



Developing New Marketing Strategies for the Southwestern Chile Industry

College of Agriculture and Home Economics
Cooperative Extension Service
Agricultural Experiment Station

In November 1998, the New Mexico Chile Task Force was formed to identify and implement ways to keep chile pepper production profitable in New Mexico and to maintain and enhance the research and development partnership between the New Mexico chile industry and New Mexico State University.

Chile Task Force reports will be issued periodically to consider issues of concern to the industry and to document the Task Force's progress in developing techniques and technologies to improve industry competitiveness in the 21st century global trade environment.



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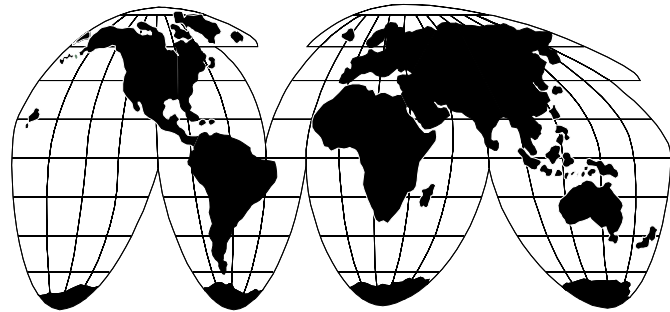


Developing New Marketing Strategies for the Southwestern Chile Industry^{1,2}

by Joel Diemer, Richard Phillips and Jay Lillywhite³

Background

Since in the mid-1990s, North American Free Trade Agreement and World Trade Organization treaties have lowered or eliminated trade barriers, threatening the Southwest's \$400 million chile industry (Hall and Skaggs, 2003). Because the region's commercial chile industry is dominated by family-owned businesses and farms, it cannot relocate readily to other parts of the world to take



advantage of lower input costs. To find viable options to counter the adverse impact of global trade decisions, the chile industry initiated a partnership with New Mexico State University (NMSU) in 1998, creating the New Mexico Chile Task Force (Diemer, Phillips and Hillon, 2002). To focus its efforts, the task force undertook strategic planning and subsequent research efforts that identified key cultivation and management practices, developed a new cultivar for mechanical harvest, developed a mechanical thinning machine that is slated for commercial production in 2004 and produced a prototype mechanical cleaner. These projects, and monthly meetings to promote improved management practices and update growers and processors on mechanical harvesting developments, have contributed to increased production efficiency in the regional industry.

At a fall 2002 retreat, the task force advisory board reviewed progress and identified new task force initiatives. It named market expansion as an industry priority. Subsequently, the task force initiated a strategic planning session to explore market expansion options and provide the board with direction. This report focuses on the planning, execution and outcomes of the planning meeting.

¹ This manuscript was reviewed by Lowell Catlett, professor, James D. Libbin, professor, and Octavio Ramirez, department head, Department of Agricultural Economics and Agricultural Business, New Mexico State University, Las Cruces, New Mexico.

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Chile industry strategic planning

The planning session, dubbed the Chile marketing summit, was held on September 25, 2003, at the New Mexico Farm and Ranch Heritage Museum in Las Cruces. The task force and the New Mexico Departments of Agriculture (NMDA) and Economic Development (appendix 1) were the meeting hosts, with additional support from NMSU's College of Agriculture and Home Economics. Representatives from the host agencies planned the summit, assisted by professional strategic planning consultants from NMSU's College of Agriculture and Home Economics. The strategic planning consultants served as conference facilitators.

Planning methodology

The approach used for the strategic planning session was an abbreviated version of search conference methodology, an open-systems-theory-based process. Open-systems theory recognizes that systems (e.g., firms, communities or industries) exist in a larger external environment with which they constantly interact (Diemer, Phillips and Hillon, 2002.) In this case, the region's Chile market influences, and is influenced by, domestic and international activities. Identifying these forces and understanding their implications for the industry is a critical part of the planning process.

