to the base membership fee. Examples include \$50/member to be listed in the *Guide to NH Products*, a fee to participate in a holiday special newspaper insert, cost sharing for space at a NH Made trade show booth, etc.

Program Focus

a. Outcomes Driven Initiatives

Some programs, such as New Jersey, Oregon, and Québec have focused their resources on outcomes driven initiatives to provide as much direct impact on the sale of their state's agricultural products as possible.

New Jersey for example uses the Jersey Fresh program as a way to broker the sale of large quantities of New Jersey grown products into retail chains. It has staff dedicated to cultivating relationships at the chain and store level, overseeing quality assurance/quality control, creating and distributing Point of Sale, and managing account relationships.

Oregon coordinates trade show booths and initiates outreach and marketing leads for its producers.

For export markets, Québec coordinates participation at industry trade shows for processors and places advertisements targeted at wholesale buyers in industry publications and buyer guides. For in-province marketing the province focuses on educating consumers on how to identify Québec grown foods, beyond seeking out the program's logo. In this way, even should the program's visibility decrease the hope is consumers will not be solely reliant on the program logo to identify Québec foods, and thus reduced program visibility will not jeopardize the overall goal of getting consumers buying more Québec grown food.

b. Third Party Ownership Models

OR, RI, and NH have encouraged operating models that move as much of the responsibility and operations outside of state government. This provides agility for the programs to function more effectively and assume the responsibility required to survive in a market driven, free market economy.

In Rhode Island, for example, Rhody Fresh, and Rhody Warm Wool Blankets are two programs that use the state as a unique selling point for their products yet operate independent of state government. The Department of Agriculture fully supports their efforts and used its strengths as a respected voice, and its connections and expertise in regulatory knowledge to advocate for the programs and assist with regulatory hurdles. The day to day operations, and long term success of the efforts, however, are the full responsibility of the third party.

In New Hampshire, the NH Made program evolved as an effort by producers and artisans to tell their own story. While the discussions started with the Department of Agriculture, the Department of Agriculture said it didn't have the budget to manage the program and told those interested to go start their own program. With support from the Department of Agriculture, Department of Economic Development, and Department of Arts, a non-profit 501c3 was formed. The benefit to being independent, according to Executive Director, Laurie Ferguson, is that "we are not a state agency therefore we can change our by-laws as opportunities arise and by not being affiliated with any one particular agency we can leverage the support and resources of all the state's agencies."

The Oregon Department of Agriculture has decided to use its funding on outcome driven initiatives as noted above, while letting the Agri-Business Council of Oregon and other state agencies focus on state branding

programs. The Agri-Business Council of Oregon offers its members the Oregon “Landmark of Quality” branding program; the Oregon Tourism Commission, dba Travel Oregon, offers the Oregon Bounty program; and a new independent office within the state’s government has been formed to unify the state’s marketing efforts and its charter is to oversee the “Brand Oregon” program.

Compliance

New Hampshire, New York, Rhode Island and Oregon rely on the honesty compliance for adherence to membership criteria.

New Jersey has a paid enforcement staff.

Québec’s marketing arm relies on existing producer certification programs. The marketing arm is solely focused on encouraging consumers and buyers to select Québec products when making a purchasing decision, not on certifying the quality of those products. In general, however, Québec has historically had a much higher degree of regulatory oversight instilled in its agricultural industry, producer groups already adhere to agreed upon production standards and elevation practices, so risk of poor product quality poses much less of a threat to marketing efforts.

Rhode Island, New Hampshire, and New York expressed the concern that budget inconsistencies make it difficult to adequately staff and enforce compliance, that having expanded the scope of products and services the programs support make it difficult to even consider regulatory compliance, and that producers do not want more oversight. For example, Sue Santamaria, Manager for Pride of New York noted, “the program is not regulatory, we don’t have the staffing and we wouldn’t get buy-in from the members if it meant more food regulators. And what about our value added producers? In jam and jelly the highest ingredient is sugar, and these producers can’t get sugar from New York.” Diane Souther, Board of Director for NH Made and owner of Apple Hill Farm noted, “The New Hampshire Seal of Quality Program does still exist but it’s not widely used anymore. It would apply to some of my products but not all, whereas all my products apply within the NH Made program. I can’t think of any farmer I know that is using the Seal of Quality program.”

