

SUSTAINABLE AGRICULTURE

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Direct Marketing of Farm Produce

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Some enterprises stay in business just by being good at marketing, and not producing a thing. Supermarkets do it, some roadside stands do it, and most mail-order houses do it. But few farms can stay in business just by being good at production and ignoring marketing!

Successful direct marketers find an unsaturated niche, and sell quality and service.

Selling retail, or direct marketing to the consumer, is a desirable choice if it fits the farm's situation, since it allows the producer to keep much more of the final sale price. Of course, the producer takes on the expenses, management and risks associated with direct marketing. Direct markets include: roadside stands, pick-your-own, farmer's markets, community supported agriculture, mobile marketing and mail-order sales.

Successful direct marketers find an unsaturated niche, and sell quality and service. Smaller-scale producers don't have the economy of scale or the resources to weather the competition with larger, low-cost, wholesale producers of ordinary, simply acceptable products. Being better and being different can create a viable market for the "small-scale" producer.

Roadside Stands

Roadside stands allow direct market sales without off-farm transportation costs, although some stands are located off the farm to get closer to traffic volume or population centers. Generally, marketing costs depend on the size of the retail outlet. These range from self-serve tables at the end of a driveway to pseudo-supermarkets with a huge selection of off-farm merchandise in addition to farm products. As volume, traffic and product selection increase, so too will stand size, operating costs and management time.

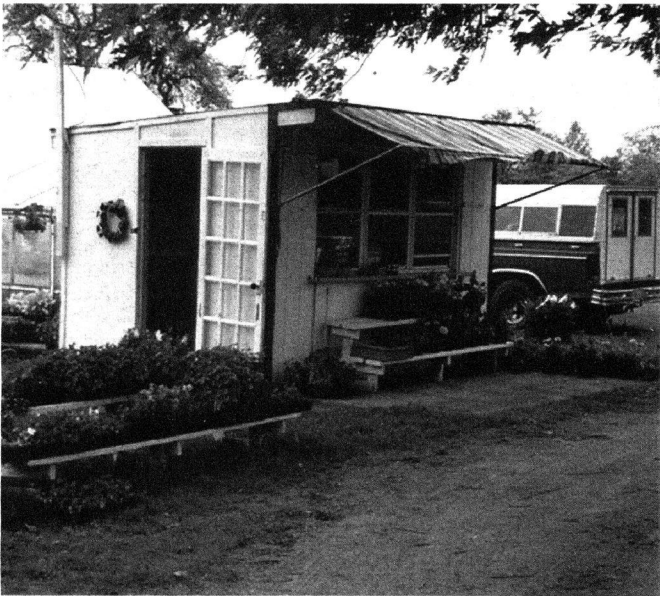
In addition to providing a fresher, healthier product, roadside stands have an advantage over their main competitors — supermarkets — because they can also offer character and charm and a more obvious community connection. Product quality is still critical, but attractive ambiance and positive customer experience can build on it.

Even if your roadside market is small, be sure to put it in the best possible location, and to design it well, with future expansion in mind. Plenty of easy, safe parking is essential, as are highly visible and attractive road signs that give travelers plenty of time to stop. The stand should be well-lighted with an aisle and cashier arrangement that can accommodate the number of customers expected when your parking lot is full. Cleanliness inside and out is essential. Trash facilities, loading docks, storage and prep areas should be concealed.

Artful arrangement of products with clear pricing and honest information about the product (on-farm; local; organic; great for freezing; etc.) is a plus. Information on product use, recipes, taste samples, volume discounts, baker's dozens, and free coffee, hot cider or ice cream (depending on the weather) will enhance shoppers' experience and earn you repeat customers. That is a key to success: earning repeat customers.

Before you make any extensive plans, find out about regulations that apply to the structure and enterprise you have in mind. Consult local zoning, health and tax regulations. Several different state agencies may regulate sales licenses, signage, weights and measures, sales tax and sanitary facilities.

