



University of Maryland, 2113 Animal Science Building
College Park, Maryland 20742-2317
Telephone: 301-405-6085, FAX: 301-314-9412
E-mail: nrac@umd.edu Web: <http://www.nrac.umd.edu>

Small Scale Marketing Opportunities for Aquaculture Products in the Northeast

Andrew M. Lazur, University of Maryland Center for Environmental Science

Gef Flimlin, Rutgers Cooperative Extension

Dana Morse, Maine Sea Grant Program / University of Maine Cooperative Extension

What is Marketing, and why is Marketing Important to My Aquaculture Business?

Marketing covers all those aspects of business operation that you do, to get your products into the hands of the customer. It includes everything from sales and customer relations, to pricing, packaging and distribution, and your logo and name.

When first considering marketing, most aquaculturists typically want to know: "What can be sold, how and where can I sell it, and at what price?" Thinking from a business perspective, perhaps the most important question is; "What should I produce and how should I sell it to make the greatest profit?" Understanding the needs goals, challenges and opportunities of small scale aquaculture will help answer important questions and guide investment, operational and business decisions.

Aquaculturists in the northeast United States grow a wide variety of products including aquatic plants, baitfish, food fish, ornamental fish, and numerous species of shellfish. Most of the aquaculture farms are relatively small scale, family owned operations, and this influences many aspects of their businesses, including marketing and economics. Larger farms are able to achieve economies of scale and typically focus on greater volume, wholesale markets. Examples of wholesale markets are processors, distributors, and brokers. Although the wholesale price is lower than retail, the greater volume of product

produced by large farms allows for profit and more convenient distribution of product. Small scale operations generally have higher costs of production and in many cases must target retail markets to secure higher prices and be profitable. However, working with niche retail markets such as direct sales to restaurants, aquarium shops, live sales to the public, and fee fishing also increases marketing costs due to increased time required for selling small volumes of product and associated need for more personal service. It is important to develop a marketing plan and take into consideration the time, special equipment required, and the increased profit potential of various market opportunities.

Creative and dedicated marketing can significantly affect the success of an aquaculture operation. Consideration of a marketing strategy is as important as the production aspects in any business. With a thorough market analysis and actual production costs, the economic potential of a business can be evaluated.

Developing a Marketing Plan and Starting with the Market First

A marketing plan should be part of the business plan. Developing a sound marketing plan is not usually as difficult as it sounds, yet is a critical first step in determining the scope, direction and potential profit of an aquaculture enterprise.

The marketing portion of a business plan is unfortunately often not addressed thoroughly by prospective producers, and as a result the business plan is often rejected by lending institutions, or they may end up producing an abundance of product without adequate markets or profitable prices.

Essential information in a marketing plan should include answers to these questions:

- What product(s) can my business provide that is unique and provides a niche?
- What products are desired in the marketplace?
- What products are desired but missing from the marketplace?
- What species are preferred by local markets?
- How much and how often is product required by each outlet?
- How much are buyers willing to pay for a given product?
- How consistently do I have to supply my buyers?
- Are there premiums paid for specific product?
- What is the seasonality of product demand?
- Are there preferred product sizes/forms?
- Should I deal in live, on ice, or processed products?
- Who is the competition and is there interest in buying from other sources? Are there substitute products?

Analyzing the market could and should provide valuable information to guide production specifics. The information can affect the species produced, production volume, number and size of culture units, type of harvesting, hauling and processing equip-

ment, time and labor requirements, and business profitability can all be extracted from a good marketing analysis and plan. In other words, the market should drive production. It is recommended that conservative estimates of market potential be used for aquaculture business planning since these market outlets can undergo changes which may affect their ability or willingness to buy product. Keeping in regular contact with market outlets is a wise practice to stay abreast of changes in consumer demand and market preferences.

Types of Market Outlets

To generate greater profit, smaller operations generally focus on direct marketing. These can include:

- On-farm sales such as pondside, fee fishing, dockside, or small scale processing
- Local niche markets including roadside sales or farmers markets, flea markets, festivals, and catering
- Local grocery stores, restaurants, specialty food shops and bait shops

Other outlets include live hauling, and, recently, Internet sales.

