



State-Grown Promotion Programs: Fresher, Better?

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Buy California. Arizona Grown. Go Texan. Jersey Fresh. These are just a few of the slogans from across the nation used to promote locally grown products, primarily to each state's citizens. Recently, there has been an increase in the number of these programs. Although there has long been a question on the effectiveness of these programs, limited empirical evidence provides some justification for them. Still, there are lessons to be learned on the effective administration of these programs. These lessons, the history of these programs, and theoretical arguments and empirical evidence on their effectiveness are reviewed below.

History

States have promoted their agricultural products since at least the 1930s. These early state-sponsored or state-authorized advertising programs for products such as Florida citrus, Maine potatoes, Washington apples, or California peaches were attempts to expand demand for these states' products and increase grower net returns during the depths of the depression. They were viewed as self-help, market-based solutions to aid farmers during this time. These programs were also a local response to the federal marketing orders for some commodities that were sanctioned under the Agricultural Adjustment Act of 1933 and the 1937 Agricultural Marketing Agreement Act. The federal marketing orders authorized assessments on product sales that were used for commodity promotion and research. The state marketing orders operated in a similar manner and these programs grew in number over time. Indeed, Forker and Ward (1993) counted as many as 261 state-legislated commodity promotion programs in 1989.

In the 1980s, many states launched programs to collectively promote all the products produced within the state under a single state brand. Among the first of these pro-

motion programs were the *Jersey Fresh* and *Something Special from Wisconsin* campaigns. Unlike the earlier single commodity state promotion programs, these campaigns and brands promoted all state products, which in New Jersey includes everything from apples to zucchini. They were also viewed as a way of improving the economic opportunities for a state's farmers at a time when prices for many agricultural commodities were depressed. By improving the competitiveness of the state's producers, it would also aid in the protection of open spaces under agricultural production from encroaching urbanization. State legislators felt good about developing programs to help their farmer constituents. Consumers also liked these programs, which stirred sentimental feelings about helping their neighbor farmers. While legislators and consumers may have felt good about these efforts, these programs may have missed the mark, as the depressed prices during this time existed primarily in the bulk, commodity sector (grains, cotton, and oilseeds), not the high-value products or specialty crop products (primarily fruits and vegetables), which were the ones most often promoted under the state-grown programs.

The 1980s were also an era of new federalism under the Reagan Administration, where many federal programs were shifted to the state and supported through block grants (Halloran & Martin, 1989). The state branding programs did not receive any federal funds at that time, but the philosophy of local governments assuming greater responsibility over various programs and policies likely encouraged the development of many state brands. Some of the growth in state branding programs during this era was also encouraged by a "me too" philosophy, as states simply copied the actions of their neighboring states (Halloran & Martin, 1989). At least six states followed the lead

of New Jersey and Wisconsin in the 1980s, with at least another seven starting programs in the 1990s.

Another round of state branding programs was witnessed in the early 2000's following the passage of the Emergency Agricultural Assistance Act of 2001, which provided states with block grants to promote specialty crops. This legislation delivered a total of almost \$160 million to all 50 states and Puerto Rico in the form of block grants. These funds were used to bolster existing state branding programs or to launch new state brands, such as the *Buy California Grown* and *A+ Alabama* campaigns. In addition, a total of \$45.2 million was offered as matching funds to the block grants in some states (NASDA, 2004). The launch of the *Buy California* campaign was distinctive, as California is the state with the most state-legislated, commodity-specific promotion boards and has long resisted launching a state branding program, preferring to leave promotion up to the commodity boards (Bennett, 1985). Now, 43 states have state branding programs, up from the 23 observed in 1995 (see Table 1). Many of the states with state branding programs were very reliant on the infusion of support provided by the state block grants and have not since found a steady source of support. It is estimated that about \$34 million went directly into state branding programs in 13 states. State and private support for many of these programs still remains relatively modest.

Over the years, funding for these state branding programs has mostly been provided by state legislatures with some private sector contributions. In some years, no direct legislative appropriations have been made in some states. In other years, funding has ranged from as low as \$50,000 to as high as \$1.3 million.

