

# Developing a Marketing Plan for Chile

## Guide Z-306

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Planning is important to the success of any business. When developing a marketing plan, it is important to realize that production and marketing decisions are interrelated. The choice of a marketing channel (i.e., fresh market, processed market, specialty market) may affect the varieties that will be grown and the timing of planting and/or harvest. Competitors' strengths and weaknesses, governmental and regulatory influences, production and harvest constraints, and buyer preferences are examples of information that should be examined in a comprehensive marketing plan. Evaluating this information will provide you with a clearer idea of the most profitable direction for your crop.

### Developing a Marketing Plan

The best time to do a marketing plan is before a crop is planted. This approach keeps a long-term perspective in the planning process. The "four P's" framework is often used to organize a marketing plan: Product, Place, Price, and Promotion.

Evaluating your **product** involves looking at more than the physical product (i.e., chile variety). Product packaging, product quality, degree of processing, and your reputation all contribute to what a buyer considers when purchasing chile from you. It is also useful to be able to rate how your product compares with that of other growers. One key to successful marketing is to be able to convince a prospective buyer that your product is different from that of another grower. Buyers are not just purchasing chile—they may also be purchasing:

- consistent, high-quality supply
- timely delivery
- information (recipes showing how to use chile)
- processing services (roasting)
- good feelings (a buyer wants to feel that he or she made the right decision by choosing to buy from you)

- convenient package size (important for restaurants, specialty stores, farmers' markets, pick-your-own operations)

**Place** refers to the marketing channel where the product will be sold and how the product will get there. Approximately 20% of the New Mexico chile crop is sold through fresh market channels such as grocery stores, farmers' markets, and roadside stands. If you want to sell to grocery stores and institutional markets (schools, hospitals, restaurants), you should contact potential buyers prior to the growing season, to identify varietal, packaging, quality, and delivery requirements. You must be willing to invest a lot of time in developing relationships with buyers for these types of markets. The consequences of making a bad buying decision can be greater in these markets than that of large processing operations, so the buyer must have confidence in your ability to meet his or her specialized needs.

The opportunity for selling at farmers' markets and roadside stands successfully varies by location. New Mexico farmers' markets (location, contact, and market days) are listed in table 1. Information on regulations for roadside business should be available from local Chambers of Commerce or city/county business license offices.

The other 80% of New Mexico's chile crop is designated for processed products. Green chile is processed either through freezing or canning. Processed red chile is either dried or pickled.

Most red and green chile processors are located in southern New Mexico or close to El Paso, Texas. Growers usually agree on a contract with a buyer prior to harvest. However, some chile (referred to as "wildcat chile") is still grown without the assurance of a prearranged buyer. The uncertainty associated with wildcat chile production highlights the importance of developing and maintaining close relationships with the chile-buying community. Names of chile processors can be obtained from the New Mexico Department of Agriculture, the New Mexico Chile Commission, or your county agriculture Extension agent.

