



Kansas Rural Center
SUSTAINABLE
AGRICULTURE
MANAGEMENT GUIDES

Direct Marketing Pasture Poultry Products

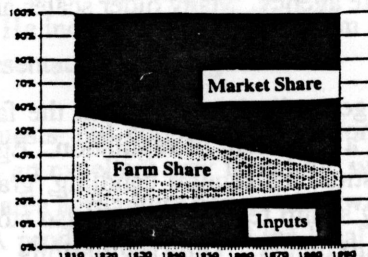
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This publication is based on a series of conference calls between eight pasture poultry producers and a number of guests. The calls took place between March and July 1999.

INTRODUCTION

Why should farmers market directly to consumers? According to figures compiled by Dr. Stewart Smith, senior economist for the Joint Economic Committee of Congress in 1992, the producer's share of food prices has fallen from 1910 to 1990. The trend is continuous. It is the result of market share increases for both inputs and processing and marketing.



Source Getting the Concepts Right,
Dr. Stewart Smith, Oct. 1992

The processing and marketing share has increased from 44% in 1910 to 67% in 1990. A producer can lower input costs somewhat but the area of most potential for increases in price share is in the processing and marketing area. Most producers are not natural marketers. But marketing skills can be learned and developed with practice. Producers become better marketers when they share marketing experiences with other producers and practice selling to each other.

Self-confidence is a big factor. Resources like Dale Carnegie's book, How to Win Friends and Influence People or Sell What You Grow by Mimi Luebermann can be helpful.

Joel Salatin has written a fine book titled Pastured Poultry Profits which presents his entire production and marketing model. Direct marketing is the basis of his operation. He has also written several excellent marketing articles for the American Pasture Poultry Producers newsletter, The APPPA Grit. His writings would be very helpful for any producer beginning to direct market.

PRODUCT DIFFERENTIATION

Pasture poultry production requires considerably more labor than large-scale confinement production. To market pasture poultry at a profit, the price must be higher. To justify the higher price, there has to be differentiation between the product of each system. The customer must be willing to pay for what makes the product different. Producers in the Pasture Poultry Marketing Coop differentiate their products by production type. Pasture raised, free-range, certified organic production, or combinations are examples of product differentiation.

The unique taste of fresh pasture poultry eggs or meat is another point of differentiation. Commodity eggs do not compare to the taste, color, or structure of pasture raised eggs. The flavor and texture of pasture raised broilers differs from the commercially available product. Pasture raised turkeys have a distinct flavor due to the grass they consume. Flavor is an important issue with people who remember what home raised chicken is supposed to taste like. These people do not like to eat chicken from the grocery store and often refuse to buy it. They are not people that typically buy premium priced items, but are more than willing to pay a premium for pasture raised chicken.

Some consumers are attracted to purchasing locally produced food as opposed to food produced by a multinational corporation and trucked a thousand miles. The economic benefit to the local community of locally produced and purchased food is much more than just the

value of the food. The multiplier effect of purchased feed, equipment, repairs, and labor in the local area, strengthens the local economy. The money circulates locally rather than being exported in exchange for the imported product.

RELATIONSHIP MARKETING

Relationship marketing is an important aspect of effective direct marketing. People are loyal to a producer once they establish a personal relationship. This personal loyalty is much stronger than brand loyalty. This gives the direct marketer an advantage over a producer selling through a co-op or retailer. These customers are often more understanding of the need for a higher price for the producer.

REGULATIONS

State and Federal regulations regarding slaughter have a direct impact on how pasture poultry producers can market their products. Since most people do not want to slaughter poultry for themselves, a producer would be hard pressed to even give away undressed poultry. An efficient and affordable slaughtering process is vital to your marketing efforts.

A producer should consult the State Department of Agriculture for specific regulations on slaughter. State statutes vary from requirements for inspection of all birds slaughtered to an exemption from inspection for up to twenty-thousand birds produced and slaughtered on the farm. Depending on the state, these exempt birds may or may not be sold to restaurants or at farmer's markets. Usually, non-inspected birds can not be sold in grocery stores. Some states require inspection of the slaughter facility but not the birds.

There are advantages to on-farm slaughter. It allows efficient producers to invest their time in slaughtering the birds rather than hauling birds to a slaughter facility and waiting on slaughter. If the slaughter is efficient it creates another profit center. The majority of the conference call cooperators are doing on-farm slaughter. A disadvantage is the limit placed on production and sales by slaughter capacity. This was mainly caused by a shortage of labor for this type of work.

There are advantages to inspected slaughter. The biggest advantage is a larger market for inspected birds. State-inspected birds can be sold anywhere in the state.

