

The USDA Northeast Regional Aquaculture Center, in collaboration with Maine Sea Grant, University of Maine Cooperative Extension, Maine Aquaculture Innovation Center, Maine Aquaculture Association, East Coast Shellfish Growers Association, Connecticut Sea Grant, and Salem State University, present:

**Marketing Shellfish Aquaculture Products Workshop**

**Glickman Library**

**University of Southern Maine**

*April 8, 2010*

**Welcome 9:15 a.m.**

Dana Morse welcomed the attendees and presenters, noting that the program was funded by the Northeast Regional Aquaculture Center, Maine Sea Grant, Univ. of Maine Cooperative extension, Maine Aquaculture Association, and the Maine Aquaculture Innovation Center. Dana announced that following the workshop, everyone would receive a copy of the transcripts and presentations. The organizers were recognized and thanked: Sebastian Belle (MAA), Rob Rheault (ECSGA), Chris Davis (MAIC), Bob Pomeroy (UConn), Tessa Getchis (CT Sea Grant), Joe Buttner (Salem State College); and others helping with the program - Rhonda Cook (MAA), Kathy Villarreal (ME Sea Grant), and Catherine Schmitt (ME Sea Grant).

Dana requested that everyone fill out the evaluation form before the end of the workshop.

Introductions were made throughout the audience and a sign up sheet was passed around

**Keynote Speaker: Skip Bennett, Owner of Island Creek Oyster in Duxbury, MA 9:22 a.m.**

Skip’s company started out with an idea, and today consists of twelve farmers and annual sales of 5 million oysters. His market spans from the Atlantic Coast to the Pacific Coast, Canada, the Caribbean, a host of fine restaurants and even the White House. In 1990, Skip started out by growing clams, with the first harvest in 1992. In 1995, when he had a half million clams ready for market, QPX killed most of them. He got guidance from Bill Mook and eventually purchased oyster seed from Peter Horne. The oyster seed was brought to Duxbury where it was planted the following spring. In 1997, he began to work with Christian Horne, an oyster farmer from Maine, and shortly thereafter by Donny Merry, the owner of a local fish market. His biggest gap was bridging what was grown in the hatchery and what was needed for the farm, and it was very difficult to find waterside property to run an upweller.

Over time, the group grew with the addition of Skip’s father, Bill Bennett, the farm grew and they started selling to local restaurants.

After 911, markets were way down. Skip's response was to improve and develop personal relationships, and so he drove to the East Coast Grill and met with the owner. The outreach paid off, and eventually he expanded by selling to some of the more prominent restaurants in New York. Today, Island Creek Oysters employs a dozen people and the oysters are sold all over the world.

Skip went on to talk about some of the things that he did early on to sell and promote his oysters. He donated oysters to local events and eventually became involved in oyster shucking contests at some of the restaurants in Boston. 'Guerilla marketing' brought him to tailgate parties, an all-pro event for the New England Patriots, and the International Boston Seafood Show where he met many others involved in the industry. The personal contacts are effective, because it helps his buyers tell his story, and gives them a connection.

These days, Island Creek uses social media such as Facebook, Twitter, and YouTube, along with their website. They created a partnership with a local brewery that resulted in the creation of "Island Creek Oyster Stout." Also, this year will mark the 5th Island Creek Oyster Festival which is held in September on Duxbury Beach. Last year, over 3,000 people attended and they raised $150,000 for the Island Creek Foundation.

During the Q+A Skip went on to talk about the use of FoodExport USA as a market and promomotional resource, and mentioned that Island Creek will work with smaller oyster producers, to sell and promote their brands too. Making the industry stronger overall pays dividends for his business

**Presenter: Sebastian Belle, Executive Director of the Maine Aquaculture Association 10 a.m.**

**Marketing 101**

Sebastian prefaced his presentation by saying, “How do you follow that story?.... that’s what drives me every day. We’ve all failed at times and its stories like Skip’s that keeps us going."

The trend for certification programs is where the policy debate is starting to reflect itself in the marketplace. The environmental community has chosen to use direct communication to the consumer.

Farmers and Markets: Generally, farmers are focused on the production side of the business, and they become price takers, not price makers. If you’re going to market, then your marketing and production have to be linked. Ask yourself: What is my production plan? If you don't have a plan, you should be making one!