Determine whether it is in your best interest to run the stand as part of your farm operation, or as a separate retail enterprise. This decision has management as well as tax implications. Will the stand have a manager, or will those duties be added to the farmer's responsibilities? How will income and expenses related to the stand be



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reported for income tax purposes — as part of your farm, or as a separate small business? The quantity of off-farm products you sell, and the time that employees work in the field versus in the stand may determine how regulations affect your business. Consult a knowledgeable accountant to come up with a business structure that's best for you.

Pick-Your-Own Operations

Pick-your-own (PYO) sales, where customers come to the farm and harvest produce directly, is most common at fruit farms in the Northeast, and less common at Christmas tree, flower or vegetable farms. As fewer families now "put up" large quantities of food, the farm "experience" has become a more important reason for people to go pick produce at a farm. With proper promotion and management, people can be enticed to pick, or at least pick-up, a wide variety of farm products.

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While PYO reduces the need for harvest labor, and offers the chance to market related goods to pickers, such as canning supplies, recipe books and other products, there are serious disadvantages. Crop plants may be injured due to improper picking techniques, extra labor will be needed to manage where customers park, pick, pay, and go to the bathroom. You need advertising or mailing lists to inform folks when the crop is in, and if it's really hot or rainy, customers will be few. Matching customer flow to product availability is crucial to PYO; people who find poor pickings won't be back, and crops that go unpicked won't be profitable.



PYO customers will often purchase larger volumes than other retail customers because they plan to process and store some of their purchase, they get caught up in the picking experience, and because prices are lower than retail.

Despite the challenges, many fruit farms located within an easy drive of population centers do use PYO. It is often integrated with other marketing efforts, direct and/or wholesale. Success usually depends on cultivating an enthusiastic customer base over the years. Management practices described under roadside stands with regard to road signage, parking and cleanliness also apply to PYO.

Additional management concerns include: added liability insurance; grooming fields and walkways; posting signs, flags and/or fences in fields to direct pickers; offering transportation from parking to picking with golf carts or hay wagons; providing shade and drinking water in the field for customers; moving portable bathroom facilities to fields as harvest patterns necessitate; and ensuring speedy check-out procedures. The last concern can be addressed by moving the cashier to the picking areas in a shed or open vehicle, although the opportunity to sell additional items may be reduced. Charging by volume versus weight may also speed check-out and make it possible to pre-charge for containers, and then let folks fill them. However, weight sales avoid conflict over what constitutes a "full" pint.

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Farmer's Markets

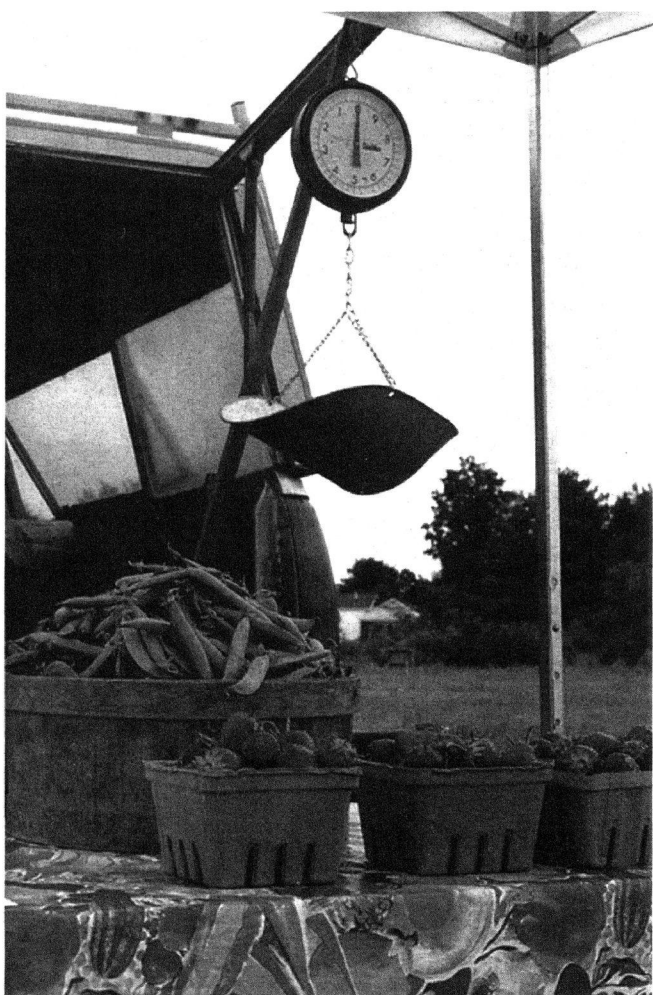
Farmer's markets offer a great way to direct market with low overhead and minimal long-term marketing investment. When farmers gather together to direct market on a regular basis at a single location many advantages accrue. Costs may be shared for advertising and promotion, liability insurance, sanitary facilities, entertainment, site rental and hired management. A much larger customer base will be developed than an individual small grower could attract. Farmer's markets offer a unique start-up opportunity for growers as they learn the ropes of production and test the market for various products. They can develop into a profitable, reliable market for established farms.