USDA-inspected birds can be sold anywhere in the country. The more birds slaughtered at one time, the more efficient an inspected facility with an optimally assigned labor force will be as compared to on-farm slaughter. The time spent transporting birds is spread over more birds with less cost per bird. The farmer is also freed from finding and supervising labor for the slaughtering process.

Two conference call cooperators use inspected plants. One feels the inspected slaughter provides protection for himself and his customer. He would not slaughter on-farm even if regulations would allow him to do so. He is building a USDA inspected plant because he can not get enough birds scheduled in the current situation to keep up with demand. The other cooperator uses state inspected slaughter to allow sales to grocery stores and restaurants.

Selling meat generally requires scales. These scales must be certified by a state agency. Do not invest in scales without investigating the requirements of your appropriate state agency. Many older scales are not certifiable.

Egg sales can generally be made from the farm to the consumer with a minimum of regulation. Egg sales to resellers or institutions require candling, grading, sizing, and an egg stamp fee. There are also storage temperature requirements. The regulations generally require very little investment in equipment. The registration fee for a person to sell fresh eggs is also minimal. Again, these regulations are state specific. Contact the local State Department of Agriculture for details.

Another state agency direct marketers may have to deal with is the State Revenue Department. If there is state sales tax on food, registration with the State Revenue Department will be necessary.

Acquiring information and registration from state agencies is not a painful experience. Most agency personnel are friendly and polite. They respond well to inquiry that is polite and respectful.

PRODUCT PROMOTION

Promotion of poultry products requires identification of the target market. It will vary based on what state reg-

ulations allow and personal goals of the farmer. Individual consumers, consumer co-ops, grocery stores, restaurants, and institutional food service are all potential markets.

How is the target market reached? Advertising is the answer. Media advertising (newspaper, radio, or television) is expensive. Ads must be repeated regularly to be effective. This type of advertising will likely not pay its way.

So what advertising will be most effective? Low cost or no cost advertising was suggested by several of our guests and cooperators. Word-of-mouth advertising or referrals from satisfied customers were mentioned often. Joel Salatin gives a reward to customers for referrals, such as a product they have not purchased previously or a product that is seasonally plentiful.

Joel has a presentation, complete with slides of the farm, which he makes available to local service clubs or other groups looking for a program. One of our cooperators has used this method of promoting his farm products. He indicates that interest from service groups for his presentation is very good.

Several guests and cooperators mentioned newspaper articles as an excellent way to get the word out. Local papers or area agriculture papers are always looking for stories. A producer might call the local paper or write a press release and mail it to several area papers. If a local journalism teacher or news reporter would be willing to proofread the release, they might be compensated with pasture chicken and a customer may be gained. One cooperator takes a copy of a newspaper article with him when he speaks. It makes a positive impression with the audience.

Another cooperator has a tabletop display with pictures of the farm, a short description of their production methods and product price lists. It is entered in various food and home shows in the area. A drawing for a prize, given away at the end of the show, generates an address list for direct mail advertising.

The key to cost-effective direct mail advertising is a good address list. A productive address list will include customers, referral names from your customers and interested people from talks and shows. A general mailing list will not be cost-effective.

Several cooperators print a newsletter. It can be mailed, used as a poster on bulletin boards, and handed out at talks or shows. One cooperator's customers hand them to friends. Bright colored paper might be used to make the newsletter stand out.

Linkages with other direct marketing producers is another way of advertising. One cooperator got an acquaintance that operates a pick-your-own berry operation to put his newsletter out in their sales room and also include it in a mailing. This has resulted in many sales.

Two cooperators use customer lists and call customers when birds are ready. This method takes more time than presales but it can be effective. The customer list is increased through customer referrals and continued sales calls.

Farmer's markets are a good place to sell pasture poultry products. There is a ready-made customer base in place. Producers should have newsletters available to hand out. Several cooperators sell at farmer's markets. One mentioned that this method of marketing consumes a lot of time.

Those that are satisfied with farmer's markets are selling multiple products. They are doing what Joel Salatin calls "loading the wagon." This refers to the old time peddler who had a wagon filled with a multitude of different items. There was at least one thing in that wagon the customer could not live without.

Joel encourages producers to expand what they produce for direct marketing. He says it is easier to sell another product to an existing customer than to find another customer. This concept applies to time utilization at farmer's markets. The larger the variety of products you have to sell the better your time will be utilized.

One cooperator is a member of an organic producer co-op. They sell a diversity of produce from all the co-op members when they attend a farmer's market, thus multiplying their individual efforts.

