

To Market, To Market:

*A Workbook for Selecting Market Options and
Strategies for Agricultural Products*

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The Purpose of This Workbook

This workbook was designed to guide new farmers through the formulation of profitable marketing strategies. It is a decision tool to help you, as a new farmer, in making market decisions about what to produce; where/how/in what venue(s)/outlets to market it; and risk management strategies. According to the US Department of Agriculture (USDA), a beginning farmer is one who has operated a farm for ten years or less. New farmers have a passion for farming. Despite the formidable challenges, with sufficient help and support they will succeed, bringing new vitality to our region's farming industry, contributing to local economies, and keeping our agricultural resource base productive.

When it comes to planning a new farm, many people seem to focus on working out the production and technical aspects, with little regard to marketing. In most agricultural arenas, market success is not guaranteed. In today's competitive markets just being able to produce a good product does not mean that you can market it for a price that covers your costs. The fact that no one else is producing a particular product does not mean that a viable market exists. You not only have to be able to produce and sell, but you have to produce at a cost low enough and sell at a price high enough to generate a profit. Production and marketing decisions go hand in hand.

Marketing is one of the most important factors in determining the success of your farm business. It includes most of the decisions made by you as producer. These decisions range from determining the most marketable varieties to produce to deciding how to deliver profitable high quality products (e.g. fruits, vegetables, meat, milk, etc.) to consumers. However, marketing does not begin after you produce your crops or animals. Instead, you must consider your marketing strategies before you produce anything and continue long after an actual sale is made.

How to Use This Workbook

You can read this workbook and fill out all of the worksheets from cover to cover, or, if you already have an idea of what kind of market you want to use, you can shift to that section. However, completing the initial assessment is a good idea no matter how far along your planning process is. This will help you assess your goals, resources, skills, etc., and point to areas you need to further analyze. The Ask Yourself worksheets are for you to fill out and help you develop your marketing plan.

Let's get started by looking at an example farm.

Where Are You Now?

Example: Jacob Schantz

Jacob Schantz is considering buying a 100 acre farm in Pennsylvania. Jacob is 25 year old and is married to Martha who is 22. Jacob worked on his parents' farm growing

up, and has been an auto mechanic, but he misses farm life, and now that he is married, wants to buy a farm to give his kids the kind of life he had. He lived at home since high school, so he has saved enough money to put a down payment on a farm that is up for sale, if his parents will co-sign for him. Mary works as a receptionist for a local doctor, and is willing to do the bookkeeping for the new farming venture. She will keep working at the doctor's office for a while until she and Jacob can get the farm up and running, but she wants to quit working once she has children.

The owner of the farm that is for sale was a dairy farmer, but has no children who want to take over the business. He is no longer able to run the farm after a recent heart attack, so, he is moving in with his daughter and putting his farm up for sale. Jacob plans to buy the cows as well as the farm and continue with the dairy farm, but hopes to modernize and make improvements as he can afford to do so. He may also look at other options too, like a farm stand to sell vegetables, or a corn maze for part of his corn field. But for now, he will focus on selling milk to the local coop and growing feed for his cattle.

Let's evaluate Jacob's current situation. We will assess his goals, financial, and marketing resources and potential customers.

Assessment of Where Jacob Schantz Stands

What are my business and personal goals? Prioritize them with the most important first.

1. Own my own farm
2. Be my own boss
3. Give my children the kind of childhood I had with love of the land and appreciation for hard work.
4. Make enough money so that I can support my family and keep farming.
5. Save for my retirement.

? Do I want a full-time enterprise? Yes x No

? Will my family be involved and supportive? Yes x No

? Will my spouse be involved in the enterprise? Yes x No

? If yes, how will my spouse be involved? Martha will be the bookkeeper, and the ___ person I consult for advice on business decisions. She is supportive.

? Is family labor available? Yes No x

? If so, how much? Only Martha with advice and bookkeeping. Perhaps in the future, our children will help.

? Is off-farm labor available? Yes x No

? If so, what type of labor is available? Not as prevalent as in the past, but I may be able to hire some farm kids in the summer. This could help with vacations.

? Can I afford it? Yes x No

? **Who are my potential customers?**

(This will help you know how to reach these customers and target your promotional activities).

? Are they low , medium x, or high income?

? Are they young x, middle-aged x, or elderly ?

? Is their highest level of education high school x, college x, post-graduate ?

? Are they local, x tourists , or from more distant locations ?

? Are they mostly White x, African American , Hispanic , Asian , Other ?

? Are they blue-collar x or professional x workers?

? Are they male , female , or both x?

? Are they rural x or urban residents?

? Are they homemakers x or working spouses x?