Québec noted that its program is focused on creating a perception that the province of Québec is a source for gourmet foods. This program is not meant as a tool to differentiate individual Québec producers or processors from one another it is simply to help those ready for export to find homes for their products.

State Branding/Market Development Programs

Geographic Region	Rhode Island	New Hampshire	Québec		New York	Oregon	New Jersey
Program	Get Fresh. Buy Local	NH Made	Mettez le Québec Dans Votre Assiette	Foods of Québec	Pride of New York	N/A	Jersey Fresh
Organizational structure	state run	state run	state run	state run	state run	state run	state run
Relationship with the state	state run	state run	state run	state run	state run	state run	state run
Compliance/Over sight	Honesty Policy	Honesty Policy	Met through other certification programs	Met through other certification programs	Honesty Policy	N/A	Paid Quality Grading Staff
Products	Specialty crops	Agriculture, Value added foods, Arts, Crafts, Eating, Lodging	Agricultural Products and Value Added Products	Value Added Food	Agricultural Products, Value Added Products, Restaurants	Agricultural Products	Wholesale fruits and Vegetables
Goal	To promote awareness and purchase of RI-grown specialty crops, livestock, aquaculture, forestry, honey and dairy products by RI consumers.	To increase sales of NH Made products and services to the NH tourist consumer market.	To increase sales of Québec made food to Québec families by an additional \$30/year.	To create wholesale demand for Québec value added foods in North Eastern United States	To increase sales of NY made products to NY consumers.	To create sales opportunities for Oregon producers in the regional and export wholesale industry	To help broker, market, and merchandise wholesale volumes of New Jersey grown fruits and vegetables into the New Jersey retail market.
Functions	manage brand/logo, website, paid advertising, 7 farmers markets, product sampling/demos, mascots at fairs and festivals, point of sale, logo	manage brand/logo, 2 retail stores, buyers guide, website, trade shows, other marketing opportunities, point of sale	manage brand/logo, website, free consumer magazine	manage brand/logo, trade shows, buyers guide ads, industry publication ads	manage brand/logo, website, administration of 50-50 matching grant program	Manage sales lead development, trade show coordination	Assist in brokering sales between retail chains and wholesale producers. Provide point of sale and retail displays. Merchandise accounts. Oversee quality control.
Implementation	Outsource marketing to consulting firm; use interns to manage farmers markets and disseminate point of sale to producers	Use barter, leverage the value of mutually beneficial relationships and core competencies, operate on a frugal business model	Use website and free consumer magazine	Five live representatives are based in regional offices in the North east. They respond to leads, and coordinate tradeshow and advertising in industry publications/buyer guides	Use a 50-50 matching grant program with producers to fund their marketing projects	Coordinate tradeshow booths for producers. Identify opportunities and lead sales trips in export markets.	Market development staff conduct one-on-one relationship development at the chain and retail level. Grading staff manage quality control. Interns implement merchandising: point-of-sale and product displays.
Start up	Specialty crops block grant; initiative from the producer groups.	initiative from the producer groups, securing the support of State Department of Agriculture, Department of Arts, and Department of Economic Development/Tourism	N/A	N/A	Specialty crops block grant; initiative from the producer groups.	N/A	Governor's support; \$1,200,000 in state appropriations
Weaknesses		In-kind arrangements can potentially put the organization at a disadvantage as they may be a lower priority for the provider	Provincial Funding	Provincial Funding	State funding	N/A	State funding
Budget Info	\$103,000-\$224,472/yr	\$500,000/yr	N/A	N/A	\$129,000/yr + 1 FTE	N/A	\$1,200,000-1,500,000/yr
# of staff	1 FTE, 1 PTE; 7 interns; 1 Consulting Marketing firm	2 FTE; 2 PTE		5 PTE + office staff	1 FTE		5FTE + PTE grading staff
Marketing budget	75,000-79,000/yr	\$150,000	N/A	N/A	\$129,000/yr	N/A	\$1,100,000
Source of funds	USDA Specialty Crops Block Grants	memberships; corporate sponsorships; grants; state economic development funds; retail sales; service fee income	Provincial Funding	Provincial Funding	state funding; USDA Specialty Crops Block Grants; Producer Match	USDA Specialty Crops Block Grants; MAP Grants	USDA Specialty Crops Block Grants; State Funding; Membership Fee
Target Market	Rhode Island Consumers	New Hampshire Tourists	Quebec consumers	North East US Wholesale Buyers	New York Consumers	Export/Regional Wholesale Buyers	New Jersey Chain and Retail Accounts
Results	4+ independent state product/service programs launched. Increase in local food sales of 126% since 1980 \$86 million/yr Rhody Fresh returns annual profits of \$200,000 back to the farmers in addition to the pay price they receive for milk	800 members, low turn-over 2 retail stores operating at a profit financially sound for 14 years			109 gift package web participants 3,400 members members using logo on tractor trailers	sales exceeded annual \$41,000,000 target by 33%	Jersey Fresh was so successful that 4 other "Jersey" programs were established