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Successful farmer's markets usually have good management and leadership provided at first by a few committed growers and later by a hired manager. They are also usually located near populations with plenty of disposable income and an interest in local, high quality produce. An abundance of bargain

hunters do not make for a profitable farmer's market.

Thriving farmer's markets can be difficult for additional farmers to get into. Start-up farmer's markets may struggle until they get a critical mass of vendors to join, with the right mix of produce, prepared foods, crafts and entertainment to draw a crowd. Farmer's markets are typically open only one day per week at a given location. Some farmer's market associations schedule markets at different sites on different days to increase exposure. Selling at farmers markets requires timing weekly production and harvest so that the truck can be



Selling at farmers markets requires display materials, sales containers, a cash box with change, a scale if selling by weight, drinking and wash water, farm signs, product labels, price cards, recipes and foul-weather gear, in addition to products.

loaded with the best you have to offer each week. In addition to products, you'll need to load display materials, sales containers, a cash box with change, a scale if selling by weight, drinking and wash water, farm signs, product labels, price cards, recipes and foul-weather gear.

Poor weather, competing events, traffic problems and vehicle break-downs can all lead to a poor return on the time and expense involved with loading the truck and spending the day at the market. The farmer's market organization may limit your flexibility in terms of marketing hours, products, prices, space to spread out, size of signage, etc.

Community Supported Agriculture

Community supported agriculture (CSA) involves subscription or membership sales, where people buy "shares" in a farm in exchange for a season's worth of products. The vast majority of CSAs are vegetable operations, although some also offer fruits, flowers and/or animal products. CSAs range in size from a handful of members, usually from the neighborhood, to several hundred shareholders from miles around the farm. Besides providing fresh food, CSAs educate consumers about farming, perhaps more than any other type of market because they enhance consumer understanding of, and sometimes participation in, an individual farm's activities.

Most CSAs have brochures that explain the cost of membership and the seasonal availability of products. They also spell out that the member is taking on the risk of crop failure, but it's unlikely that more than a few crops will fail in a given year.

CSAs tend to require payment in full prior to the growing season, although installment payments are sometimes allowed. Share prices range from \$250 to \$500 (in general), although farms that offer many animal products along with crops may charge up to twice as much. Typical shares are for a family of four, so half-shares are offered by some farms.

Many CSAs have member newsletters explaining the farm budget, production practices, how to use unusual crops, and updates on membership and distribution. Some CSA members are involved in production and harvest, usually on a volunteer basis or at some savings in cost.

CSAs have great potential given that the farmer gets a good price — somewhere between wholesale and retail — and the consumer gets a good deal — the freshest possible product at below retail cost. However, CSAs are definitely not for beginning farmers, because if crops are poor, members and the community may become alienated, and the grower will probably be particularly stressed since the members paid up-front. Some extra management inputs with CSAs are: member recruitment, communication and retention; arranging and overseeing distribution; coordinating traffic during pick-ups; and careful planning to assure sufficient quantity and diversity of products for all members.

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Mobile Marketing

Mobile marketing means taking the product to where the customers are. Farmer's markets do this as a group of farms, but individual growers can also load up a truck and travel to a desirable direct marketing location. Often, this means going into an area that simply has more population, or to an



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area where people have more disposable income. Select a place where it's easy and safe for customers to stop. Mobile marketing ranges from sending a pick-up truck full of sweet corn down to the local corner, to sending a large van into the city with a full line of farm products, and all the promotional options: large, attractive signage, brochures, awnings and display tables, scales and cash register, etc.