Participant selection

Participant selection is key to this process. Participants must understand what is expected of them and what they can expect from the process. Marketing summit participant selection was based on two criteria: knowledge of the industry's marketing needs, preferably based on sustained industry involvement, and demonstrated willingness to collaborate with others in the industry. Planning committee members personally contacted potential participants to explain the selection and strategic planning processes. More than 50 regional leaders accepted invitations to the summit. This group included vertically integrated growers, processors, marketing and economic development researchers and specialists, food technologists, plant breeders, state and federal trade representatives, an international trade lawyer and executives from the finished-product industry.

Search conference design fosters participant agreement on desirable futures or goals. These goals become the group's focal point for collective action. For the Chile marketing summit, the goals were related to Chile market expansion.

The summit process

Following a brief preview of the day's activities (table 1), the facilitators asked participants to identify their personal expectations for the planning event. This ensured that all participants understood what was to occur during the summit. Participants divided into six groups. Individuals listed their personal expectations, almost all of which fell within the general parameters of the day's activities.

Table 1. 2003 Chile Marketing Summit schedule.

Time	Activity	Tasks
8:30 a.m.	Workshop overview	<ul style="list-style-type: none"> • Explain workshop protocols • Identify participant expectations
8:55 a.m.	Assessment/analysis of global/task environment	<ul style="list-style-type: none"> • Gather data <ul style="list-style-type: none"> ◆ Identify trends/events of the past 3-5 years (plenary session) • Analyze data <ul style="list-style-type: none"> ◆ Identify the most probable future of the southwestern chile industry in 2008 (small groups working concurrently) • Report <ul style="list-style-type: none"> ◆ Report, discuss, clarify, disagree (plenary session)
10:45 a.m.	Review of industry history and status quo	<ul style="list-style-type: none"> • Gather data <ul style="list-style-type: none"> ◆ Discuss regional chile industry history (plenary session) • Analyze data <ul style="list-style-type: none"> ◆ Categorize history elements as “keep,” “discard” or “create” • Report <ul style="list-style-type: none"> ◆ Report, discuss, clarify, disagree (plenary session)
12:30 p.m.	Lunch (working)	
1:30 p.m.	Develop scenario A	<ul style="list-style-type: none"> • Identify the most desirable future of the southwestern chile industry in 2008 (small groups working concurrently)
2:15 p.m.	Report scenarios	<ul style="list-style-type: none"> • Report, discuss, clarify, disagree (plenary session) • Consolidate 2008 statements (small groups working concurrently)
3:30 p.m.	Identify barriers and develop strategies	(Small groups working concurrently)
4:30 p.m.	Conduct reality check	(Plenary session)
4:45 p.m.	Identify next step	(Plenary session)
5:00 p.m.	Adjourn	

Global chile industry's most probable future

In plenary session, the facilitator asked participants to identify world and industry events and issues from the past 3-5 years that they perceived as novel or significant. These events may have had an impact on the global chile industry. Participants, in six randomly assigned groups, analyzed these events and each group prepared four present-tense statements describing what it saw as the industry's most probable future in 2008. Each group then reported its work in plenary session and clarified any misunderstandings held by the group at large.

Participants identified significant events and issues including food safety perceptions and regulations, international trade developments, demographic and consumer preference changes, labor market changes and funding deficits. Groups reported the following most probable future scenarios for the global industry:

Group 1

- WTO regulation has resulted in a large reduction in farm subsidies. In turn, this has increased the number of corporate farms at the expense of small farms.
- U.S. technology provides a competitive advantage.
- Niche markets have become more important economically.
- The food service and retail industries are more concentrated, resulting in reduced prices for suppliers.

Group 2

- Mexico has lost market share to Asia and South America.
- The chile industry has increased mechanization.
- Large conglomerates own the processing industry.
- Chile is a major food choice in mainstream America.

