This newsletter is intended for people interested in commercial fruit and vegetable production, business planning and North Carolina Cooperative Extension Service meetings throughout North Carolina. For back issues of this newsletter please go to the Jones County Extension website and click on the Commercial Horticulture, Nursery & Turf menu option on the left side of the website. The website address is: http://jones.ces.ncsu.edu

Upcoming Workshops, Tours & Meetings

DATE CHANGE!!!

July 9, 2007 Seasons of Sustainable Agriculture Workshop: Making Use of Beneficial Insects for Crop Pest Management and Pollination. 9:00 AM – 3:00 PM. Contact Dr. David Orr at (919) 513-0954 for more information.

August 14, 2007. SE Region Strawberry Pre-Plant Meeting. Pender County

Business Planning & Management

Environmental Scanning

Environmental scanning, what’s that? Environmental scanning is something that Cooperative Extension will be heavily involved with in the next few months. It is a process, not unlike the benchmarking I wrote about in this newsletter a few years ago, that you as a business owner should be doing on a fairly regular basis.
Environmental scanning is simply the process of:

- finding out what your customers want
- finding out if the products you make or sell are meeting those demands
- finding out how well they are meeting the demands and what it is that you can do in order to meet those demands better.

Why is this important?

NC State University and NC A & T State University and NC Cooperative Extension are currently involved in a major environmental scanning effort to assist Extension offices and agents in counties across North Carolina in determining the quality of the programs we deliver to the citizens of North Carolina.

Because of the diverse nature of our programs, and the local challenges that each and every county in North Carolina face, environmental scanning is an important part of our program delivery. Without your input, NC Cooperative Extension cannot deliver the programs that people want or need. Without direction from an environmental scan that meets the needs of the counties they serve, agents and Extension offices risk falling into the trap of doing projects rather than delivering programs. Programs target the long term educational needs of the stakeholders in a community, while projects tend to meet the needs of only a few individuals in the community.

I am enclosing a copy of a short survey that I would like to ask you to fill out and return. Your responses will help Cooperative Extension determine what type of programming we will be doing in the future.

Price Discovery and Price Fixing

There is always a lot of discussion about prices in the produce industry. Where should they be? How high or low are they? Are they too high for the market you’re selling too? Are they just right? Are they too low? How do you know?

Will consumers stay loyal if you set your prices too high?

For large commercial growers, controlling produce prices is difficult at best. They may or may not have any influence over the price they receive, depending on who their buyers are, the markets they are selling to and the relationships they have established. Large commercial fruit and vegetable growers usually sell crops on contracts signed prior to planting the crop. They expend large amounts of money at planting and need to know what kind of return to expect in order to secure financing for the fuel, fertilizer and seed they need.

For small producers who sell smaller volumes to numerous markets and customers, prices can be extremely volatile. Price discovery – finding out what value to put on your produce, can be done a number of ways. Produce auctions are one of the most direct, most immediate price discovery methods available. Unfortunately produce auctions are few and far between in eastern NC. Farmers can also discover prices by observing prices at grocery stores or at farmers markets, and set their prices in conjunction with other outlets and producers.

These options put producers in the position of being price takers and not price setters, which limits their ability to earn enough money to cover their production costs, let alone make a profit. To change this trend as a grower you need to create ways to become a price setter. Price setters generally earn more profit per unit sold than price takers. Price setters are usually more willing to take risks in the market than price takers. So how do you become a price setter instead of a price taker?

First and foremost you need to know what it costs you to produce the crop. How much did the land, labor, fuel, insurance, seed, fertilizer, irrigation, product packaging and storage, etc… cost? If you do not know what it cost you to produce your crop – take the time to figure it out! Understanding where you are spending your money to produce the crop can help you find places in your business to cut costs without sacrificing production volume or quality.
Knowing your cost of production is also important to your customers. If you cannot explain to your customers why you are charging the prices that you do for the products you grow or sell, how can you expect your customers to stick with you over the long term when your prices are slightly higher than your competitors? You have to be able to tell your customers what it is that you are offering that makes your produce worth more than your competitor down the road or the vendor in the next booth at the farmers market. If you can’t explain it to your customers, your competitors will, and the explanation they give may be as far from the truth as any fairy tale ever told.

In addition to knowing your cost of production, you have to understand how consumers think, and you have to have a strategy in place to respond to a competitor changing prices.

Professor Philip Kotler at Northwestern University, who I have referred to many times in this newsletter, provides an excellent explanation of how consumers react to price changes.

“Consumers often question the motivation behind price changes. A price cut can be interpreted in different ways: the item is about to be replaced by a new model; the item is faulty and is not selling well; the firm is in financial trouble; the price will come down even further; the quality has been reduced.

A price increase, which would normally deter sales, may carry some positive meaning to customers: The item is “hot” and represents an unusually good value.

Customers are most price sensitive to products that cost a lot or are bought frequently. They hardly notice higher prices on low-cost items that they buy infrequently. They hardly notice higher prices on low-cost items that they could buy infrequently. Some buyers are less concerned with price than with the total costs of obtaining, operating, and servicing the product over its lifetime. A seller can change more than competitors and still get the business, if the customer can be convinced that total lifetime costs are lower.”

While Dr. Kotler’s examples are more suited to non-perishable items, the same principle applies to selling produce. Consumers hardly notice price increases at a farmers market or a roadside market if they are infrequent visitors. Many consumers come to the farmers market looking for fresh, local, high quality produce and they are less concerned about prices than if they were shopping at grocery stores.

Many come to a market to browse, to enjoy the community atmosphere, and to get to know the farmers that are growing the vegetables they buy. It is your job as a producer and direct marketer, to promote the idea that you have the freshest, highest quality produce in the market. Without this information or knowledge of your cost of production, it is going to be difficult for you to sell your customers higher cost produce for any length of time.