Producer Interviews

Regulatory Oversight

Interviewees offered a wide array of responses regarding the need for regulatory oversight of the Seal of Quality program to assure conformance with quality standards. Several people interviewed (one of whom currently uses the Seal in advertising) did not realize that the program had quality standards required for utilization. One individual (also a current user of the Seal) confused the voluntary Seal program with a required USDA oversight process. Clearly confusion exists amongst agricultural producers about the purpose of the program and requirements for participation.

There was not consensus amongst those interviewed of how best to carry out a regulatory component to the Seal, or even if regulatory oversight is needed. Nick Cowles of Shelburne Orchards felt there was value to a Seal program supported by a strict set of criteria, established by product specific boards and backed up by a credible inspection program. Cowles stated “I have seen many standards come and go and without significant support they become ‘noise and clutter’ to marketing and are not beneficial.” This position was supported by Bob James of Monument Farms who stated “Using the Seal of Quality simply for promotion has no value-it must be enforced. It would lose whatever impact it still has if anyone could apply for it.”

Several people expressed the opinion that the consumer is the best judge of quality and any attempt to define quality or to control quality through a regulatory program would be problematic. Dave Marvin of Butternut Mountain Farm, a maple and specialty product processor stated “This is a different world than 1983, consumers are very conscious of quality.” Barney Hodges pointed to a New York based program that promotes agricultural products with no statement about quality; he stated “Let the consumer be the judge of quality.”

Even those who saw merit in regulatory oversight felt the consumer would be the ultimate judge of a product’s quality. Several interviewees expressed a reluctance to have limited resources directed to regulatory compliance rather than assistance for market access, they also expressed concern about the ability of the state government to maintain a credible enforcement program in light of budgetary constraints.

Based on interviews conducted for this report it is clear that if a regulatory process is included in any form it must be zealously administered to assure compliance and minimize abuse of the program.

Point of Origin for Production and Processing

As with regulation, there was not a clear consensus of those interviewed about the need to protect the name “Vermont” by requiring proof of origin and processing. Dave Marvin of Butternut Mountain Farm clearly stated his concern for protection of the “Vermont Brand” when he said we must be vigilant about Vermont products through truth in labeling and safety standards.

Howard Prussak of High Meadows Farm, a vegetable producer, feels there is merit in including the word “Vermont” in advertising; he is currently redesigning his labeling to prominently feature the point of origin of his products.

Roberta MacDonald of Cabot Creamery and Barney Hodges of Sunrise Orchards both felt that the connection of products with individual farms was more important than simply stating a product is from Vermont. Cabot focuses its advertising efforts on “farmer owned” and “taste;” the word “Vermont” is not the first message in its marketing efforts. Hodges went on to state “We need to differentiate between the importance of Vermont production, the importance of farm identity and the importance of production practices, they all have different merits based on location of the consumer.” Marvin voiced a similar opinion by stating that the word “local” is a more powerful marketing term than either “Vermont” or “organic.”

