Generic Advertising: A Marketing Strategy for Farmer Groups

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When producers in a particular agricultural industry jointly advertise or promote their products through a commodity promotion program, we call it generic promotion or generic advertising. Today, almost every U.S. commodity group does it: More than 312 federally and state-legislated producer promotion programs cover over 80 farm commodities.

While the intensity of the advertising efforts varies across commodities, over 90 percent of all U.S. producers contribute to programs to support farm commodity promotion in some form. Interest in generic advertising of agricultural commodities has increased in the last decade, as producers have seen the potential benefits of cooperative efforts.

The potential value of generic advertising programs differs depending on the particular industry’s economic environment. Such programs work best when

- The characteristics and attributes of the commodity are somewhat uniform across the group of producers
- The product does not have large extremes in brand differentiation, although brands can exist jointly with generic programs
- Producers have well-defined marketing objectives when designing and implementing generic advertising
- The industry is not monopolized by a few large players whose objectives are in conflict with those of the total industry
- There is an equitable mechanism for assessing everyone who benefits from the programs.

Nevertheless, there is no assurance that any commodity program will succeed. While success depends partly on the quality and intensity of the advertising effort, it also can be traced to a few conditions in each industry: 1) What is the current level of per capita consumption? Is consumption already near saturation? 2) How much information does the consumer already have about the commodity? 3) Can the industry maintain product quality to reinforce what is being advertised generically? 4) Is the product easily recognizable at the retail level or is it an ingredient with much of its identity lost when it reaches the consumer? 5) How important is the product to the final consumer, and what is its range of use?
Regional and national generic advertising programs can be complex to develop and implement, but they do offer producers a way to participate in the marketing process.

**Generic Versus Brand Advertising**

Generic advertising differs from brand advertising in several ways. Probably the most important difference is purpose. Brand advertising is usually sponsored by a single firm whose message conveys information about its brand. The primary purpose is to increase the sales volume and market share of the firm's branded product. For example, Coke advertises to increase the sales of Coke, partially at the expense of other colas. The aggregate sales volume of all colas might increase as a result of Coke's advertising, but that is generally not the overriding objective. Even so, studies of processed orange juice advertising show that both brand and generic advertising expand the total demand for orange juice, with generic and brand advertising having nearly equal effects on sales in the long run.

The primary purpose of generic advertising, on the other hand, is to increase the aggregate demand for a commodity, generally through longer term demand responses. Thus, generic advertising encompasses all products within the commodity group, including brands, without promoting specific brands.

Dairy farmers advertise to convince consumers to eat more cheese or drink more milk, yet these same farmers do not directly produce the manufactured milk products. They advertise to get consumers to pull more milk through the system or to pay a higher price for the milk produced.

There are a few examples of joint ventures between generic and brand programs. For example, the Florida Department of Citrus' Brand Advertising Rebate (BAR) Program uses generic funds to supplement brand advertising.

The National Dairy Promotion Board and the Ice Cream Manufacturers Association have worked together to develop a common advertising theme for ice cream. Yet the dairy farmers' promotion funds are used exclusively to promote ice cream as a commodity; the ice cream manufacturers use their own funds to advertise their branded products.

The second most important difference between brand and generic advertising is that brand advertisers may have more control over the product they produce and advertise. They can alter the quality or product characteristics and thus promote those characteristics. Generic advertising, however, is directed to a broader commodity group, and so it is often more general than brand advertising and is of a "softer sale" nature.

**Funding Arrangements**

Nationwide, producers contribute more than $530 million annually to promote their products through legislated checkoff
(mandatory assessment) or marketing order programs. In addition, more than $30 million in producer-funded programs is generated through voluntary arrangements. Most of these funds are used for domestic advertising, promotion, and research activities. Substantial public funding supplements programs to promote foreign market development for U.S. farm commodities. In each year from FY 1986 through FY 1988, the Federal Government allocated $110 million to the Targeted Export Assistance Program (TEA), a matching fund program which generates foreign promotion activities. Generic efforts for foreign market development are generally funded through predetermined, shared contributions by the Federal Government, the commodity industry, and the foreign importers.

State and Federal Role

The Federal and State Governments provide the legal authority for farmers to assess (or tax) themselves to support generic advertising. Most commodity promotion programs started when small groups of farmers joined together and voluntarily

In 1935, Florida passed legislation requiring that all citrus producers be assessed to raise funds for citrus promotion activities. Studies of processed orange juice advertising show that both brand advertising and generic advertising of citrus products expand the total demand for orange juice. (Florida Department of Citrus)
pooled their funds. But to the extent that their generic programs were successful in generating an expanded demand for their commodity, all producers of the commodity benefited, even those who had not contributed. This "free rider" problem caused farmers to appeal to their governments for mandatory authority to assess all producers of the commodity.

State Governments responded positively to these farmer requests as early as the 1930’s. Florida passed legislation in 1935 to assess all producers of citrus to raise funds for citrus promotion activities (see Robert M. Behr’s article, *Florida Citrus Industry Sets High Standards*).

The 1937 Federal Agricultural Marketing Agreement Act allows the collection of promotion funds from several fruit, vegetable, and specialty crop marketing groups who market their commodities under Federal marketing orders. More recently, dairy, beef, pork, and other commodity groups have been influential in obtaining free-standing legislation (new legislation separate from Federal marketing order legislation) to authorize mandatory assessments. The early programs provided for refund provisions, so that someone strongly opposed to the program could petition for refunds even though the initial assessments were levied. Newer legislative programs have eliminated the refund provision.