One producer is using the "loading the wagon" concept for home deliveries. They will e-mail or U. S. mail a list of available products to cooperating families and deliver those items requested twice a month. They charge a \$3.50 delivery fee. Most of the items they

offer are locally produced. They offer cheese, butter, cottage cheese, honey, maple syrup, chicken, ground beef, whole hog sausage, beef or pork by the quarter or half, peanut butter, canola oil, noodles, bulk spices, bulk chocolate, brown free-range eggs, freshly ground organic whole wheat flour, strawberries, organic coffee, frozen vegetables, tomato sauce, applesauce, and frozen pureed squash. They also offer fresh vegetables in season, such as lettuce, spinach, asparagus, sugar snap peas, broccoli, green beans, okra, tomatoes, onions, cabbage, beets, and potatoes.

The two cooperators that sell to upscale restaurants use similar marketing techniques. They provide several broilers at no cost to the restaurant and ask them to prepare the pasture poultry and commodity chicken the same way and compare the final product. The decision generally is for pasture poultry at a definite cost increase. The customer lists of these two cooperators include many of the best known restaurants in their respective areas.

The chef is the contact person in an upscale restaurant. They appreciate the quality differences that will set your products apart. They especially appreciate the difference that fresh eggs make in cooking and baking. Spent hens are valuable to them for soup stock.

Samples are a great way to increase sales. Small pieces can be prepared on a brazier or larger pieces on a grill. This can be done in combination with farmer's market sales, talks, or displays at shows. Health regulations can be a complicating factor that may make this impossible.

Products can be traded for everything from wedding cakes, to labor, to machine rent. Trading is especially effective with people who will not price their services or people who underprice their service. Once they have tried the poultry products, they may become a regular customer.

PRICING

Pricing is a key to profitable marketing. Producers often miss out on profit because they are afraid to price their product high enough. Resist the temptation to match prices with the local grocery store. Pasture raised products taste better, cost more to produce and deserve a higher price.

A former dairyman in southeast Minnesota is emphatic that farmers should be price setters, not price takers. He took large eggs to the grocery store and asked them to put his fresh eggs in the case for \$1.75 retail beside their regular eggs, priced more than a dollar less. The grocer thought they wouldn't sell but the producer convinced him to try them because he didn't have anything to lose. They are now selling two hundred to three hundred dozen a week at ten local stores. A bakery that caters to higher paying customers charges \$2.25 for a dozen fresh eggs.

A cooperator in Kansas raised his price for dressed broilers from \$1.44 to \$1.60 a pound. There were a few customers who refused to pay the higher price. He ended up selling more broilers than the previous year with much more profit.

There is a psychological cost to the marketer when customers show price resistance. Knowing costs and profit goals can help one to overcome these negative feelings. Sharing these experiences with other direct marketers is also a big help.

Cooperators reported pasture broiler prices ranging from \$1.50 to \$2.50 a pound. Egg prices range from \$1.40 to \$3.50 a dozen. The high end of these prices is for organic pasture products. Dressed turkey prices range from \$1.25 to \$2.00 a pound for pasture raised birds on conventional feed.

INSURANCE

Insurance is an important consideration for a direct marketer. Liability insurance for personal injury on your premises may be covered by an existing farm policy or home owner's policy. Injury at a farmer's market booth may not be covered. One should consult an insurance agent for the coverage provided by a specific policy. Some policies may specifically exempt business-related activities.

Product liability insurance is a totally different area. A separate product liability policy is generally required. Many companies do not write this kind of insurance. One cooperator who has a fairly large direct marketing business has a policy that provides two million dollars coverage per occurrence. It costs three to four hundred dollars a year. This cost is based on yearly gross sales volume. The underwriter is American Indemnity of

Galveston, TX. A local agent should be able to source this company or another that writes similar insurance. This cooperator would not consider operating without product liability insurance. He is not willing to risk all his assets if a problem occurred. He has not had to use this insurance and intends to never need to use it.

Another cooperator has a farm policy with coverage of farm produce. This coverage is also uncommon. Some people on the pasture poultry e-mail list have reported having their farm policy cancelled because they were selling poultry.

Insurance to cover mortality in poultry is not available. Most farm policies will cover domestic animals but specifically exclude poultry.

COORDINATION OF PRODUCTION AND MARKETING

There are essentially no markets for pasture produced poultry as a commodity. Sales must be made in anticipation of production. One cooperator has hired a business manager to help with marketing efforts. They meet weekly for several hours studying the effectiveness of the past week's efforts, planning the coming week's efforts, and matching them with their production and marketing goals.

Another cooperator shared that his emphasis on increasing production distracted him from marketing. When his production overran his sales, the result was several freezers full of heavy chickens and a cash flow emergency.