Sebastian noted that there are many lessons to be learned from terrestrial agriculture, because over time, the farmers are getting less and less of the value chain. Producers have to always watch this erosion in relationship to their business plan. Having said that the wholesale and direct marketing balance is a very challenging phenomenon.

On the West Coast, we are going to see some price changes because we are ramping up our production. It will be to the industry's benefit to discuss these price effects, but growers need to be very careful talking about price due to Anti-trust laws – these laws have teeth, so don’t be caught talking price and supply in the 'smoke filled room' because you may be called in on it.

Differentiating between 'Sales' and 'Marketing':

These things are not the same. 'Sales' means selling what you have to offer, for (hopefully) more than it cost you. 'Marketing' means linking the market to production. With that in mind, Sebastian suggested that a basic overview, Marketing 101, should include:

Product - What are you selling? What makes it unique?

Promotion: Newspaper inserts or events (host chefs, food writer tours, events with Slow Foods in Portland). Do anything you can. As a producer, it can become overwhelming: too much to do, and too little time. At the Maine Aquaculture Association (MAA), we have been building the Maine brand collectively, to spread value to all producers in the state.

Place: You also need to be thinking about location/place. Where are you putting your product? Distribution channels in seafood are behind the times, so you have to think about how you will get your product to the consumer. It is a perishable commodity and we have a lot to learn in terms of how we get the product in front of people.

Price: how do your products compare to similar products? What will the market bear?

In the US - who is our competition?

PEI’s market has grown very fast. Chile is starting to compete in the value added market all over the world. Markets will not always stay the same, but we can learn from other examples. Let’s look at some of the other commodity groups: for example, loose leafy vegetables (like a head of lettuce) are a thing of the past and we have moved on in large part to the packed salad product. We as growers cannot afford to be stuck in what we’re doing today; always be thinking of the next product, and the next edge.

Supply, demand and substitutes:

Substitutes, many of which are grown somewhere outside the US, are more popular now than they ever were before. Someone will be out-competing you on price even though you have the best product in the world, so you need to be thinking about the effects of substitute products on your sales. Think about your Marketing 101 class and ask yourself why you should promote.

Using events to forward brand recognition

Every year, MAA attends the Taste of Maine in NY with the chance to speak to over 80 writers in one room. This results in a few articles each year in featured magazines. If you do it as an individual, you’re better off to have an internal company employee marketing or be a part of a collective marketing effort. It can be very expensive to do individually because good brand development is not cheap.

Sebastian mentioned that MAA would attend an Animal Welfare conference at Harvard University: industry has to promote its' products because there is plenty of competition. Big buyers are talking to the World Wildlife Foundation and the Environmental Defense, and they want to know about sustainability.

Know where your products go:

Do you know where your products are being sold? Many growers have no idea where their product ends up, so do your own homework. Be sure that you understand what the marketplace is looking for. Know your cost for delivering to the market. Often, start-up growers are not understanding the cost of delivery.

Budgeting:

This is basic stuff, Farming 101: No plan is worth anything unless there is a budget. The production, marketing and the financial plan have to match up. Use good thought toward risk management: Bet-hedging is a reasonable approach; means taking your financial plan and your marketing and production plans and figuring out some ways in which you can reduce your risks if one of these topics fails. You must have a budget in order for the plan to work. Start to measure performance by measuring budget vs. actual. Keep in mind to ALWAYS BE CONSERVATIVE! when making your estimates, because it can protect your bottom line: things usually take longer, cost more and are more difficult in actual practice, compared to a plan. Your budget needs to be based on a lot-by-lot approach. Lessons can be learned by tracing your data carefully, but you need the data in hand if you really want to learn.

On the seafood trends side:

There are some positive seafood indicators: Frozen sales are up. Seafood is the biggest category in new cookbooks and on menus. In the Maine tourism sector, restaurant business has increased and hotel business has decreased. Over 85% of seafood is eaten in restaurants. Retail sales in seafood have increased. Convenience sales – heat and eat have increased.

However, of the top five protein sources, seafood is the only protein source that has exceeded the consumer price index every year. Is seafood starting to price itself out of the market? Take a look at the lobster market in the past 6-8 months and recall what's happened there…..we may be looking at some price issues in the future and we should start to position ourselves now rather than later.

