



Advertising Commodities



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Advertisements

■ Informational

- provide specific information about products and services so consumers can make an informed decision
 - Ex. classified ads, yellow pages and search engine ads



■ Image

- seek to convey a positive image of a product
 - Ex. Soda, chips ads...



■ Commodity

- Promoting generic products like agricultural commodities
 - Ex. Got Milk?, Incredible Edible Egg, Beef: It's What's for Dinner

Super.
That's how milk makes
you feel. The calcium helps
bones grow strong,
so even if you're not from
Krypton™ you can have
bones of steel.

got milk?



SUPERMAN
RETURN
JUNE 20

bodybymilk.com



Smash hit by Hayden. Body by milk.

You don't have to be a hero to feel invincible. That's why I drink milk. The protein helps build muscle and some studies suggest teens who choose it tend to be leaner. Cheers to that.

got milk?

©2007 Panettiere. www.gotmilk.com



got milk?

Busy Body.

Actress, model,
mother, health nut,
spokesperson,
role model. How
does a busy mom
get it all done?
I exercise, eat right
and drink milk.

Studies suggest the
nutrients in 3 glasses
of lowfat or fat
free milk a day
can help maintain
a healthy weight.
Plus the protein
helps build muscle
for a lean body.

Done.

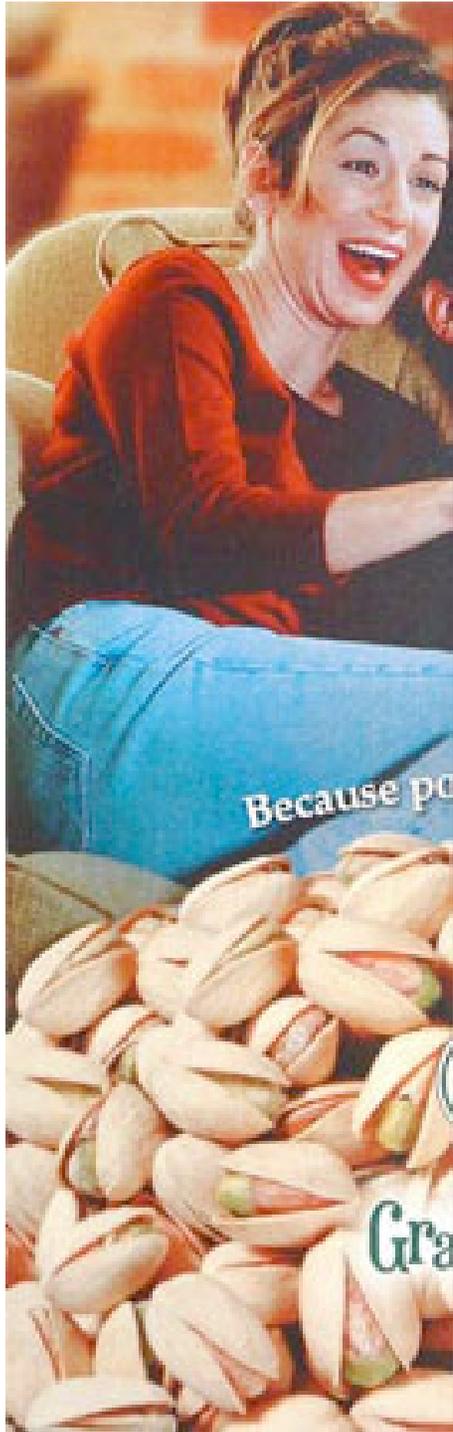


milk your diet

Got Milk?

- Running since 1993
- Credited for reviving milk industry
- Has over 90% awareness in US
- Over 250 celebrity endorsers
- Spreading Spanish speaking demographic





IBM
1994 2.0 DOS Color Graphics Card

The California Raisins™

Three anthropomorphic raisin characters with human-like faces, wearing white gloves and shoes, are performing on a stage. They are standing on a white surface with a blue background. The character on the right is holding a microphone and singing. The character in the middle is waving. The character on the left is looking towards the other two.