New Jersey's program has been one of the most consistently funded programs and has averaged support of about \$900,000 per year since 1984 and has seen funding levels reach \$1.3 million (Govindasamy et al., 2003). The *Buy California* program was established with a \$6.5 million dollar investment by the State of California, coupled with \$19 million from the specialty crop state block grant for a total promotion budget of \$25.5 million. This would easily make it one of the best funded programs, at least during the initial campaign. As a point of comparison, promotion funding for federal marketing order programs ranges from \$93,000 for cranberries to \$350 million for dairy (Kinnucan, 2004). Some states have taken steps to seek alternative funding for their programs. For example, California, Missouri, and Wisconsin collect licensing fees. If these promotion activities are effective, producers should be willing to pay for this service or trademark. Most states use their promotion funds for television, radio, billboard, and print advertising, point of purchase materials, and education programs or public relations activities, similar to the strategies employed by most commodity promotion boards.

Economic Arguments

The controversy surrounding generic (commodity-specific) promotions is well known, with several high-profile cases having been heard in the U.S. Supreme Court (Crespi, 2003). While these challenges rested largely on legal arguments, there are some compelling economic arguments that would suggest little likelihood of success for state branding programs. First, most agricultural products are inherently difficult to differentiate, making one state's product virtually

equivalent to another's. Furthermore, most states are just one of many producing regions for many agricultural products, particularly fruit and vegetable crops. Indeed, nearly every state in the union has some form of commercial fruit and vegetable production. With production in many regions and free interstate movement of products, no producers in any region can influence price. So even if a campaign expands demand for local produce, it may not increase grower profits; without an increase in price, home producers have no incentive to expand production. Home state producers may end up swapping market share with neighboring state producers in a zero sum game, while taxpayers shoulder the promotion costs.

This argument assumes that the home state's product and its neighbors are perfect substitutes. However, there may be instances where differentiation, if only based on perceived differences by consumers attributable to origin, may be possible. This differentiation could be enhanced if the state could claim some unique production practice or cultural heritage associated with the products. Then, the state brand would carry the same significance as branding efforts based on geographic identifiers (Babcock & Clemens, 2004). In these cases, some state or regional differentiation has been effective for specific products such as Vermont maple syrup, Virginia hams, or Iowa Interstate 80 beef (Hayes, Lence, & Stoppa, 2003).

Still, some industry analysts suggest that promotions focusing on a particular state's product may prove to be less effective, particularly when few opportunities for effective differentiation exist (Means, 1987). As state promotion programs began to grow in the 1980s, one regional, voluntary marketing association, the Eastern Apple Committee, saw their

Table 1. State branding programs.

State	Program Name or Slogan(s)	Year Established	Budget (\$)	Budget Period	State	Program Name or Slogan(s)	Year Established	Budget (\$)	Budget Period
Alabama	A+ Alabama: Best Buy	2001	\$500,137*	2003	Nebraska	Nebraska Our Best to You	2004	na	na
Alaska	Alaska Grown, Fresher By Far	2001	295,000	2003	Nevada	Nevada Grown	2002	na	na
Arizona	Arizona Grown	1993	na	na	New Hampshire	New Hampshire's Own	1997	128,291*	2003
Arkansas	Arkansas Grown	na	na	na	New Jersey	Jersey Fresh	1983	826,000	2003
California	Be Californian Buy California Grown	2001	25,500,000*	2003	New Mexico	Taste the Tradition	na	na	na
Colorado	Colorado Proud	1999	na	na	New York	Pride of New York	1985	na	na
Connecticut	Connecticut Grown	na	na	na	North Carolina	Got to be NC	na	na	na
Florida	Fresh from Florida	1990	500,000*	2003	North Dakota	Pride of Dakota	1985	na	na
Georgia	Georgia Grown	na	2,351,133*	2003	Ohio	Ohio Proud	1993	na	na
Hawaii	Island Fresh	na	na	na	Oklahoma	Made in Oklahoma	na	na	na
Idaho	Grown in Idaho, Idaho Preferred	na	650,000*	2002	Pennsylvania	Pennsylvania Preferred	na	295,000	2002
Illinois	Illinois Product	1988	na	na	Rhode Island	Rhode Island Grown: Take Some Home	na	na	na
Kentucky	Kentucky Fresh, Kentucky Proud	2001	800,000	2004-2006	South Carolina	South Carolina Quality	1992	na	na
Louisiana	Buy Fresh, Buy Local	2001	na	na	Tennessee	Pick Tennessee Products	na	500,000*	2003
Maine	Get Real, Get Maine	na	250,000 150,000	2002 2004	Texas	Go Texan	1999	400,000	2004
Maryland	Maryland's Best	2001	na	na	Utah	Utah's Own	2002	na	na
Massachusetts	Massachusetts Grown... and Fresher!	na	na	na	Vermont	Vermont Seal of Quality	na	75,000*	2003
Michigan	Select a Taste of Michigan	2003	200,000*	2003	Virginia	Virginia's Finest, Virginia Grown	1989	511,500*	2003
Mississippi	Make Mine Mississippi	1999	na	na	Washington	From the Heart of Washington	2001	2,500,000* 400,000	2001-2003 2004
Missouri	Buy Missouri, AgriMissouri	1985	115,000*	2003	West Virginia	West Virginia Grown	1987	na	na
Montana	Montana's Choice	na	8,300*	2003	Wisconsin	Something Special from Wisconsin	1983	na	na