**Table 1. Farmers' markets in New Mexico, locations and contacts—1994.**

Location	Contact	Phone	Contact	Phone	Market days
Alamogordo Farmers' Market County Fair Grounds 40 Fairgrounds Rd. Alamogordo	Tracy Drummand Cooperative Extension 401 Fairgrounds Rd. Alamogordo, NM 88310	437-0231	Ray Metcalf, President 906 North Florida Ave. Alamogordo, NM 88310	437-6092	mid-June to mid-October Saturdays 8:30-11:00 am
Albuquerque Growers Market* Caravan east parking lot 7605 Central Ave., NE Albuquerque	Ed and Pat Shaffer 3804 Mesa Verde, NE Albuquerque, NM 87110	265-7250			mid-July to mid-November Tuesdays and Saturdays 6:30 am-1:00 pm
Los Lunas Farmers' Market* Valencia "Y" Los Lunas	Brenda Cordova-Silva 1344 Rio Grande Los Lunas, NM 87031	865-0840	Frank Holguin Cooperative Extension 437 Luna St. Los Lunas, NM 87031	865-9561	July 9 to October Saturdays 8:00 am-noon
North Valley Growers' Market* Haynes Park 528 19th St. Rio Rancho	Tina Berkhardt 2601 Mariposa Rio Rancho, NM 87124	867-2951			June to October Thursdays 7:00 am-noon
Valle Verde Market* corner of Barcelona and Isleta Albuquerque	Deryl Perryman 3025 Barcelona Rd., SW Albuquerque, NM 87105	873-2197			mid-June to late October Saturdays 7:00 am-noon
Village Growers' Market* City Hall in the tennis court parking lot 6718 Rio Grande Blvd., NW Los Ranchos de Albuquerque	Dan Krivitzky 8106 Rio Grande Blvd., NW Los Ranchos de Albuquerque, NM 87114	897-9104			Third weekend in May to October Saturdays 7:00-11:00 am
Carlsbad-Eddy County Growers' Market San Jose Plaza Carlsbad	Woods Houghton 1304 W. Stevens Carlsbad, NM 88220	887-6595			late June to October Wednesdays and Saturdays
Clayton-Five State Producer Growers' Market* Highway 87 on First St. next to the Senior Citizen Center Clayton	Violet Brockman	374-9582	Cooperative Extension Box 28 Clayton, NM 88415	374-9361	mid-July to mid-October Wednesdays and Saturdays 11:00 am-1:00 pm
Clovis Farmers' Market** Hilltop Plaza 21st Street Clovis	Jerry Stagner 2213 Carolina St. Clovis, NM 88101	762-5892	Bruce Hinrich Cooperative Extension County Courthouse Clovis, NM 88101	763-6505	July to October Saturdays 8:00 am until they sell out (around 11:00 am)
Española Farmer's Market** Española Plaza next to the Main Post Office Española	Esther Kovari Route 3, Box 278-C Española, NM 87532				July to end of October Mondays 3:00 pm until dark
Farmington Farmers' Market** corner of Arrington & Orchard Farmington	Jan Tomko Box 1018 Farmington, NM 87401	327-7757	Nancy Strother 4109 Buena Vista Farmington, NM 87401	327-2814	July to October Saturdays 7:30-11:30 am
Grants Farmers' Market Santa Fe and Iron Streets Grants	Pat Patterson Box 16 Lobo Canyon Creek Grants, NM 789020	287-8070	Gary Hawthorn Cooperative Extension	287-9266	mid-September to October Saturdays 8:00 am-noon
Jemez Pueblo Farmers' Market* 8244 Highway 4 just north of Jemez Community Center Jemez	Ariana Fracas Canyon Route, 111-F Jemez Pueblo, NM 87024				late June to October Saturdays 8:00 am-noon

**Table 1. (Continued)**

Location	Contact	Phone	Contact	Phone	Market days
Las Cruces Farmers' and Craft Market Downtown Mall Las Cruces	Debbie Bond 5323 Mesa Drive Las Cruces, NM 88004	382-0616	Karen Stevens City of Las Cruces City Clerk Licenses 150 Lohman Las Cruces, NM 88005	526-0383	year round Wednesdays and Saturdays 8:00 am-noon
Las Vegas Farmers' Market corner of Mill and Grant Las Vegas	Belle Sullivan Dillia Rt. Box 40 La Loma, NM	429-4545	Patrick Melendrez Cooperative Extension P.O. Box 2170 West Branch Las Vegas, NM 87701	454-1497	July to September every day, but Saturdays are the main day daylight to dusk
Los Alamos Farmers' Market* Central Ave. between 15th & 20th Streets Los Alamos	Veronica Von Dreele 3841 Villa Los Alamos, NM 87544	662-6594			mid-June to late October Thursdays 7:00 am-1:00 pm
Santa Fe Area Farmers' Market** Sanbusco Market Center 500 Montezuma Santa Fe	Pam Roy Route 9, Box 61 Santa Fe, NM 87505	983-4098			June to early November Tuesdays and Saturdays 7:00-11:30 am
Socorro Farmers' Market* Flea Market Socorro	Cliff Brawley Route 1, Box 39 Lemitar, NM 87823	835-0926			late June to October Saturdays
Taos Farmers' Market** Taos County Court House Taos	Vica Weaver P.O. Box 327 Arroyo Hondo, NM 87573	776-3925	Rey Torres Cooperative Extension P.O. Box 1266 Taos, NM 87573	758-3982	July to mid-October Saturdays 7:00 am-1:00 pm