BOY OFFICE

Moby Games

mobygames.com

A basket of fresh fruit including grapes, pears, and oranges is shown at the top. Below it is a black and white photograph of a hand reaching into a bowl of green grapes. In the background of the photograph is an orchard with trees in bloom.

CORNIA

FRUIT LEAGUE

A circular logo for "REAL CALIFORNIA CHEESE" is centered. The logo features a sun rising over a landscape with hills and a river. The text "REAL CALIFORNIA CHEESE" is written around the perimeter of the circle. To the left and right of the logo, the words "TO THE CHEESE" are written in large, bold, 3D block letters.

TO THE CHEESE

California's Role in Commodity Promotions

- California is very active in generic commodity promotions
 - Major or only U.S. producer of specialty crops like almonds, avocados, table grapes, raisins, dates, prunes, figs, pistachios, walnuts, kiwi, olives, artichokes, and more...
- In a position to capture most of the producer benefits since it makes up most of the supply



Be Californian Buy California GrownSM



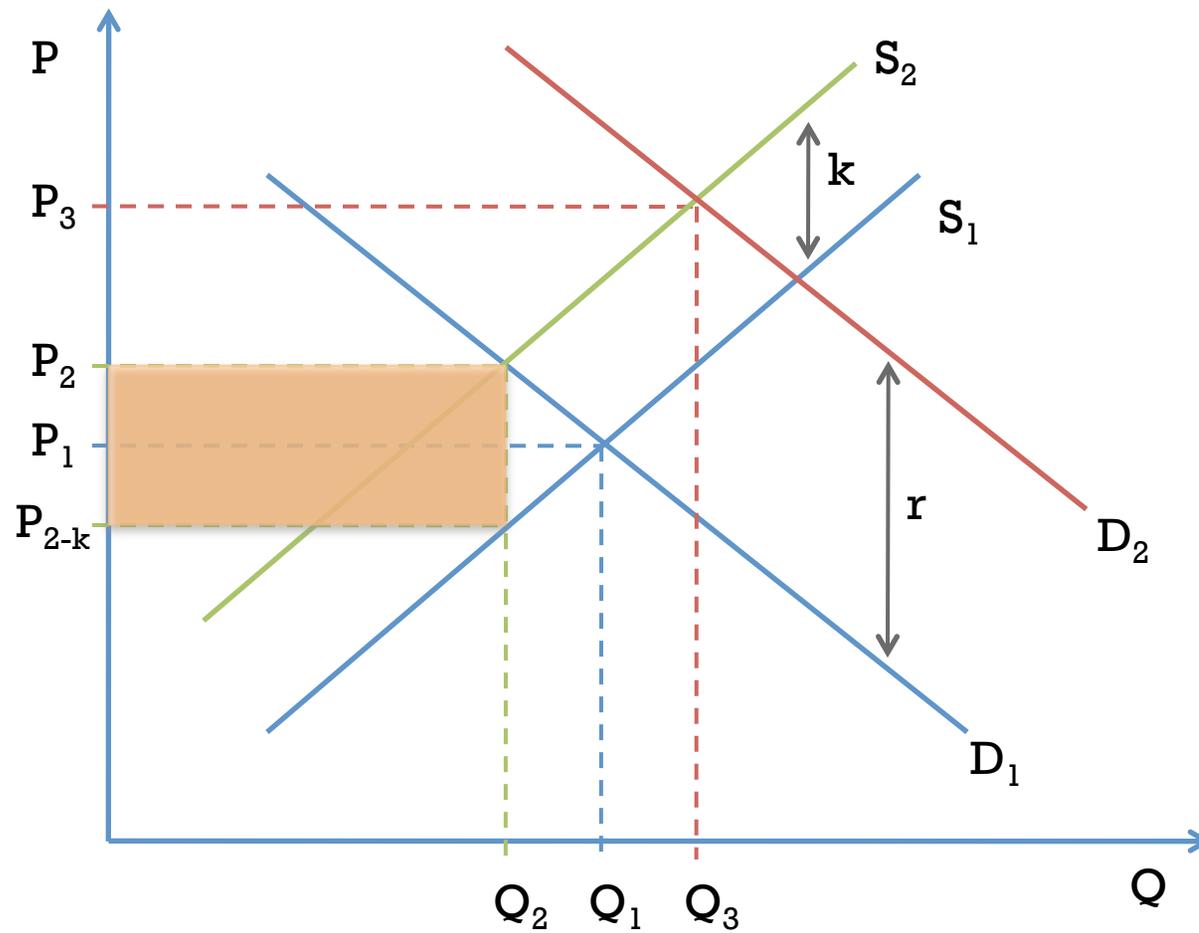
We are inherently Californian.
That is why the California Grown campaign was created: to emphasize our strong ties to the land and to our neighbors; to restore pride in our homegrown products and our work; and to help our economy and our Californian way of life.