You'll have to be aware of any regulations concerning vendor permits, signs, traffic, etc., so check with local officials. Keep a close record of sales at various times and locations especially if you do not have a regular spot. If you have a route, let people know when and where you'll be by using leaflets or other advertising.

Mail Order Sales

Mail order, or catalog, sales are best suited to enterprises that are in the following situation: there are not enough consumers nearby to purchase all that's produced; they have a specialized, high-quality product line that can be shipped; they have people with the creative and organizational skills

needed to successfully market products through a catalog; and they can fulfill orders in a timely fashion and maintain effective mailing lists.

While high prices, in excess of in-store prices, can sometimes be obtained, small volumes per customer are likely. Printing, shipping and handling costs can be considerable. However, it's easier to set your own hours and pace of work since the customers don't have to come to your door. There are many mail order companies competing for the consumers attention, so you need to have an angle. The products must truly have unique features to pique consumer interest. Repeat buyers are key to profits, so you must do everything to earn them with superior quality, careful packaging, prompt service, plenty of product information and consumer education, and no-nonsense guarantees.

Skills and Service

Retail marketing skills are essential to successful direct marketing. Display your produce as attractively as possible. People buy with their eyes, the saying goes, so give them a visual feast. Use color, light, height and themes in your displays. Avoid poor lighting, single-height bins or shelves, dirty containers, inartistic signs and carelessly placed goods. Take advantage of seasonal, regional, nutritional, agricultural, ethnic or other themes to add excitement to displays. Use a diversity of products and container sizes to create visual contrasts, take the time to make appealing signs with a personal touch that tell not just price, but variety, how it may be used and where it was produced. If you are not able to take on this creative task, find someone who is!

Pricing must be fair to you and the consumer. You need to make a decent profit to stay in business, and the consumer needs to get a desire fulfilled at a cost they are willing to bear, more than just once. In some cases, you won't make a profit. If there was a production problem that kept yields very low, you cannot compensate with astronomical

prices. There will be consumers that do not desire the product enough to pay the price. If everybody thinks the price is fine, you're probably not charging enough! What is enough? You have to know your costs of production to figure that out.

Some growers set, or at least modify, their prices based on what they see charged at local supermarkets, farmer's markets, or neighboring stands. Others look at price reports published by state departments of agriculture, or wholesale market reports. Simply matching prices with a competitor is unwise. They may have lower costs, higher sales volume, or be on their way out of business. Set prices that are fair to the customer, but will keep you in business. Do an outstanding job with quality and service, and many customers will pay a premium price.

Customer service is all about attitude. Think and act like a winner, not a whiner.

Customer service is all about attitude. Think and act like a winner, not a whiner. Sales people must know the products, enjoy the products and like working with the public, or they should not be in sales. There's plenty of work to be done in the fields for employees who do not understand that they are there to serve the customer. The primary goal for sales people is to make the customer feel good. Once that happens, price diminishes in importance, and loyalty is created. Customers feel good when: they are greeted cheerfully with words or smiles; their questions are answered completely and honestly; extra services or products are provided without cost; complaints are handled positively; and people remember their names and their preferences.

Your sales people represent you and the farm enterprise. As the manager, it's your job to give them an attitude adjustment if they need it. Explain the need for customer service, recognize and reward them for high sales, positive customer feedback, consistent performance and going the extra mile. Involve them in marketing research, discussions of how to improve sales and market decision making.