Distribution:

Distributors are the face of the producer. If you have a good distributor who is familiar with your product, they can make you or break you as a farmer, so it pays to have a good relationship, and to know your distributor. They are more familiar with the market and can provide you with this service. Certain distributors are stronger in certain markets. Our members are principally growers. Know what your distributor is saying to your customers and make sure that he is treating you right.

11:00 a.m. Break

**Presenter: Bill Brockhouse: Agricultural Economist, Cooperative Development Division, USDA, Washington, DC. *10:10 a.m.***

**Developing a Marketing Cooperative**

Bill Brockhouse gave a brief introduction in which he spoke about how he became involved in agricultural marketing cooperatives, aquaculture and shellfish projects.

He points out that the focus on cooperatives are the members: they are the beneficiaries, and are producers themselves; they have the voting rights and responsibilities for the actions of the employees. The profits are distributed according to how much each member uses the cooperative.

The purpose of the cooperative is an extension of the growers business and ultimately helps the grower to increase profitability. Growers own the cooperative and invest money in it. The cooperative can provide greater access to markets and buyers of larger volumes of product, by pooling their products. The growers can also pool capital for things like infrastructure improvements, such as building a larger facility.

Governance is important, and not easy:

Members elect the Board of Directors and hire/fire the manager. The manager should provide periodic reports to the Board about how the cooperative is doing, and the choice of manager is one of the most critical decisions for members. This means that the Board has to be active, and to balance letting the manager do the job, while being cued in to the managers performance.

Disadvantages of cooperatives:

There are some disadvantates - You have to give up some of your independence, you have to be a member to vote, you have to decide what the board vs. manager responsibilities are, and since a cooperative is democratic in nature, the decisions have to be made as a group. Everyone needs to commit capital and product. The Board members have to be growers. Non growers can be on the board, but should be able vote. Members have to be committed to staying with the cooperative, and not trying to side-step it.

Steps to Develop a Cooperative:

There are a number of steps towards developing a functional co-op, such as: Setting up the initial meeting just to get started, the exploratory meeting with potential members, grower survey to gauge the interest from producers, a feasibility analysis, business plan, legal documents and incorporation, meetings to develop the organizational structure, developing capital, seeking and hiring the manager, acquiring facility, and finally, beginning operations. Expect this to take some time, but also that here is support through his office and others to help walk people through this. During his visit to Maine, he was meeting with a group of dairy farmers who had developed a cooperative for feed production/distribution; they kept at it, and were up and running.

Useful references and follow up:

The publications provided by Mr. Brockhouse were:

*- How to Start a Cooperative*

*- Understanding the Cooperatives: Who Runs the Cooperative Business?*

*- Co-ops 101*

*- Do Yourself a Favor: Join a Cooperative.*

If you did not receive these publications at the marketing workshop and would like one or for general information on cooperatives, write to:

USDA/RBS/Cooperative Services

Ag Box 3255

Washington, DC 20250-3255

12:00 p.m. Lunch

**Presenter: Robert Rheault, Executive Director, East Coast Shellfish Growers Association**

***1:07 p.m.***

**Branding and Brand Development**

Rob's presentation had a lot to do with advice based on his own personal experience, and suggested each grower should know the difference between being the price taker and the price maker. Which one are you? What are you marketing: the product, the brand or the category? Brands are hard to build, and easier to destroy. So, as a grower, how do you set yourself apart from the competition? His advice: start by thinking about what the consumer wants. Some take home points:

- Quality is the key to success, so set your standards high and keep them high. Always perform regular quality control. Don’t be afraid to ask for feedback and listen – don’t argue.

- Keep your product consistent with a uniform cup and uniform shape - chefs want predictable size, not a range of sizes.

- Avoid lawsuits by keeping everything extremely clean and the product cold. It only takes one illness and your trademark is ruined.

- Freshness: Get your product to the market as fast as possible.

- Flavor: Use the uniqueness as a marketing tool by hosting wine and oyster tastings.

- Strive to have year around availability of your product to avoid shutting off a customer because they will find someone else.

- One of your goals should be to get your name on the menu of a well-established restaurant.

- Packaging: Be sure to use clean, well-designed, quality wax boxes for your product. You can also insert into the box a sheet of waterproof paper, or a brochure with your story on it when entering new markets.

- Define your target in given area by visiting the restaurants and making your pitch – personal connections work.