* Funding provided through block grants under the Emergency Agricultural Assistance Act of 2001.
Source: NASDA, Personal contacts with state officials.

funding reduced as states withdrew their support for the Committee's efforts in favor of their own state branding programs. With certain threshold expenditure levels required for an advertising campaign to be effective, the Eastern Apple Committee was left with inadequate support

to mount a viable campaign. It is also unlikely that the individual state promotions were adequately funded. Furthermore, the opportunity to take advantage of advertising economies of scale, by spreading fixed advertising expenditures across a broad region, were lost. In the absence of

strong differentiation possibilities, cooperative, regional, or national promotion efforts may prove more effective than state-focused product promotions. For example, produce growers may benefit more from supporting a national campaign to expand fruit and vegetable consump-

tion by all Americans (e.g., *5-A-Day*), rather than a campaign to increase consumption of their product and other products by their home state residents.

Empirical Evidence

Putting aside these theoretical arguments against state branding programs, what empirical evidence exists on their effectiveness? While many studies have been conducted on commodity promotion programs with unique state identities, such as the *Washington Apple* campaigns, few studies on the effectiveness of state branding programs have been performed. A study on the *Arizona Grown* campaign mounted during the winter of 1999 provided little evidence of the program increasing product sales. However, this study was conducted during the early years of this campaign and consumer awareness was still quite low at 23.3 percent (Patterson et al., 1999). Adelaja, Brumfield, and Lininger (1990) found that consumers of *Jersey Fresh* tomatoes were less price sensitive and purchased these products more readily as their income rose. These results would suggest that this long running, fairly well-financed program is effective in creating some brand affinity for *Jersey Fresh* products. Govindasamy et al. (2003) argued that the *Jersey Fresh* program provided nearly \$32 in return for fruit and vegetable growers for each dollar invested in the program, suggesting that the \$1.16 million campaign in 2000 generated \$36.6 million in sales for New Jersey fruit and vegetable growers. These additional sales generated \$63.2 million in total economic activity for the State of New Jersey, including \$2.2 million in tax receipts. Since the campaign was entirely taxpayer funded, it was more

than revenue neutral. In a study on the New England states of Vermont, New Hampshire, and Maine, it was found that the premium consumers were willing to pay for a locally branded product varied with the price of the good and by state (Giraud, Bond, & Bond, 2005).

Most studies show that consumers would prefer to buy local products (Patterson et al., 1999; Jekanowski, Williams, & Schiek, 2000). Parochial interests or ethnocentric sentiments seem to influence these views, and they seem to be reinforced with state residency or length of residency. Consumers also express the view that they expect local products to be fresher or of better quality. However, both economic theory and industry practice call into question whether local products purchased in major fruit and vegetable producing states, such as California, Washington, or Arizona, are really of higher quality.

Is it Really Fresher or Better?

Produce industry representatives often make the statement “produce with legs, walk,” meaning that higher quality products are typically shipped out-of-state. This common industry practice was described in a Washington State consumer’s letter to the *Seattle Times* (October 19, 1975):

Why are Washington apples in local markets so small and old-looking? ... Recently, some apple-picking friends brought some apples they had just picked, and they were at least four times the size of those available for sale here. Where do these big Delicious apples go? Are they shipped to Europe, to the East or can they be bought here in Seattle? (see

Borcherding & Silberberg, 1978, p. 132).