Group 3

- The chile industry is ubiquitous, worldwide.
- There is extreme competition from low-priced imports.
- Market forces have established some quality standards.

Group 4

- There is more competition, worldwide, with higher quality standards.
- There are increased government regulations.
- There is increased technology use.
- There is demand for consumer-friendly finished products.

Group 5

- There is concentration on large consumer markets.
- Chile is grown on large farms.
- Only the largest businesses have survived.

Group 6

- New Mexico chile is branded.
- There is more government regulation controlling the industry.
- The industry is vertically integrated, seed to shelf, dirt to dessert.

In general, the discussion about the most probable future focused on fewer resources, consolidation, government regulation, global competition and the role of technology. After clarification and minor adjustments, the larger group concluded that the six scenarios represented a reasonable prognosis of the chile industry environment in 2008, if current trends continue.

History of the southwestern chile industry

The second activity in the planning process was a review of the regional chile industry's history, with particular emphasis on events since the task force's establishment. This activity helps build an understanding of how and why the industry developed as it did. It allows industry founders and newcomers to share milestones that shaped the industry and develop an appreciation for the context within which their current efforts are taking place. The history session emphasized the importance of family farming/business, chile's increased market appeal, processing expansion, government regulation, free trade's impact and the industry's efforts to adapt.

Following the history review, the facilitators asked participants what industry aspects they would like to keep, discard or create. Industry aspects deemed valuable as the industry moves forward were placed in the "keep" category. Aspects that inhibited progress or no longer added value were placed in the "discard" category. Additions or expansions required for continued industry vitality were placed in the "create" category.

Keep

- Tradition
- Task force
- Developing new technologies
- Partnership/cooperation among task force/New Mexico Chile Commodity Commission/NMSU/growers and processors

Discard

- Chile that doesn't taste like chile
- Hand labor
- Misconception that there is abundant labor for farms and processors
- Meetings in the middle of the chile harvesting season

Create

- Increased partnership/cooperation among task force/New Mexico Chile Commodity commission/NMSU
- Increased cooperation between growers and processors
- Consumer education
- Protection from frivolous lawsuits
- Better awareness of traditional and new flavors
- Better data (e.g., supplier database or industry scorecard)
- Regional advertising/marketing
- New technology and products
- New value-added products

Southwestern chile industry's most desirable future

The planning summit activities to this point provided information for identifying the regional industry's most desirable future. Participants were re-assigned to six groups to formulate present-tense statements describing an ideal future industry. The groups produced the following statements:

Group 1

- Recognition of our superior quality, branded products has increased demand.
- The import/export balance has shifted due to a revised regulatory framework.
- Southwest growers are thriving due to solutions in product pricing at the farm-to-first-handler stage.
- There is a rapidly growing perception among "converts" that chile is a highly desirable food.

Group 2

- Southwest chile is recognized as the world's best quality chile and the industry is strong and profitable.
- The Southwest's higher standards for chile/products have reduced import pressure.
- New varieties and improved cultural practices have resulted in disease and stress resistance.
- We have created a "center for chile enhancement" for training food technologists, researchers, growers, processors and students.

Group 3

- Southwest chile growers lead the world in product quality, consistency and uniformity.

- An educated consumer marketplace is stimulating quality.
- Regulatory agencies are focused on stimulating growth.
- Premium prices are based on quality and tradition.

Group 4

- A successful marketing campaign—coordinated by producers, processors, wholesalers and retailers—has increased consumption of all pepper products and by-products, increasing net profits for all involved in the industry.
- A strong lobby at state and federal levels represents our region and industry in trade decisions and policy.
- The industry has the means to provide our lobbyists and decision makers with accurate information.
- Improved varieties and technologies increase yields and lower production costs.

Group 5

- The region's industry is recognized as having the best quality.
- Resources are dedicated to marketing and perceptions of southwestern chile products.
- Information systems provide producers with knowledge of products.
- An educated population recognizes good quality.
- A quality labor force is available.