PRODUCER COOPERATIVES

Selling through producer cooperatives has some of the same benefits as direct marketing with some distinct advantages and disadvantages. Producers selling together are better able to provide a constant supply of product. And, marketing through a co-op can free a producer from a large time commitment to marketing.

However, the cooperative has overhead costs created by salaries for marketing specialists and, perhaps, ownership of bricks and mortar. Producers sit on the board of directors but do not have complete control over marketing decisions. Cooperative prices will tend toward the commodity price unless product distinction is maintained. A poorly managed cooperative can once again

make the producer a price taker rather than a price setter.

BUSINESS PLAN

Direct marketing takes time and commitment. This time must be adequately compensated through the product price. Effective marketing can be enhanced with a written business plan. The plan would identify the target market, identify regulations requiring compliance, project required finances, plan an advertising strategy, develop projected sales figures, and develop a production schedule. Usually there are small business specialists available locally at small business development centers to help with a written business plan. The local state Department of Commerce can also provide resources. A producer should not be scared off by the unknown. Writing a plan will identify a lot of unknowns that can be planned for ahead of time.

The Cheshire Cat on planning and setting goals:

Alice was looking for directions and was startled to see the Cheshire Cat sitting on the branch of a tree.

"Cheshire Cat," she said, "Would you tell me please, which way I ought to go from here?"

"That depends a good deal on where you want to get to," said the Cat.

"I don't much care where," said Alice.

"Then it doesn't matter which way you go," said the Cat.

-From Alice's Adventure in Wonderland by Lewis Carroll

Material for this pasture poultry marketing guide was based on five conference calls between the following pasture poultry producers and invited guests.

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RESOURCES

Pastured Poultry Profits by Joel Salatin

Available from:

Stockman Grassfarmer

P.O. Box 2300

Ridgeland, MS 39158-2300

Sell What You Grow by Mimi Luebermann

How to Win Friends and Influence People by Dale Carnegie

The APPPA Grit, the newsletter of the American Pasture Poultry Producers Association

Send \$20 to:

APPPA

c/o Diane Kaufman

5207 70th St.

Chippewa Falls, WI 54729

Past issues are available for \$5 each while they last. Request Issue #5 and read Joel Salatin's creative ideas on "Marketing Pastured Eggs."

"Pastured Poultry," 40-page report of a project titled "Integration of Pastured Poultry Production Into The Farming Systems of Limited Resource Farmers"

Available from:

Anne Fanatico

NCAT/ATTRA

P.O. Box 3657

Fayetteville, AR 72701

800-346-9140

Website: www.attra.org

The Omega Diet by Jo Robinson and Dr. Artemis Simopoulos

Why Grass Fed is Best! by Jo Robinson

Available from:

Vashon Island Press

29428 129th Ave. S.W.

Vashon, WA 98070-8824

Website: www.eatwild.com

Nourishing Traditions by Sally Fallon

Available from:

Acres USA

P.O. Box 8800

Metairie, LA 70011-8800

Pastured poultry listserve:
(pasturepoultry@onelist.com)
at <http://www.onelist.com>

Business Plan Development

There is a national consortium of Small Business Development Centers affiliated with colleges and universities to provide assistance to small businesses.

Contact:

Frederick H. Rice, Director
KSU-SBDC
2323 Anderson Avenue, Suite 100
Manhattan, KS 66502-2912
785-532-5529

State Commerce Departments have materials and assistance available. In Kansas, contact:

Kansas Department of Commerce
Business Development Division
700 SW Harrison, Suite 1300
Topeka, KS 66603
785-296-5298

Iowa has a Microenterprise Training Curriculum, which is excellent training in writing a business plan.

Contact:

Microenterprise Project
Institute for Social and Economic Development
1901 Broadway, Suite 313
Iowa City, Iowa 52240
319-338-2331

CREDITS

The author of this publication is David Wallace. This marketing guide was funded by the North Central Region Sustainable Agriculture Research and Education Program.

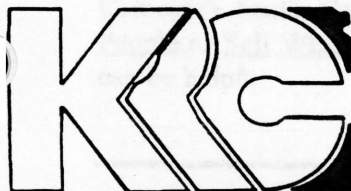
Poultry Products

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KANSAS RURAL CENTER

The Kansas Rural Center is a private, non-profit organization that promotes the long term health of the land and its people through education, research and advocacy. The Rural Center cultivates grassroots support for public policies that encourage family farming and stewardship of soil and water. The Rural Center is committed to economically viable, environmentally sound, and socially sustainable rural culture. For more information, contact the Kansas Rural Center at PO Box 133, Whiting, Kansas 66552 or (785) 873-3431.