Knowing your costs for each avenue is critical to profitability, and a necessary part of a good marketing plan (see Figure 1). Each of these outlets will have specific consumer preferences and sales potential, and require specific inputs such as time/labor; equipment and regulations (Table 1).

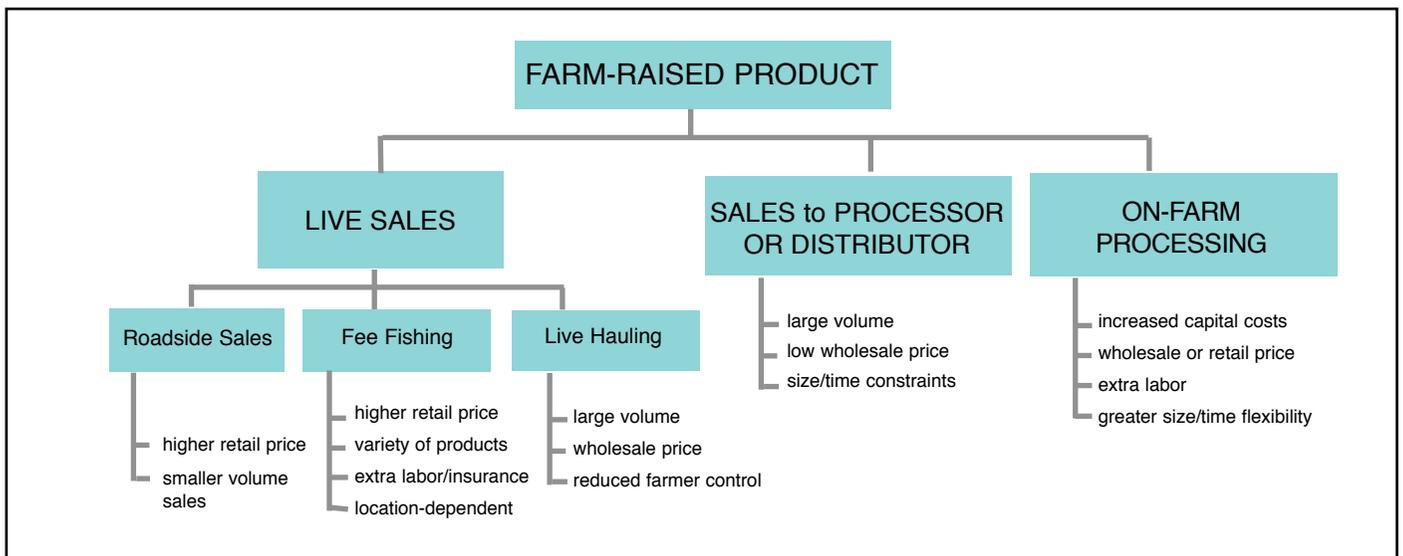


Figure 1. Marketing options and respective characteristics

Table 1. Generalized investment and operating requirements (money, equipment, labor and time) for various types of markets

Market Outlet	Investment Inputs	Operating Inputs
Wholesaler/Processor	Low	Low
On-Farm Processing	Moderate to High	Moderate
Roadside Sales	Low	Moderate
Fee Fishing	Low to Moderate	Moderate
Live Hauling	Low to High (self)	Low to High (self)

Internet sales, another example of direct marketing, is an activity that has increased in recent years but is generally only for products that can survive a few days in shipping, such as plants, some shellfish species, or ornamentals. Live hauling is an option for selling either bait or food species, however food fish sales through live hauling markets generally are larger volume at wholesale prices. Direct marketing requires interpersonal skills and the willingness of a producer to work with these outlets can significantly

Fee Fishing

Fee fishing can be a successful method of direct marketing and provide a unique recreational opportunity for customers. A variety of products can be sold including the fish caught, live and processed fish, bait, tackle and concessions, essentially diversifying product line and providing additional profit potential. Successful businesses are relatively close to towns or cities, provide a pleasant recreational experience, and offer fishing opportunities for special groups such as seniors, parents, business, and churches.



improve the chances for a successful small aquaculture business. Providing good customer service—what they want, when they want it—is very important. Not supplying a customer even once can tarnish the business relationship, and can cost both the buyer and seller money.