As a producer, how should you respond to a price change from a competitor and maintain your status as a price setter? Dr. Kotler’s view is that there are five steps to consider before reacting to a price change:

- **Maintain price**
- **Maintain price and add value**
- **Reduce price**
- **Increase price and improve quality**
- **Launch a low-price fighter line of produce**

**Maintain price.** If you are a true price setter, maintaining your prices in light of a competitor’s change in price should be done with the belief that you would lose too much profit if you dropped your prices, or that you would not lose too much market share in doing so, and that you could get back that market share when you needed to. In this case you are depending on customer loyalty and support to

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keep coming to you no matter how much prices fluctuate.

**Add Value.** This can be something as simple as cleaning up your sales table, or as complex as processing your produce into products that your customers want.

**Reduce Price.** A price setter would do this to match a competitor’s price, knowing that the increased sales volume would still allow you to cover your cost of production and still generate a profit. You might also lose some market share in the process and cut profits in the short run. This can be a slippery path to go down and one I do not recommend. Once your customers get used to a lower price, you as a producer, will be hard pressed to bring prices back up.

**Increase Price and Improve Quality.** I know I have discussed this many times and in many ways – hold the line on prices and offer your customers something different to get them to buy. This takes ingenuity, hard work and a commitment to service and hospitality that many businesses have lost today.

**Launch a Low Price Fighter Line.** Start selling something that is similar to your high value produce but sell that cheaper. If you are growing romaine lettuce and are hearing complaints about the price you are charging, grow ice burg lettuce and sell it at a lower price. They are both lettuce but sell the romaine on the notion that it has better color, lasts longer in the refrigerator and has more nutritional value than ice burg lettuce.

All of these strategies take time and energy and none of them are fool proof. In spite of this, if you as a producer do not keep these in mind or even implement a few, you will be pushed deeper into the price taker position in the market, and you will continue to have a difficult time keeping your business financially solvent.¹

**Crop Production**


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**Using Pine Bark Mulch to Amend Non-traditional Blueberry Soils**

Blueberries are getting a lot of attention as a possible alternative crop for farmers to consider in eastern NC. Demand is up and prices are up and many homeowners and roadside marketers are considering blueberries as an alternative crop option. The nutritional value of blueberries is driving this demand as well as the growing interest in local produce.

One of the challenges with blueberry production in eastern NC is site selection. Blueberries grow best in eastern NC on Leon or Lynn Haven soils. The Leon series consists of very deep, moderate to moderately slowly permeable, poorly and very poorly drained soils. Leon soils are located on upland flats, depressions, stream terraces, and tidal areas. They formed in sandy marine sediments of the Atlantic and Gulf Coastal Plain. The mean annual temperature in areas where Leon soils are found is about 68°F, and the mean annual precipitation is about 55 inches. Slopes on these soils range from 0 to 5 percent.

The Lynn Haven soil series is similar to Leon and consists of very deep, poorly and very poorly drained, moderate or moderately rapid permeable soils in low areas and depressions the Gulf Coast and Atlantic Flatwoods. Lynn Haven soils formed in thick deposits of sandy marine sediments. Just like Leon soils, the msoils are found is about 68°F, and the mean annual precipitation is about 55 inches. Slopes range from 0 to 5 percent.

Both Leon and Lynn Haven are acidic or very acidic soils unless limed. They are suitable for truck crops and blueberries do well on these soils because of their high organic matter and the permeability of the soil profile. These soils best support southern highbush blueberry production which like water but do not like saturated root zones.

Most of the Leon and Lynn Haven soils in Jones County are located in and around the Croatan National forest. For this reason people interested in producing blueberries, more specifically southern high bush blueberries, in this area are forced to produce blueberries on
less suitable soils. Most growers and backyard gardeners in eastern NC do not have these soil types and must attempt to grow blueberries on less suitable soils.

A more suitable blueberry for production on marginal soils is the rabbiteye species. This specie tolerates slightly higher soil pH and is more vigorous on mineral soils.

On non-traditional, marginal blueberry ground (non-Leon or Lynn Haven soils) growers must use a pine bark mulch bed production system. This system requires high volumes of pine bark mulch applied 6 months to one year before setting plants. This mulch is needed to increase the organic matter content, raise the water holding capacity of the soil and has some pH reducing affect on the soil.

Sulfur fertilizer must also be added to these soils to lower the pH to the 5.0-5.5 range for rabbiteye blueberries. The actual amount will vary depending on your soil test results. For the long-term health of your blueberry crop managing soil nutrients is critical. Proper pH levels dictate the absorption of the micronutrients that blueberries need.

Dr. Gerard Krewar, Extension/Research Horticulturalist from the University of Georgia, has an excellent publication titled: *Fertilizing Highbush Blueberries in Pine Bark Beds*. This publication is available online at the following website: [http://pubs.caes.uga.edu/caespubs/pubcd/B1291.htm](http://pubs.caes.uga.edu/caespubs/pubcd/B1291.htm).

Dr. Krewar’s publication offers an excellent outline of the pine bark mulch production system. This publication outlines the steps necessary for creating an ideal soil bed for the production of southern highbush blueberries in non-traditional soils. While this publication was written for southern highbush cultivars, this method can also be used for the production of rabbiteye cultivars.

If you have questions about any of the upcoming meetings, business strategies, or crop production management issues, please call me at the Jones County Extension Center at (252) 448-9621. I can also be reached by email at: [Mark_Seitz@ncsu.edu](mailto:Mark_Seitz@ncsu.edu).

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