\* Food Stamps accepted

\*\* Food Stamps accepted and WIC Farmers' Market Nutrition Program

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The choice of marketing channel will affect the **price** you receive. Your bargaining power is usually greatest when you have direct contact with the consumer or are supplying a specialty market. If you deal directly with a buyer or consumer, it may be possible to show how your chile is significantly different (i.e., better) than that of other growers. While the overall supply of chile has the most influence on base-level chile prices, the perception of uniqueness has the most influence on increases in price above the base-level.

**Promotion** is more than advertising. A well-thought-out promotion strategy can improve an operation's success, no matter which marketing channel is chosen. Promotion includes (but is not limited to):

- professional, friendly service from *everyone* who comes in contact with the buyer
- following up with buyers after delivery/purchase to measure their satisfaction with your product

- professional-looking logo on packages and signs
- attractive, useful signs for roadside stands, pick-your-own operations, and farmers' market displays
- well-organized produce displays at roadside stands and farmers' markets
- recipe cards included with consumer purchases
- newspaper advertisements

If you regularly have roadside stands, pick-your-own operations, or sell at farmers' markets, you may want to develop a customer mailing list. Each year, you could then mail out information about the current year's product offerings prior to and during the selling season. This list could also be used to evaluate any advertising strategies you may use (i.e., did the customer stop at the stand because of the signs, a newspaper ad, heard about the stand from other customers,

etc.). Building positive relationships with consumers is important to the long-term success of any business.

### **Domestic and International Market Opportunities for New Mexico Chile**

Chile demand and supply has increased over the past ten years. Per-capita U.S. consumption of chile has almost doubled since 1980 and is currently equal to 6.5 fresh-equivalent pounds per year. This increase in consumer demand for chile is a result of 1) changes in the American diet, 2) the search for alternative seasonings, 3) the influence of Latin and Hispanic cultures, and 4) an increase in the use of chile compounds in manufacturing.

New Mexico is the largest domestic producer of chile, followed by Texas, California, and Arizona. Imports of chile account for 1/3 of the total U.S. supply, while only 4% of U.S.-produced chile is exported.

NAFTA will influence the U.S. chile supply through its "import sensitive" tariff on chile, which will be phased out over the next 10 years. The tariff rate quota of 29,900 metric tons will be applied during October 1 through July 31 (AVG). The tariff rate quota will be increased 3% each year until the 10th year. Currently, Mexico supplies more than 98% of U.S. fresh import chile.

While the focus of NAFTA agricultural analysis often assumes that the greatest market opportunities exist for Mexican growers to export production to the U.S., there may also be opportunities for U.S. growers

in the Mexican food market. With its ever-growing population, Mexico presents a large potential market for certain food products, and chile products are a regular component of Mexican food consumption. However, it has been suggested that while the American chile consumer is looking for "the chile burn," the Mexican chile consumer is looking for variety and flavor. Consequently, chile exported to the U.S. is produced to satisfy the U.S. market and may or may not be the varieties demanded in the Mexican market.

### **Summary**

The development of a marketing plan involves evaluating the four P's (product, place, price, promotion) in the context of your specific situation. In order to be most effective, this plan should be developed prior to the planting season. The opportunities for increasing the demand for New Mexico chile products may include specific varietal production for the Mexican food market.

### **References**

- Lucier, G. and C. Greene. "The U.S. Chile Pepper Industry: A Commodity Highlight." *Vegetables and Specialties*, S&O, TVS-259, USDA, ERS. April 1993.
- Mapel, C. "The New Mexico Chile Industry, 1991–1992." Special Report, Division of Marketing and Development, NMDA. April 1993.