On-farm Sales

Selling aquaculture products at the farm directly to consumers can offer several marketing advantages, such as the opportunity to educate the consumer and get immediate feedback, the ability to gain product confidence, and lower transportation costs.

However, market infrastructure needs, local permits and liability insurance need to be taken into consideration and evaluated how they fit within the producer’s time, skills, available labor and overall marketing and business plan (See NRAC factsheets 101-2008 and 107- 2008:

<http://www.nrac.umd.edu/publications/factSheets.cfm>).



On-farm processing can be accomplished in a small room of an existing building to tap into local direct sales to consumers.

Direct Sales

Direct sales at the farm will require that labor be available for customer service, therefore the operator may choose to limit sales to specific times or days. Being consistent with a schedule will help in keeping customers informed and interested.

Processing on the Farm

Processing product on the farm is another opportunity for producers to sell direct to consumers. Often, consumers prefer a processed, ready to cook product form rather than having to clean fish for

example. Small scale processing can provide a wider diversity of products such as specialty cuts or product sizes desired by specific clientele, and can benefit by selling at higher retail prices. However, the producer must know the customer preferences, and must understand the costs associated with processing at the farm, including an investment in the proper refrigeration, processing equipment, time and labor.

The processing facility will be required to meet state and local food service requirements and development of a Hazard Critical Control Point plan (HACCP) is recommended or may be required. Conversely, a facility can be developed within an existing building and with relatively simple equipment, minimizing investment costs. See SRAC fact sheet 442 Small Scale On-farm Fish Processing for more information:

<http://srac.tamu.edu/fulllist.cfm>.



Baitshops are a main market outlet for farm-raised baitfish.

Live Hauling

Selling farm raised fish to companies that specialize in transporting ('live haulers') is a common market option for food and bait fish species. Live haulers buy from the farm and often travel long distances to wholesale or retail outlets. Much of the fat-head minnow, golden shiner, and tilapia production in southern states is marketed in this manner.

Deliveries depend on the truck size, tank capacity and the type of markets serviced. Live haulers catering to smaller markets will typically employ trucks with multiple smaller tanks and haul several thousand pounds of fish. Haulers serving wholesale markets or distributors will use larger tractor-trailers,



Medium sized tractor-trailer rig used to haul baitfish to shops or small bait distributors. Each tank is supplied with oxygen.

and will transport up to 25,000 pounds of product. Producers selling to live haulers generally receive a wholesale price depending on quantity and species, but this outlet can serve as an option for small farm.

There are specific issues and regulations related to intrastate shipping of aquaculture products. Concern over transfer of aquatic disease organisms, invasive and non-native species and gamefish fish species has prompted new policies and regulations which may vary from state to state. Aquaculturists should contact their state aquaculture regulatory agency or their aquaculture coordinator (<http://www.nasac.net>) for specific information on regulations.

Other Niche Markets

Roadside sales, farmer's markets or flea markets are potential outlets for smaller aquaculture operations. In these markets, consumers are often looking for local products and may be willing to pay a premium price for what is perceived as a fresher or superior product. A small live fish tank or cooler with fresh fish or shellfish is a relatively simple technique to address these popular markets. Local or state food service permits will be required.

Internet sales are a relatively new outlet and tend to be limited to specialty products such as value added food items or more non-perishable goods such as aquatic plants. This method may provide higher retail prices, but does require extra time and labor for increased packaging and shipping of small orders.

Marketing Shellfish

The three main shellfish that are cultured and marketed in the northeast are the Northern Quahog or hard clam (*Mercenaria mercenaria*), the Eastern Oyster (*Crassostrea virginica*), and the blue mussel (*Mytilus edulis*).