Research conducted in the 1990’s indicated that the word “Vermont” allowed products to command a price premium in the market place. Although “Vermont” is still an important marketing term there is question as to its ability to drive a pricing premium. Dave Marvin feels the word “Vermont” no longer assures a price premium but may still drive increased market share. He feels that if a product is from Vermont a consumer will choose it over other products, but only if the price is comparable to other similar products.

Current Market Value of the Seal of Quality

Many current producers of Vermont food strive for elite status of their goods and view the quality standards of the Seal of Quality as too low to be of any value in their marketing efforts. Chris Bailey of Vermont Smoke and Cure felt the categories (Commissioner’s Choice, Agricultural Partner, etc.) were low hurdles and not driven by customers interests. He noticed that Vermont brands for which he had respect were not using the Seal of Quality. Mateo Kehler of the Cellars at Jasper Hill stated a similar position, “Our business model is based on building a standalone elite product so the Seal is not of value to us. We are very concerned about quality from a food safety perspective, but not for a marketing campaign.”

Vermont maple producers have long been the core supporters of the Seal of Quality program. Pauline Couture of Couture’s Maple Shop still uses the Seal on point of sale material in her store and on her web site but doesn’t add it to her retail jugs of syrup, she stated, “It is just another sticker we would have to put on, it doesn’t add anything to our product.”

Bill Suhr of Champlain Orchards currently uses the Seal of Quality on three pound bags of apples and anticipates it will add value to his products as he moves to increase sales beyond Vermont borders.

Bob James of Monument Farms Dairy was an early adopter of the Seal and feels the value of the program is in direct proportion to the amount of effort the state puts into advertising and regulation. "When there is no advertising, it doesn't have value, and without regulation there is no purpose." With support for the Seal waning over the past decade James feels the program has lost any value it once had.

Sam Cutting Jr of Dakin Farms, a specialty food processor and retailer, expressed an alternative view stating that he feels the Seal is self-explanatory and doesn't need advertising. Although Cutting does not utilize the Seal he feels that directing consumers towards a web site explaining the Seal is sufficient support of the program. Cutting stated that consumer education (advertising) about the program would be useful, but not critical for the program to be useful.

Judith Irving of Fat Toad Farm, a goat's milk cheese and caramel producer sees little value of the Seal to specialty food producers. She stated "How can you put "quality standards" on caramel? How can you put quality standards on so many different kinds of cheese? It is better to promote Vermont and to ask for legitimacy in the use of the word Vermont and then let the consumer decide about quality."

Elenor Legare of Eden Ice Cider captured many of the sentiments expressed by several of the interviewees, "The very strict labeling of what is allowed on alcohol would have required a lot of paperwork to use the Seal, for product marketed outside of Vermont it would have just added to confusion and the physical appearance of the Seal does not complement the messaging of our labels."

Appropriate Marketing Support for Vermont Products

Vermont food producers, processors, retailers and trade associations interviewed for this report all stated interest in public support for the marketing of Vermont products, although they varied in their opinion of the best approach.

Concern was expressed about the ability of a public effort to meet the varied needs of Vermont companies for messaging, consumer demographics, and geographical reach of advertising. Many stated that the cost of advertising to build brand loyalty or to change customer habits is prohibitive.

Chris Bailey stated "It is misguided to have the state take a leadership role on advertising, having Vermont products in the market place is what makes a Vermont brand. It is more important to help Vermont companies have a presence at trade shows than to pay for advertising." This sentiment was echoed by Mateo Kehler who stated

that if products are of sufficient quality there is little need to pay for advertising, it is more important to have a presence at trade shows.

Jim Harrison executive director of both the Vermont Grocers Association and the Vermont Specialty Food Producers Association also stated support for increased presence at trade shows. He supported the recent allocation of federal funds awarded by the Vermont Agricultural Innovation Center administered through the Vermont Agency of Agriculture to be used to subsidize business participation in trade shows.

