

THE VALUE OF BRANDING AS MANAGERIAL TOOL TO INCREASE FARM INCOME

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Abstract

Farming, as business activity, has been experiencing a cost-income pincer effect for the past decade, resulting in pressure on the income whilst also suffering increased costs of production inputs. As a result, small-scale farmers depart from the industry, leaving farms in South Africa to grow in size to remain economically viable. Traditionally farmers in South Africa have been subjected to regulating boards such as the wheat and maize boards, regulating prices and dealing with marketing of produce whilst farmers efficiently managed the production inputs. However, these boards have dissolved, and a free-trade marketing environment now further taxes farm management with effective marketing of produce. Subsequently, farm net profits no longer requires only management of production inputs, but also requires selling produce at the best possible price to the open market (an area of expertise which is largely lacking). However, this marketing opportunity goes begging. Farmers largely fell into new grain, meat and other produce marketing channels, becoming market price takers once again and not increasing the value of their produce in the market.

One way to improve farm income is by adding value and combining the managerial tools of differentiation and then branding of farm produce. Differentiation (the way to have your products appear different from other similar products could be on a physical or on psychological level) and branding the product (thereby earning value through brand advantages) can lead to substantial increases in the prices fetched in the open market for farm produce. It is also important to note that branding can be successfully applied to industry levels, regional levels, specific cultivars or animal breeds (or even the colour of an animal breed), and also (contrary to common belief) on a farm level by a single farmer to increase his or her income. Market analysis and customer preferences are also keys to success in differentiation and branding exercises in commercialization.

Typical examples of successful differentiation and branding to improve farm income (as shown on the posters) are:

- *Angus Beef fetches 10% premium prices due to branding of Angus beef.*
 - *Ayrshire milk fetches 20-25% price premium due to their branding as an elite milk.*
 - *Bonsmara breed of cattle (South African cattle breed) fetching up to 25% premium on bulls sold to commercial cattle farmers.*
 - *Pienaar sheep (a South African Merino stud sheep farmer) who now exports semen to Australia and New Zealand.*
 - *Karan beef increased carcass prices in open market by branding their beef carcasses as "rounded off only on quality grain" in their feedlot.*
 - *New Zealand lamb as grass/pasture grown lamb from a healthy environment.*
- Reaping the benefits of differentiation and branding can be achieved by farmers in four steps:*
1. *Examine the produce or products that is produced on the farm, district or region (consider also cultivar, animal breed and other distinguishable features).*
 2. *Can a difference be identified from other similar products?*
 3. *Is this difference important enough to take to the market and will the buyers pay a premium for it?*
 4. *Brand the "difference" – give it a name to distinguish it in the market.*

Key words: differentiation, branding, farm income, cost-income pincer effect, economic survival