Group 6

- New Mexico chile is world renowned and in demand.
- The industry is large, growing and proactive, responding to changing market conditions.
- The industry's products have achieved significant genetic improvement.
- The chile industry phases are highly mechanized.
- The industry has penetrated markets and captured larger market shares.

Individual groups were asked to present and clarify, as necessary, their most-desirable-futures statements to the group at large. A substantial overlapping of the 26 statements was immediately evident and the participants moved quickly to clarify and agree on the statements. While not unprecedented, it is, nonetheless, highly unusual for a large planning group to agree on all statements. Here, after slight modifications, all 26 statements were accepted.

Once agreement had been reached, similar statements were grouped together. Self-selected groups then worked to re-write the statements that had like meanings into concise, present-tense statements. The resulting eight statements represent the group's most desirable future for 2008. It is not surprising, considering the marketing focus of the summit, that four of the scenario statements have direct or indirect implications for marketing. The remaining four statements are production related.

Marketing

- The Southwest is recognized for quality chile.
- An industry-driven marketing campaign to create a consumer perception of our southwestern quality chile products is in place and has increased markets and sales.
- Improved breeding, technology and best management practices have increased disease resistance, enhanced yields, improved processing qualities and lowered production costs.
- We have an entity that functions as a liaison between industry and the legislature, analyzing issues that affect the industry, including regulations and environmental, agricultural and research policies, and keeping all parties informed.

Production

- We have developed information systems among producers that provide knowledge about products.
- We have a quality labor force available.
- Southwest growers are thriving, thanks to solutions in product pricing at the farmer to-first-handler stage.
- The industry is highly mechanized in all phases.

Barrier identification and strategy development

Following review and acceptance of the consolidated statements, the participants began to identify major barriers to realization of their desirable future and develop strategies to overcome those barriers. With time a constraint, the group's work focused on the four consolidated statements most related to the summit's marketing theme.

The Southwest is recognized for quality chile.

Barriers

- Lack of consumer awareness of quality issues
- Competitiveness within industry
- Resistance to standardization
- Resistance to funding research
- Diversity of industry
- Resistance to releasing proprietary information
- Confusing and misleading nomenclature (Hatch, Big Jim, etc.)

Strategies

- Develop an underlying concept for marketing southwestern chile
- Create a slogan for an advertising campaign
- Create more networking opportunities

An industry-driven marketing campaign to create a consumer perception of our southwestern quality chile products is in place and has increased markets and sales.

Barriers

- Better-funded competitors
- Loss of focus
- Lack of awareness of the region
- School lunch salsa produced by tomato processors
- Products not clearly defined
- Inadequate funding

Strategies

- Work with New Mexico Department of Tourism to include chile-based products in advertising
- Use local government entities to influence the U.S. Department of Agriculture (USDA) to revise standards for chile-based products
- Work with the media to show production practices conforming to U.S. standards
- Promote chile with the chile-mobile
- Educate culinary school personnel and other food authorities
- Develop standards by production area
- Advertise as “being best”
- License to processors or fresh market producers

Improved breeding, technology, and best management practices have increased disease resistance, enhanced yields, improved processing qualities and lowered production costs.

Barriers

- Funding priorities
- Lack of coordination and focus of interested entities
- “Good” organic foods versus “evil” genetically modified organisms (GMOs) perception
- Inadequate communications among the consumer, producer, processor and researcher

Strategies

- Centralize communications (chile commodity commission, task force, chile institute, university Extension, NMDA, etc.)
- Education to promote GMOs as environmentally friendly agriculture and implement GMO market-friendly packaging
- Restructure funding priorities, based on improved understanding of issues
- Target end consumer, processor and growers

We have an entity that functions as a liaison between industry and the legislature, analyzing issues that affect the industry, including regulations and environmental, agricultural and research policies, and keeping all parties informed.