Several interviewees felt that a pavilion of Vermont products at tradeshow would build a message and garner the attention of distributors and retailers, while a “Vermont section” in retail aisles and “Vermont products” retail displays will attract consumers.

Several individuals expressed a willingness to participate in a “fee for service” marketing effort aimed at generic promotion of Vermont products beyond the borders of the state, but participation would be contingent on the quality of the program. Roberta MacDonald of Cabot indicated that Vermont is well recognized as a producer of quality products as far south as Georgia, but further south and west there is need for significant promotion of the “Vermont brand.” Barney Hodges and Bill Suhr felt promotion of the Vermont brand in the northeast had value and would increase sales.

Howard Prussak expressed the sentiment of a number of interviews by stating “A generic ‘Buy Vermont’ label might be of value to me, but it needs to be tasteful and well designed, it needs to send an upscale message.” He went on to state, “The money would be better spent increasing cell coverage in Vermont so we can stay in touch with our distributors and markets!”

There was no clear direction from interviewees as to the best method to provide leadership and staff support for a Vermont marketing campaign. Barney Hodges expressed concern for sufficient leadership outside of state government to develop a stand-alone organization for marketing. He feels the financial risks of an organization created outside of state government are equal to the risks of an effort maintained by a department or agency.

Vermont does have several examples of programs started with state and federal funding that have gone on to exist as stand-alone organizations. The Vermont Cheese Council, VT!FARMS (agri-tourism) and the Vermont Sugarmakers Association are viable organizations that contribute significantly to marketing efforts for member businesses. All of these organizations subsist on grant funding, membership dues and the tireless efforts of a committed volunteer board. Partnering with state and federal government agencies and private business has been essential to the on-going success of these groups.

Cost to maintain a regulatory program

The need for a regulatory component to a Vermont product marketing effort was not clearly established by producers or retailers during research conducted for this report. However, a clear consensus of all of the producers and retailers interviewed was that if a regulatory element were developed it must be robust and credible. Many comments indicated the original Vermont Seal of Quality program, that contained a clear regulatory base, lost credibility as the Vermont Agency of Agriculture was not able to maintain a strong regulatory presence for Seal enforcement due to budgetary constraints.

It is estimated that administration of a regulatory presence for a Vermont product branding program would require .10 of a full time equivalent position (FTE) at a Vermont state employee pay grade of 25 to oversee the program, provide direction and supervision of other staff. A 1.0 FTE at a Vermont state employee pay grade of 21 would be required to perform inspections of producers and processors to assure compliance with the regulatory framework. This function would most likely be carried out by several staff members to assure the necessary technical expertise to provide oversight of a wide variety of products and processing systems. A .20 FTE at a Vermont state employee pay grade of 15 would be required to maintain the necessary documentation to support a credible regulatory program performing functions such as tracking inspections, registration fees, and certification of ingredient sourcing. A small portion of time from the assistant attorney general assigned to the Vermont Agency of Agriculture would be required for interpretation of statutes and rules and administrative proceedings as required. Using the entry level pay grades as posted on January 3, 2010 the estimated cost for salary and benefits for these positions (assuming 2080 hours constitutes a full time equivalent) and allotting \$5,000 to support a travel budget of 200 miles per week at \$0.48/mile, the cost to administer the regulatory portion of a program would exceed \$69,000 per year. In actuality the cost would be much greater as it is unlikely that all of the staff assigned to the project would be receiving entry level salaries.

Recommendations

After synthesizing the information gathered during this research the study has come to the conclusion that the state's resources would be best used if directed at outcomes driven initiatives whose objective is to increase the sale of Vermont products into the retail market.

Specifically, the recommendation is for the Vermont Agency of Agriculture, Food and Markets to collaborate with the Vermont Agency of Commerce and Community Development to form an Agricultural and Vermont Specialty Products Brand Ambassador program.

The Vermont Agricultural and Specialty Products Brand Ambassador will have an immediate and measurable impact on the sale of Vermont products by cultivating mindshare for Vermont products with retail buyers. The Vermont Agricultural and Specialty Products Brand Ambassador will assist retailers in sourcing Vermont products, creating Vermont product aisles and displays, merchandising Vermont products and displays, and coordinating a Vermont presence for Vermont producers at industry tradeshows and in other industry specific venues.