Some Statistics



- Each \$1 spent on advertising agricultural products yields \$3 to \$6 in additional revenue
- In 2003, 61 active programs in California alone
 - This covered more than 50% of California's agricultural production value
- Billions of dollars spent on generic promotion programs
 - Over \$1 billion spent on commodity advertising in California

Basic Economics of Check-Off Funded Promotion



Amount of k per unit collected from producers

Revenue generated for promotion

Promotion results in higher consumer demand

Problems and Obstacles

- Underlying problem that causes difficulty in the maintenance for marketing funding is aligning incentives
- Producers of branded products willingly pays for all marketing costs and reaps all the benefits from their investments
- However, benefits and costs of commodity advertising are not equally distributed across all producers
 - Can't decide on marketing levels
- Free rider effect



Free Rider Effect

		Producer 1	
		contribute	don't contribute
Producer 2	contribute	16, 16	8, 18
	don't contribute	18, 8	10, 10 

The table illustrates the Free Rider Effect in a two-player game. The players are Producer 1 and Producer 2. The strategies are 'contribute' and 'don't contribute'. The payoffs are shown in the cells. A yellow star highlights the outcome (10, 10) where both producers do not contribute, indicating it is the dominant strategy for both players.

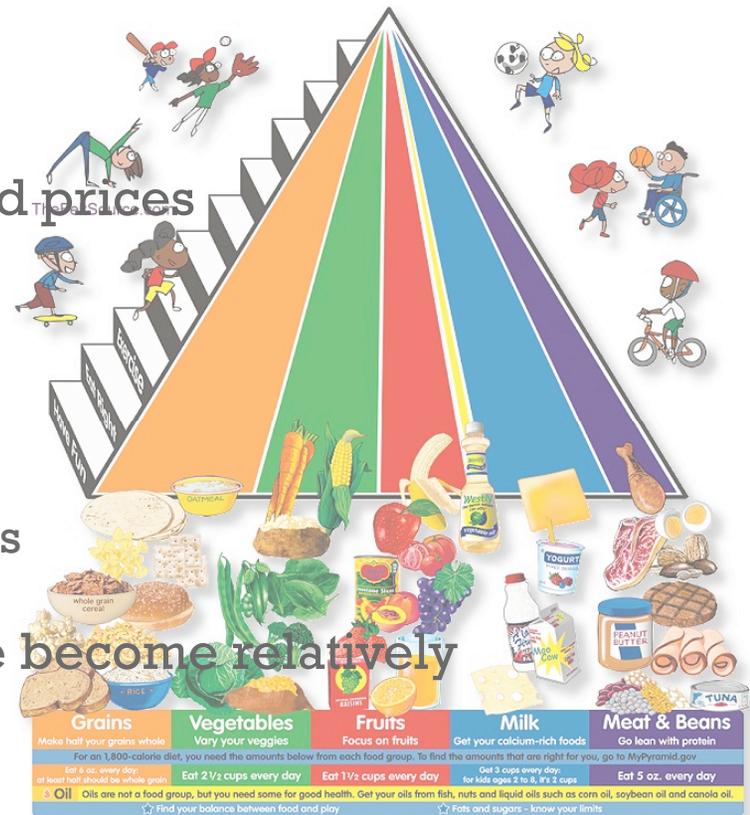
The Solution?...