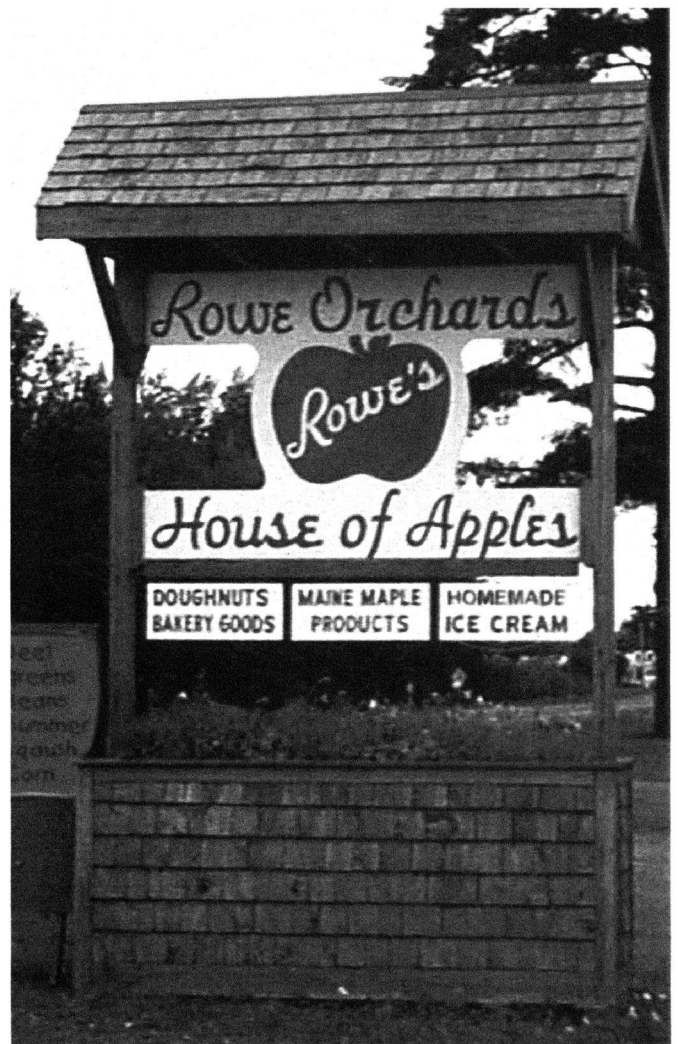
Market analysis is research, which means asking questions, documenting the answers, forming conclusions and then implementing appropriate strategies and actions.

Market analysis. This is where marketing should really begin, with information that indicates the relative potential for success of various marketing options. Who are your customers are likely to be, what will they purchase and why, and what other services do they want? Market analysis is research, which means asking questions, documenting the answers, forming conclusions and then implementing appropriate strategies and actions.

Before you have customers, do some digging into the market situation. Assuming you have some ideas about what you'd like to produce and sell, and who you think would buy it, start with some common sense questions that an investor might have if these ideas were put forth in a proposal. For example, you may have a roadside vegetable market in mind. What are the vegetable crops currently grown in the region? What is the vegetable acreage and dollar value of sales? What is the retail/wholesale mix? How many farm stands, farmer's markets, food co-ops and supermarkets with local produce are within 20

miles? Is agricultural labor available? What do "experts" think the market potential is for such an operation?

Develop a list and ask the same questions of local retailers, farmers, extension agents or specialists, chamber of commerce personnel and town officers, for example. Try the list on market specialists at a state agriculture department, small business development agency or local college. In addition to their observations and advice, ask if they have market data.



Get a profile of your customers. Learn what attracted them to your business. Find out what they are buying and why. Solicit suggestions for improvements in product lines, services or marketing features.

Planning commissions, chambers of commerce, local business schools and transportation agencies may have numbers that indicate population, average income and education, retail sales expenditures, traffic patterns, etc. This information can be used to get a general sense of an area and the market potential for an enterprise. Most libraries have census reports that contain population numbers, age distribution, income, housing type and employment data. You can also ask people at random where they buy their produce, how much they spend on fresh fruit and vegetables or other products, and if they shop at a farm stand located in town.

Once you have an enterprise underway, you can collect your own market data simply by analyzing your sales records. More insight can be gained with customer surveys, in-person or using written questionnaires. You want to get a profile of your customers, find out what they are buying and why, learn what attracted them to your business, and solicit suggestions for improvements in product lines, services or market features. Collecting names and addresses will help you develop a mailing list for promotion of special events, and allow for follow-up surveys if you try new market strategies. Be sure to offer an incentive for participating in surveys: free samples, discounts, coupons, prizes. Encouraging communication with customers, noting the nature of their inquiries, complaints, requests and suggestions are opportunities for ongoing market analysis that should not be overlooked.

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