The dairy industry gained authority in 1983 under the Dairy and Tobacco Adjustment Act for a nationwide assessment of 15 cents per hundredweight of milk produced. The law authorized the initial assessment to begin without a producer referendum but called for a referendum to be conducted after 18 months. This delayed referendum was intended to provide a time for advertising experimentation before producers voted on the program. While there is a real cost to such experimentation, it does provide producers with more definitive data from which they can make reasonable judgments. More than 80 percent of dairy farmers voting in 1985 approved continuing the mandatory assessment and dairy promotion research. Now the dairy program can continue indefinitely unless a large number of producers petition to have the checkoff withdrawn. This program generates a promotion and research fund of about $200 million annually.

Under free-standing legislation enacted in 1985, pork, beef, honey, and watermelon producer groups each have authority for mandatory assessments.

**Examples of Domestic Generic Advertising**

The primary purpose of domestic generic advertising is to expand the demand for the commodity being promoted. Dairy farmers spend about $150 million annually on advertising and promotion for dairy products. In 1984-85, the National Dairy Board, the American Dairy Association, and more than 24 State

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1For expanded description of generic advertising programs, see Part VI *Promoting Quality Products*. 

Marketing Strategies
or regional promotion organizations invested $71.7 million in advertising for the consumer fluid milk market. Campaign themes included "Milk, America's Health Kick" and "Milk, It Does a Body Good." An additional $49.3 million was invested in cheese advertising using themes such as "Cheese, Glorious Cheese" and "Say Cheese." About $20 million was invested in promoting dairy foods as a source of calcium, using the theme "Dairy Foods, Calcium the Way Nature Intended."

Beef producers spent about $30 million to advertise beef in 1987. The national beef advertising programs are developed and implemented by the Beef Industry Council on behalf of the Cattlemen's Beef Board, which was established in October 1986 with the enactment of the $1 per head checkoff program, and the 41-State beef councils. The advertising theme is "Beef, Real Food for Real People." A national referendum was held in May 1988 to determine if beef producers wished to continue the program.

Pork producers planned to invest about $9 million on generic advertising during 1988. The advertising programs developed by the National Pork Producer's Council for the National Pork Board promote primarily fresh pork products and feature the theme, "Pork. The Other White Meat."

**International Promotion Programs**

The Federal Government operates three programs: a Cooperator Program, an Export Incentive Program, and a Targeted Export Assistance Program. Each involves the Federal Government providing incentives in the form of matching funds and technical or information assistance to promote U.S. agricultural products overseas.

Under the Cooperator Program cooperator preference is given to nonprofit U.S. agricultural trade organizations that are industrywide or nationwide in membership and scope. Private firms may be eligible to participate if the Foreign Agricultural Service (FAS) determines that they meet certain conditions. Activities may include trade servicing, consumer promotion, market research, and technical assistance to actual or potential foreign purchasers.

Participants are selected for the Export Incentive Program if no cooperator program is feasible. Eligibility is limited to the registered brand of the participant or other brand that FAS approves in advance. Activities are usually limited to direct promotion such as consumer advertising, point of sale demonstrations, public relations and press servicing activities, and participation in trade fairs and exhibits.

The Targeted Export Assistance Program (TEA) was authorized in the Food Security Act of 1985 and was designed to stimulate exports of U.S. agricultural products through market development activities targeted at countering or offsetting unfair foreign trade practices. Two basic TEA programs are available. The first is conducted through commodity-specific
nonprofit agricultural trade associations, called "Participants." The second, called the "TEA/Export Incentive Program (TEA/EIP)," allocates TEA resources for the purpose of promoting U.S. brand-identified products.

Research Findings

Research by commodity promotion organizations and their advertising agencies typically involves surveying consumers about their awareness of the group's advertising theme and about their attitudes and beliefs toward the advertisements and products. Information from these tracking studies or consumer surveys helps the organizations and agencies design campaigns and monitor consumer acceptance.

Little research has been conducted to determine the direct or indirect connection between the advertising effort and changes in consumer purchases. Many of these advertising evaluation studies have relied on computer model building where price, income, and demand are directly incorporated into the analysis along with advertising. The few studies that have been conducted do not provide all the answers that producers and legislators would like to have, but they do give considerable insight into the performance of specific commodity programs.

Econometric studies on the advertising of fluid milk, cheese, orange juice, grapefruit juice, and oranges indicate a positive relationship between the amount of money invested in generic advertising expenditures and sales of the advertised commodity. The research also indicates that the law of diminishing returns applies. As advertising expenditures increase, sales will increase, but at a decreasing rate. Also, most of the analysis points to some type of advertising carryover effect; that is, advertising today will influence future consumption decisions. However, the response rate differs among products, advertising campaigns, seasons of the year, and geographic markets.

Public Policy

While generic programs are designed to assist specific commodity groups, public concern continues over the total impact of generic advertising on aggregate food consumption. Does advertising one commodity simply lead to its substitution for another? Is this an efficient way to assist the agricultural sector? Does generic promotion play a useful role in nutrition education? Which commodities should and which should not qualify for national checkoff authority?

The range and complexity of the public issues are far-reaching, the questions difficult to answer. But increasing numbers of commodity groups are likely to seek legislative authority, so the public debate will continue. These issues are not as critical when considering the international promotion programs. Expansion of foreign markets generally is viewed as a plus for all U.S. producers and for the U.S. economy.