This industry practice is described in theory as the Alchian-Allen effect: when goods of different quality incur the same per unit transportation costs, high-quality, higher-priced goods become relatively less expensive in a destination market, than in the production region. Therefore, there is greater demand for the higher-quality good in the import region, as consumers substitute higher quality goods for lower-quality goods (Alchian & Allen, 1983). This situation leads to the commonly observed practice in the produce industry of “shipping the good apples out” (Borcherding & Silberberg, 1978). So, are California or Arizona consumers really getting fresher, better quality produce when they buy the state branded products?

Does Brand Matter?

Furthermore, why bother branding? During peak harvest seasons in these states, consumers will not have access to products from any other origin. During certain times of the year, lettuce producers in Yuma, Arizona are the nation’s only suppliers. So, how would origin differentiation matter? Furthermore, many regions have relatively short harvest seasons for some products with long intervening absences from the market, during which brand awareness diminishes. In these cases, do consumers remember the brand, and will they continue to perceive it positively?

This is perhaps one compelling argument for the use of a state brand (family brand) that applies to a broad set of commodities with presumably different growing and harvest seasons. If consumers develop a positive perception of a brand based on their experiences with one product, this

positive perception may spill over to other products.

Even if consumers remember the local brand, it may not always be the most preferred. Patterson and Cardona-Martinez (2004) evaluated Arizona Hispanic consumers' willingness to pay for *Arizona Grown* and *Mexico Select* branded products. *Mexico Select* (recently changed to *Mexican Supreme Quality*) is a branding program initiated by the Mexican government and extended to only a very select group of products. The study found that consumers were willing to pay a nearly equal premium for *Arizona Grown* and *Mexico Select* branded produce. It was found that length of residency was positively related with the extent to which consumers would prefer Arizona products.

Select Products, Select Attributes, Select Consumers

There is one marked difference between *Mexico Select* and *Arizona Grown* and other state branding programs. Unlike most state branding programs, the *Mexico Select* program imposes not only product quality standards, but also requires certified production and handling practices to insure the product's safety from contamination. These food safety practices and standards are equivalent to those instituted under EurepGap, the standards developed jointly by European retailers and agricultural producers. Quality and food safety standards represent a real value to consumers, worthy of a premium price. Furthermore, quality standards should be tied to the brand, since the value of the brand is intrinsically tied to quality. When the Idaho Potato Commission launched its new seal, featuring the *Grown in Idaho* slogan, producers acknowledged the need to

monitor quality. An Idaho potato shipper said, "...it's going to have to be very carefully monitored so that only the very best quality leaves the state in that label. If inferior quality potatoes are allowed to be shipped in that label, it's going to hurt the entire state..." (Offner, 2005). Monitoring the quality of a broad set of products, however, is a significant challenge for state branding programs.

In another study on Arizona products, it was found that Arizona tourists would be willing to pay a premium for some state-branded processed food and prepared food products (Patterson et al., 2003). It was argued that the *Arizona Grown* brand might appeal to tourists who are willing to purchase unique products that would enhance their travel experience. Therefore, state brands may be effective for select target markets. These results suggest new market opportunities for agricultural producers and food processors in states with strong tourism industries. Indeed, many processors in these states have already taken advantage of opportunities to link their state's identity to products unique to the region, such as Vermont maple syrup.

Summary

In summary, experience with state brands suggests that they may be effective in promoting the sale of some products. However, to be of economic benefit to producers, they must effectively differentiate the products, so that higher prices may be earned for these products. Producers will only enjoy an increase in profits when price rises. These price premiums are most likely to be achieved for differentiated, specialty products, whose production or reputation is uniquely tied to a particular state. Carefully selected market seg-

ments should then be targeted in these efforts. When there is little likelihood for effective differentiation by origin, contributions to regional or national promotion campaigns may prove to be more effective. For state brands, there is a need to establish quality standards as a way of enhancing the value of the brand. If the brand does have a marketable value that can be licensed and protected, then there is no reason for these brands to be supported and promoted using public tax dollars. Licensing fees could be used to support the program and the licensing agency could enforce quality and food safety standards. These changes would help build value for the state brands. In the end, producers, consumers, and taxpayers need more than "feel-good" legislation.

For More Information

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