Mandated programs

- Participation in program is mandatory once it has been voted on by a defined majority of the producers of the commodity
 - Need at least 40% of affected producers to participate in the votes
 - Must have at least a 65% approval rate from those that voted
 - “check-offs” are a type of tax that is mandatory if approved by a sufficient majority of producers
- Federal and state marketing programs include provisions for:
 - Advertising and sales promotion
 - Production, processing, and research
 - Quality regulations with inspection
 - Supply management or volume control
 - Standardization of containers/packs
 - Prohibition of unfair trade practices

Advertising and Promotion

- Goal is to increase demand, sales, and prices
- Methods include
 - Consumer education
 - Public relations
 - Point-of purchase programs for retailers
- Have gained more attention and have become relatively more important



Research

- Goal is to increase net returns
 - Increase yields
 - Improve quality
 - Reduce use of inputs
 - More efficient harvesting
 - Improved transportation and distribution methods
- Farm related:
 - Pest and disease control
- Off-farm related:
 - Improve packaging and shipping
- Approved research are often carried out by UC's



Quality and Volume Control

■ Quality Standards

- Goal is to maintain or enhance market demand by keeping inferior products off the market
- Marketing orders often include minimum quality standard and provide mandatory inspection to enforce the standards
 - Requirements on: size, grade, sugar content, maturity

■ Volume Control

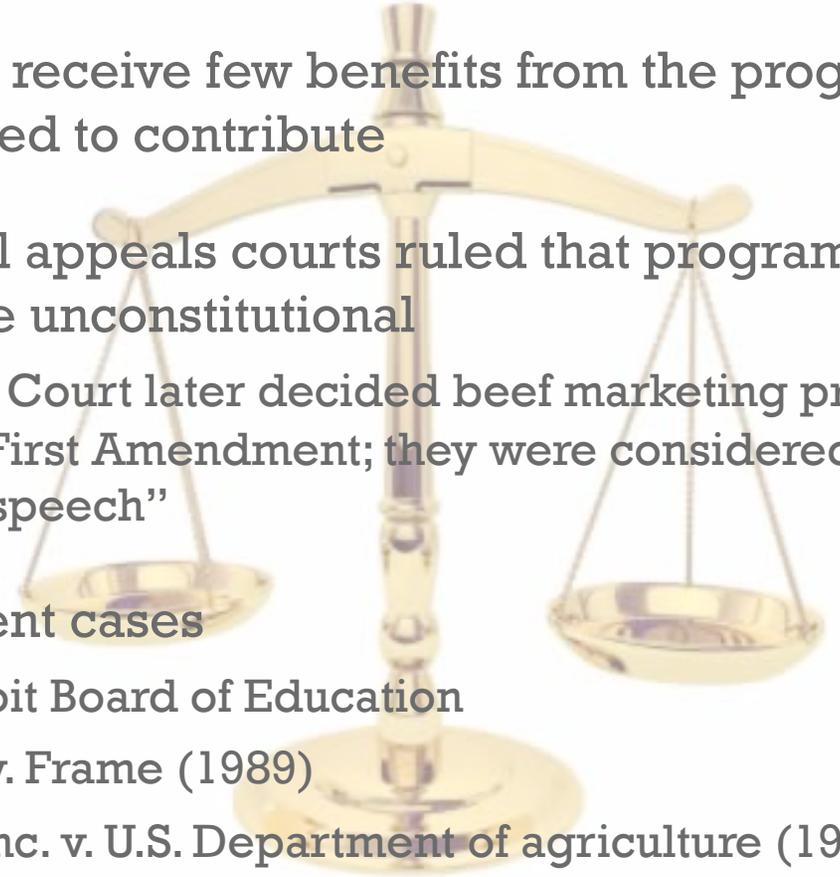
- Goal is supply management
- Usually implemented under federal orders
- Discouraged from using volume control to manipulate price

A collection of fresh produce including lemons, peaches, garlic, cucumbers, cherry tomatoes, okra, and a carton of eggs.