Selling direct verses selling wholesale:

Some of the con's to direct sales include: making weekly calls, money collection, overhead, and having to purchase and maintain a delivery truck. The pro's generally center around the fact that wholesalers can save you time. Still, no wholesaler will be as passionate about your product as you are, and in any case, you still need to market even if you are selling wholesale.

Setting prices:

How do you set a price? This is always a tough question, and hard to tell, but don’t sell yourself short, and if your customers aren’t complaining a little bit, you’re probably too low.

Naming your business.

What’s in a Name? Try to give things a little sex appeal, and do not use a generic brand name – he used Pets.com as an example. Essentially, you want your name to reflect the values of your business, and to increase the attractiveness of your product.

Regarding sustainability, certifications and ecolabeling:

Look at the Seafood Watch Best Choices list, BMPs, ECSGA, and WWF sustainability certification. These are all indications that wholesalers and retailers are watching, and that these sorts of certifications are being taken seriously. However, eco-labels will be attainable for

$2,000 to $10,000, and there are many certification labels, which can all be confusing. Moreover, to date, it is unclear if there is a market advantage for having a certification for shellfish.

Rob left us with these final words. **NEVER** stop marketing! Use shirts, hats, t-shirts, bumper stickers, giveaways, auctions, tradeshow, sports events, talks, presentations, press releases, site visits, farm tours, and train your staff to do the same.

**Panel Discussion - 2:00 p.m.**

**Tollef Olson,** AquaFarms LLC, and Ocean Approved, Portland, Maine

**Terry Callery:** Marketing Consultant, former VP of Sales and Marketing for Great Eastern Mussel Farms in Waldoboro, Maine.

**Jeff Payson,** Northeast Transport, Waldoboro, ME

Tollef Olson: I like to work with wholesalers because I don’t have to collect the bills or run trucks. I do communicate with the consumers, but am careful not to step on the wholesalers toes. I would suggest that you visit the restaurants that will be carrying your product and talk to the food servers. Also, go to restaurants that do not carry your product and tell them about you. Be proud of your product and get out there and talk to people. Local events are good such as Slow Foods, Harvest on the Harbor, etc. Customers need to see your enthusiasm for your product. It is **not** a job, it is a lifestyle. Get top dollar for your product.

Terry Callery: Your wholesale seafood distributor is your only customer. You should not be doing retail packaging. Pick the low lying fruit – hire a wholesale seafood distributor. How do you find them? Use the SeaFax book. The Sea Fax book will give you the sales volume and listing for every distributor in the U.S. Go to those that have been in business the longest. Have a business plan. Try to sell more fresh than frozen. Use trucks that pick up locally on a regular basis, with refrigerated trucks that connect in Boston. Stay away from farmer’s markets, rail packages, air freight, and sales to France. Twenty percent of your customers should move 80% of your volume. Set your goal to land one new wholesale customer a month. Call guys that you know will be picking up product in Boston daily. Try to wholesale on a dedicated distribution. Terry notes that sales are a direct result of sales pressure, and that takes time – growers should let the wholesaler make the phone calls and spend their time raising oysters!

Jeff Payson: Of the 17 trucks that we have; only one hauls dedicated seafood, just goes to show how the seafood business has dropped in Maine and the region over time. Say the oysters are grown: What's the next issue for the producer - transportation or marketing? Most growers are at a disadvantage because they have to use LTL (Less Than Truckload) charges, but working together could save money. Wholesalers have an advantage because they will fill the truck. Volumes drive the market, so efficiency is key. Maine is at the beginning of the pipe line. Jeff suggested the Araho website for more information; they and other shippers produce a sheet that shows their routes. They charge 3.5 cents per pound for transfer to Boston, NY, Philadelphia, and Florida. If you go by air, Delta, FedEx (airfreight) can give you LD3 boxes**. NOTE: TSA rulings: starting in August – all boxes being transported on an airliner will be opened for inspection.**

Some growers ask: Should I own my own truck? Yes, if you deliver a lot within a 100 mile radius. You will not need a commercial driver’s license. Further than that, leave transportation to those that do transportation and focus on growing quality products. The bill of lading establishes the chain of custody and this is the only document needed to freight ship.

Don't forget, trucking is a part of your risk management thought process, or at least it should be – regarding things like stacking, packaging, temperature variation, etc. A cheap box looks poor – the product only looks as good as the package it is in.