Barriers

- Political reality that we are moving away from tariffs
- Lack of money
- Lack of advocate “watchdog”
- Lack of accessible data
- Lack of enforcement (customs) of import policy (pesticides, artificial dyes, etc.)

Strategies

- Create a center for chile enhancement

This activity concluded the day’s strategic planning activities. Facilitators informed the group that a full report would be prepared and distributed; that the planning group would reconvene to develop a plan for realizing the most desirable future; and that the plan would be submitted to the group at large for consideration, modification and implementation.

Discussion

Summit participants identified goals that constitute a most desirable future for the regional industry. The task force’s accomplishments and current activities are clearly evident in the projected scenario. Projections for the progress of mechanization efforts, chile breeding and the broad array of issues that fall under best management practices seem entirely reasonable, given appropriate resources. Systematic and focused use of existing NMSU, NMDA and other state and federal resources will continue. However, additional resources will be necessary if the industry is to continue to stay several steps ahead of the competition.

Marketing is a relatively unexploited dimension of the chile industry’s development. The term, marketing, has numerous connotations from simple sales and advertising to scientific, systematic processes integral to the industry’s financial health. The summit’s work reflected the latter connotation. The summit’s outcomes reflect many marketing dimensions, including communication with legislators and regulators, consumer education, trade promotion and database development. These may translate into a variety of task force initiatives.

A concept that arose from the summit and warrants serious and prompt consideration is that of a chile research council. This entity would be a non-binding association for research coordination that includes the chile commodity commission, task force, chile institute, NMSU Agricultural Experiment Station, NMDA and perhaps others. The value of increased communication and coordination of research efforts, elimination of redundancy and enhanced competitiveness for funding would be incalculable.

The establishment of a research council would complement another summit goal: a programming thrust to provide analysis of pending state and federal legislation, environmental regulation and labor and trade issues. The scope of such a policy initiative might include work on quality standards, branding, product databases and market development. The entity involved in conducting this work also might act as a liaison with a Washington-based advocate. Financial support for the effort could be sought from the chile industry and the Western United States Agricultural Trade Association (WUSATA). As a postscript, there are ongoing discussions among NMSU's Colleges of Agriculture and Home Economics and Business Administration and Economics and Texas A&M University to establish a Center for Southern Border Trade and Policy Studies. If these discussions come to fruition, such an entity may well provide a vehicle for executing a policy analysis program.

Serious and sustained attention to summit outcomes, in conjunction with the research that has built the industry to date, will ensure that the regional industry has more than a fighting chance to succeed in the global marketplace and be recognized for the best products, research and development in the global chile industry. As the industry moves forward from the summit, enlightened self-interested behavior and pragmatism are in order. Efforts must remain focused on the desirable future to avoid becoming bogged down in the issues of the moment, however compelling. Recent successes have been achieved by aggressive inclusion of all relevant regional industry participants. In a global business environment, the old maxim about hanging together or hanging separately is particularly apropos. The chile industry must remind itself that "if you keep doing what you've been doing, you won't get what you've been getting. Your competition will get stronger and you'll get worse" (J. Stuart, cited in Covey, 2002).

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Appendix 1: Planning committee

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New Mexico Chile Task Force Publication List

Report 1: An Industry-University Response to Global Competition

Report 2: Chile Seed Germination as Affected by Temperature and Salinity

Report 3: Yield and Quality of Machine-Harvested Red Chile Peppers

Report 4: Chile Seed Quality

Report 5: Guidelines for Chile Seed Crop Production

Report 6: Improving Chile Harvesting and Cleaning Technologies

Report 7: Farm Labor Employers' Handbook

Report 8: New Mexico's Chile Pepper Industry: Chile Types and Product Sourcing

Report 9: Economic Impact of Southern New Mexico Vegetable Production and Processing

Report 10: Chile Pepper Growers' Notes: 2003

Report 11: Developing New Marketing Strategies for the Southwestern Chile Industry



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