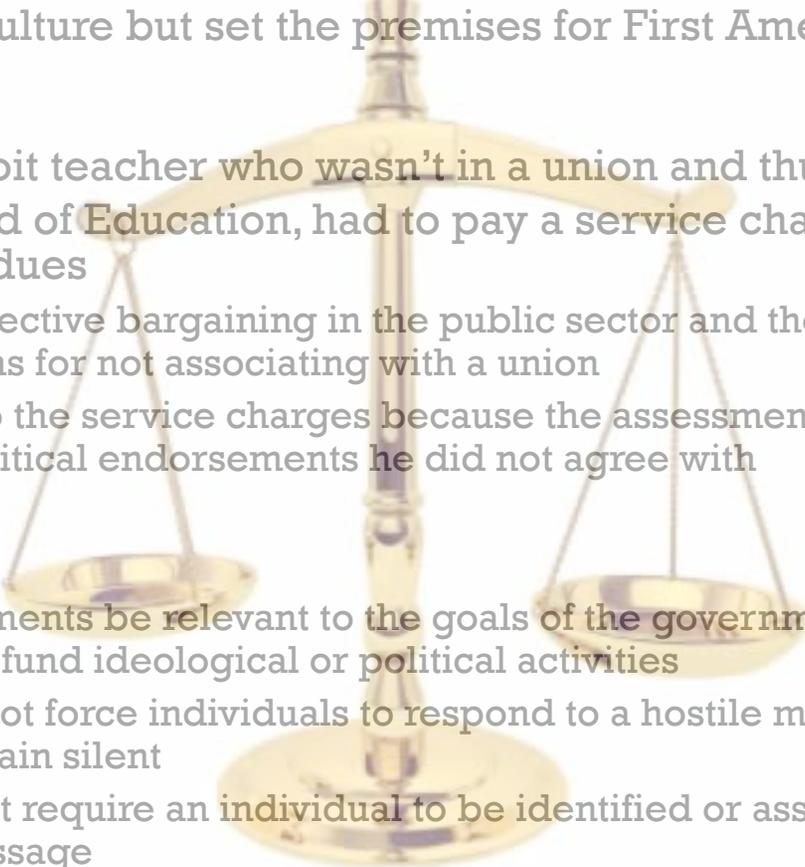
Standardization of containers or packs

- Fix size, capacity, weight, dimensions or packing of containers that handlers must use in the packaging, sale, shipment, or handling of produce
- Standardization can lower costs
 - Eliminates deceptive pricing
 - Lowering handling and transportation costs