Heat is your enemy, and we use temperature recorders in our trucks; you should also purchase them for your trucks, and several equipment options are available. These record and track the temperature of the truck that is hauling your product. Your carrier should have experience with transporting seafood and be insured and certified. You should check to see if your carrier monitors temperature.

Also, find out how long it takes them to send you a reimbursement if the product spoils. Be sure that the trucks are clean and well maintained. Use Google: Safe Start for more information.

Remember, a wholesale seafood license is needed if you want to be certified, and then you need to be put on the certified shippers list. An enhanced seafood license is also available, for about $150.00, which would allow the wholesaler to purchase directly from the grower.

When dealing with buyers, try to quote FOB Boston prices because this will lower your risk. Also, call SeaFax and they will run a credit check on any wholesale seafood distributor for you.

Remember, it is difficult to maintain a wholesale seafood license. The paperwork for the facility has to be done every day.

2:50 – 3:10 p.m. Afternoon Break

**Peter Ramsden - Foley Fish *3:17 p.m.***

**The Shellfish Buyer’s Perspective**

Peter Ransden gave a brief history of the Foley Fish Company, a fourth-generation family business that works closely with other family businesses up and down the coast. Because of this, he poses the question: How do we build a relationship so that my grandkids will do business with your grandkids?

Shellfish is a large part of Foley's business and they look at everything that comes in the door. They want to be sure that the consumer gets the product the way that it's receive it at Foley's door. New England producers grow a quality product. The value that Foley adds is in the sourcing, packing, and shipping.

Says Peter: To market shellfish with us you need to have enthusiasm for your products, and an emphasis on freshness. With Foley, the product is sold before we buy it, and the product is in the facility less than 48 hours. Our sales are steady and as long as you can produce it, we can deliver. So, we select an oyster grower that shares our views.

We want our customers buying oysters from us with confidence – full traceability. What do we look for?

- We need the story about your farm.

- The logistics have to work. If we have an oyster that we can sell year around – that’s a big selling point. We need to have growers that we can count on – rain or shine – sick or well.

- We will ask you about HACCP plans and everyone has to be certified as an interstate shipper. This shows us that you are committed.

- We look for people with passion and ability to share their knowledge. We look for people who are always trying to improve their product, and who run their operation as a business, not a hobby: we don't want to have to explain to a buyer about a clogged fuel line on the farm.

- The price will be the last thing that we talk to you about.

What we want to do as a distributor is tell your story. We believe that the product is a result of its environment. What makes your product better? – tell us your story. We highlight environmental attributes, and traceability. These are things that chefs want to know. Is it graded? Purged? How is it grown?

In your marketing materials, please send us something with good reference, such as a picture of an oyster knife below your oysters. This tells the consumer the meat-to-shell ratio, color, and size.

Some other points to remember when working with a partner like Foley Fish:

- Communicate in real time. Telegraph any price changes – we do have good relationships with our customers and we can talk with them.

- Pick a business model and stick with it.

- Don’t compete with your best customers.

- Try not to overpromise (under promise and over deliver).

- Grow your business gradually.

- Get to know your customer’s business - I am your customer . In turn, our customers are higher end retail such as Connor’s Foods, Ritz Carlton, Grand Cayman, Boston Harbor Hotel, etc. and that is why we cannot afford to be down for even a day.

**Jeremy Sewall – Executive Chef at LiNEaGe in Brookline, MA**

**and**

**Eastern Standard in Boston, MA.**

***3:45 p.m.***

Jeremy and Lisa Sewall created LiNEaGe restaurant’s concept: their goal is to offer fresh, locally grown food in a comfortable atmosphere. At LiNEaGe, the menu is printed every day. Jeremy says: We love fresh food, seasonal foods, etc. – that's our first love. Mostly what we want is to know all about you, and all about the food. To do that, we send our chefs to the farm so that they can see the connection to the product. We like to give you feedback regarding your product, delivery, shape, size, etc., so visits from the farmers to us are really welcome – it helps us understand you, your farm, and your products. We always buy quality first and talk about the price last. We hold educational classes at our restaurants so that our wait staff is knowledgeable when the guests have questions. Bottom line: I like to know who I’m buying my product from and hope that I can have a relationship with them.

4:00 p.m. Adjourned.

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