Attractive displays at garden centers or plant shows are effective in educating consumer and marketing aquatic plants.



Aquarium and display tanks help showcase ornamental aquaculture products and pique customer interest.

Oysters and mussels traditionally have often been marketed with a branding name, a long-standing practice that often links the product to the location where it is grown. A specific market name is a touchpoint that consumers can recognize instantly. A brand name is particularly important in venues (such as an oyster bar) where customers can select from a variety of shellfish sourced from different areas. A good brand name can help give prominence to a specific grower's product.

Packaging is important, regardless of the product. Good packaging will:

- Keep the product at maximum quality
(Remember, you can't add quality, you can only maintain it)
- Present your company name and products attractively, with a good logo and slogan if appropriate

- Survive the transportation process intact and with no problems to the transport company.
- Be affordable and cost-effective for your business.

For shellfish, the traditional packaging options include wax boxes and mesh bags. They both have their positive and negative attributes, and it's up to the producer to listen to his vendors and customers to understand which types of packaging are most desired, and which fit into the capacities of the business.

When oysters are shucked and put into gallon cans, those cans are branded with the name, logo and source of those oysters. Recently, growers are using 100 count boxes with their own name, logo and product description included to show the branding of the oyster.

Clam growers have slowly been attempting to follow this branding protocol and some have packaged their shellfish in bags of a specific count for retail sales.

Other opportunities in marketing may lie with local roadside farm markets, specific sales routes with small factories, fire departments, VFW halls, or anywhere where a good number of people work or recreate, or the bagging and branding of the shellfish for retail sales. Benefits include higher price and closer contact with your customers, weighed against labor and equipment needs, permitting, and the loss of time spent in sales that might otherwise be spent on the farm.

Personalizing your products and your business

In recent years, food producers of many types have sought to build connections to the consumer by increasing the personalization of their farms and products. Shellfish is particularly well suited for this approach, since the growing area has a great deal to do with the taste of the product. There are many strategies to take toward this goal, such as:

- A web site, even a basic one, can convey excellent points about you and your farm, and can help the customer get to know you.
- Video outlets on the web are low cost, high impact mechanisms, and give a personal touch that text or a static photo does not. Social media are increasingly popular, and they help your



Branding can help build product recognition and consumer interest in local food supply.

customers get to know you, your farm, and your products.

- Where possible, personal visits to your distributors, retailers and other customers will build your relationships.
- Events highlighting agriculture and fisheries products are increasingly popular, such as oyster festivals, and are good for reconnaissance with consumers, and potential profile-builders.

Developing Your Marketing Plan

There are many useful documents available to help you create a marketing plan that will benefit your business, some of which are listed in the References section below. However, the following are the basic elements of a marketing plan, and questions to ask yourself when developing your marketing strategy. Keep in mind that a well-developed marketing plan will pay dividends in any discussions you may have with prospective investors or lenders.

Cover sheet: Name and contact information for the farm, date and duration of the plan.

Goals and Objectives: What are you marketing goals, and what are the steps (objectives) along the way that you will use to achieve your goal?

Outline of your business:

- What products do you sell?
- What markets do you sell into presently?
- What is the volume sold, and for what price?
- What marketing activities do you currently do?

Your marketing strategy:

- Who are your customers, and what do they buy from you?
- Who is your competition (locally, regionally, nationally, and internationally)?
- How do you price your products, and why?
- What are the prices that your competition charges, and why?
- How do you promote your product? How do you keep in touch with your customers, and how can you improve?

Your Finances:

- What will it cost you to carry out your marketing strategy? What are the possible financial benefits?

Summary

Marketing is a critical part of an aquaculture business and a thorough strategy or plan should be developed prior to production to identify optimum economic opportunities for small scale farms. Furthermore, markets should drive production, meaning characteristics of production need to be designed to serve the markets and customer needs. Small scale operations tend to have higher costs of production, necessitating working with higher value retail markets to maximize profit. The growth of consumer interest in 'buying local' and awareness of the nutritional value of seafood will likely provide Northeast aquaculture producers continued opportunities to market cultured product.

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