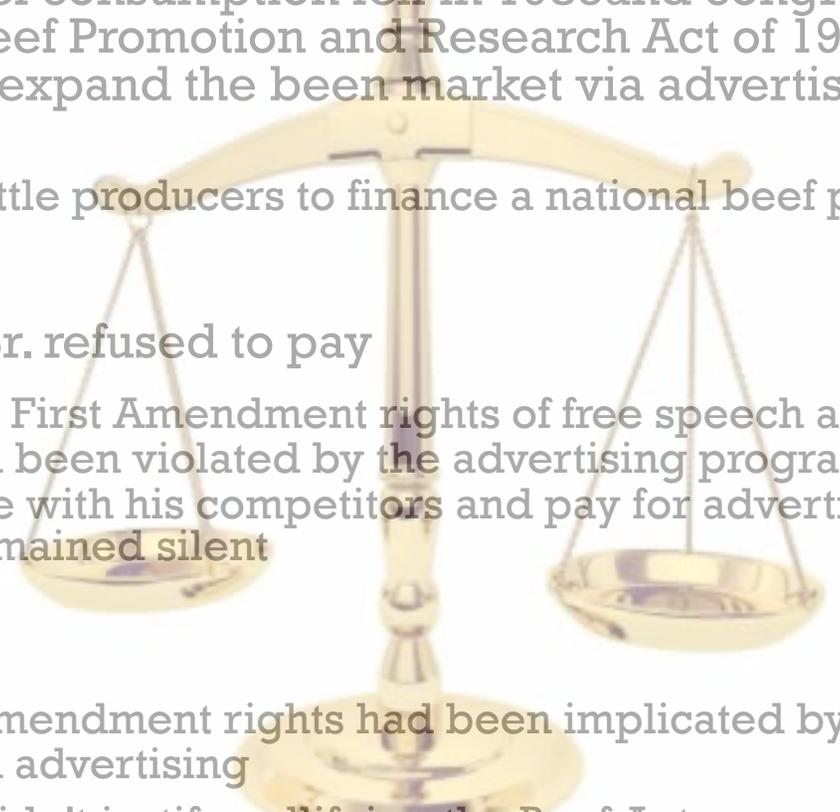
Legal Issues

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- Producers who receive few benefits from the programs don't want to be forced to contribute
 - In 2004, federal appeals courts ruled that programs for beef, pork, milk were unconstitutional
 - 2005 Supreme Court later decided beef marketing programs didn't violate First Amendment; they were considered protected "government speech"
 - First Amendment cases
 - Abood v. Detroit Board of Education
 - United States v. Frame (1989)
 - Cal-Almond, Inc. v. U.S. Department of agriculture (1993)

Abood v Detroit Board of Education

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- Unrelated to agriculture but set the premises for First Amendment arguments
 - Abood was a Detroit teacher who wasn't in a union and thus, according to the Detroit Board of Education, had to pay a service charge equal to the regular union dues
 - He objected to collective bargaining in the public sector and therefore had ideological reasons for not associating with a union
 - He also objected to the service charges because the assessments were being used in part of political endorsements he did not agree with
 - Results
 - Compelled assessments be relevant to the goals of the government interest and cannot be used to fund ideological or political activities
 - Government may not force individuals to respond to a hostile message when they prefer to remain silent
 - Government cannot require an individual to be identified or associated publicly with another's message
 - Government's interference in one's freedom of association could only be justified by "compelling state interests, unrelated to the suppression of ideas"

United States v. Frame

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- Demand for beef consumption fell in 1985 and congress amended the Beef Promotion and Research Act of 1976 to strengthen and expand the beef market via advertising and promotion
 - Required all cattle producers to finance a national beef promotion campaign
 - Robert Frame, Sr. refused to pay
 - Argued that his First Amendment rights of free speech and association had been violated by the advertising program compelling him to associate with his competitors and pay for advertising when he preferred to remain silent
 - Results
 - Frame's First Amendment rights had been implicated by the forced association and advertising
 - However, this didn't justify nullifying the Beef Act
 - Government argued that promotion and advertising was "government speech"
 - Frame's argument was dismissed

Cal-Almond, Inc. v. U.S. Department of Agriculture



- Similar to Frame case except one major difference
 - Handlers could receive a credit against their assessment when they undertook their own consumer advertising programs
- Cal-Almond, Inc. sold most of its product to ice cream manufacturers and helped in the marketing of their product since it contained their almonds
 - sought to recoup advertising expenditures but was denied credit because the product contained less than 50% almonds
- Cal-Almond, Inc. used First Amendment argument
- Results
 - The marketing order was deemed unconstitutional

Conclusions

- Generic commodity advertising is really important to California
- Based on its legal history (the two cases presented above have similar premises but different results), it's had a confusing past and will have an uncertain future
- Even so, commodity advertising is most likely more beneficial to society than costly
 - Provide substitutes for products such as sodas and chips that are less healthy
 - Beneficial for consumers, producers, and government