By implementing a one-on-one relationship development model, the program will be able to mitigate risk from precarious state budget funding while producing meaningful, long-lasting outcomes for Vermont producers. This is because a relationship driven business model requires significantly less capital and infrastructure to operate than a brand marketing campaign, and there is minimal potential to damage the program's reputation from reduced public visibility or reduced quality control of a regulatory program, if the budget is forced to recede.

Vision for the Vermont Agricultural and Specialty Products Brand Ambassador Program

Organization

The program will be jointly overseen and managed by the Vermont Agency of Agriculture, Food and Markets to collaborate with the Vermont Agency of Commerce and Community Development.

Staff

The program will have 1.0 FTE at a Vermont state employee pay grade of 21.

Responsibilities

The Vermont Agricultural and Specialty Products Brand Ambassador will be responsible for cultivating mindshare for Vermont products with retail buyers, assisting them with sourcing Vermont products, creating Vermont product aisles and displays, merchandising Vermont products and displays.

The Vermont Agricultural and Specialty Products Brand Ambassador will seek out and coordinate opportunities for Vermont producers and processors to gain access to the retail market through such venues as industry trade shows and buyers guide publications.

The Vermont Agricultural and Specialty Products Brand Ambassador will advocate for third party programs that complement its program mission, such as Vermont Fresh Network and Vermont Food Education Every Day.

The Vermont Agricultural and Specialty Products Brand Ambassador will conduct media and public relations outreach on behalf of Vermont products through creating press releases and supplying business story ideas on relevant topics of interest.

The Vermont Agricultural and Specialty Products Brand Ambassador will be responsible for administration of the program, fundraising for program projects, implementation of program projects and achievement of program objectives.

The Vermont Agricultural and Specialty Products Brand Ambassador will report to the appropriate development staff at the Agency of Agriculture, Food and Markets and the Vermont Agency of Commerce and Community Development.

Program Performance Evaluation

Success of the program will be measured through annual benchmarking demonstrating an increase in the volume of Vermont products sold to retail buyers, and through documentation of increased visibility for Vermont products in retail settings.

Budget

Fixed Expenses

Salary and Benefits	\$60,000
Travel, estimate 200 miles per week at \$0.48/mile	<u>\$ 5,000</u>
	\$65,000

Variable expenses (to be determined on a project by project basis). May include...

- Point of Sale
- Tradeshaw Booth Expenses
- Other

Source of Funds

Fixed Expenses

VAAFM & VACCD	\$65,000
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Variable Expenses

- USDA SCBG
- USDA MAP Grants
- Producer/Processor Fees for Program Opportunities
(at-cost value for Point of Sale, tradeshaw booths, etc.)

Synergistic Opportunities

Tourism Marketing

While the Agency of Agriculture, Food, and Markets and the Agency of Commerce and Community Development develop the brand ambassador program as a push-style marketing strategy aimed at the retail level, the Vermont Department of Tourism and Marketing can complement and maximize the impact of this effort through a pull-style marketing strategy aimed at Vermont tourists. This could be achieved through integrating messages that in addition to all the other feature/benefits of a Vermont vacation, a Vermont vacation gains visitors access to the full bounty of Vermont agricultural and specialty products that have made our state a culinary destination, to look for Vermont products and product displays while here, and to visit a coordinated website to purchase their favorite Vermont products once they are back home.

Volunteers/In-Kind Labor

The brand ambassador program could develop a mutually beneficial relationship with Vermont's agricultural and higher education institutions such as Vermont Technical College, Sterling College and University of Vermont, along with VOC ed classes to assist in program implementation. College students could gain practical experience in retail chain sales and marketing, grant writing, marketing communications, product sampling, event management, and more. Vermont Voc Ed classes could design and build product displays and marketing props such as shelving, display carts, signage, rack card holders, costumes, etc. University of Vermont Business School students could foster innovative marketing and promotion ideas. In all cases the students will gain valuable experience while the program will gain products and services at no impact to the budget.