? Do they purchase in large or small x quantities?

? Are they motivated more by price x or high quality ?

? **What are my customers' needs? This applies whether or not you are selling to the final consumer or to intermediate buyers such as brokers or terminal markets.**

(Do they need convenience? A particular size? Saturday deliver? Unique products? High value products? Large volumes? Etc.)

- Convenience
- Health
- Price
- _____

? Given my customers' needs, what kind of products am I considering?

- Milk
- Feed for my cattle
- _____

? What knowledge and skills do I have to produce and deliver the product?

- Experience on a dairy farm growing up.
- Good work ethic.
- Ability to save and manage money

? What additional knowledge and skills do I need?

- Financial management for business.
- Business management
- Marketing
- _____

? What plans do I have to get the skills and knowledge that I need?

(This could be taking a class, hiring someone with the expertise, etc.)

- I will hire an accountant
- Martha will take bookkeeping classes at the community college
- I will attend extension courses on business management
- _____

? What physical resources like land, soil, machinery, water, building, livestock, etc. do I possess?

- None currently.
- _____
- _____

? What additional physical resources will I need?

- The potential farm has a milking parlor, tractor, and implements.
- _____
- _____
- _____

? Do I have the facilities to produce and deliver the product?

Yes ___ No x

? If I don't currently have the facilities I need to produce and deliver the product, what plans do I have to get the facilities that I need?

(This could be renting facilities, purchasing them, building appropriate buildings on land you already own, etc.)

The farm we plan to purchase has a milking parlor.

We will purchase other facilities as we get established.

? If I raise and sell the products, will I make a profit?

Yes x No ___

? Where can I go to get the data I need to do this analysis?

- | | |
|--|---------------------|
| Trade Magazines | Yes <u>x</u> No ___ |
| USDA Ag Marketing Statistics? | Yes <u>x</u> No ___ |
| USDA Statistics from the Agricultural Census? | Yes <u>x</u> No ___ |
| County Extension Service? | Yes <u>x</u> No ___ |
| Private Marketing Research Firms | Yes ___ No <u>x</u> |
| Internet Searches | Yes ___ No <u>x</u> |
| The Competition | Yes ___ No <u>x</u> |
| My existing customers if I already have a farm or farm-related business? | Yes ___ No <u>x</u> |
| Other _____ | Yes ___ No ___ |
| Other _____ | Yes ___ No ___ |

? How will I distinguish my product from my competitor's product?

(Examples: better quality; better service; quicker delivery; lower prices; different varieties, grades, sizes, etc.)

I will focus on high quality milk, and efficient production to keep the cost down. I will produce my own feed so that I utilize the land and reduce input costs.

? Does my business plan include consumer education? Yes No

? If yes, how? I will be part of the dairy check-off promotional program.

? What are the marketing resources in my area?

- Farmers' markets Yes No
- Cooperatives Yes No
- Auctions Yes No
- Terminal markets Yes No
- Brokers Yes No
- Retail stores Yes No

? Which, if any of the available resources in my area fit into my marketing plan?

Diary Co-ops

Check with your local Cooperative Extension County Agent, State Department of Agriculture or other agricultural service providers such as the Farm Bureau for marketing resources in your region.

? Are any of the following vendors willing to buy locally raised produce, flowers, meat, or other farm products?

- Restaurants Yes No
- Supermarkets Yes No
- Specialty grocery or health food stores Yes No
- Home improvement stores Yes No
- Hardware stores Yes No
- Garden centers Yes No

Landscapers	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Farm stands owned by other farmers	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Other farmers who will retail or re-wholesale your products	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Other vendors _____	Yes <input type="checkbox"/> No <input type="checkbox"/>
Other vendors _____	Yes <input type="checkbox"/> No <input type="checkbox"/>

? How can I use these in my business?

I will look into selling some of my milk to local specialty stores and farm stands farm stands. I will have to consider purchasing facilities to pasteurize the milk or have it done for me investigate these markets. So, for now, I will sell wholesale to the local dairy co-op.

Analysis of Jacob's Situation

Jacob is fairly sure that he wants to farm and knows that he wants to be a dairy farmer. Farming seems to be a way of reaching his first three personal goals of owning his own farm, being his own boss, and giving his children the kind of childhood he had. He has a technical farming background, but is weak on business management and marketing skills. He will need to obtain these skills or secure help to evaluate whether or not dairy farming will meet goals four and five of making enough money to support his family and save for retirement. Jacob does plan to hire an accountant, and Martha will take bookkeeping classes. He will need to develop a business plan and look carefully at the economics. He seems certain that he wants to sell milk to a coop, so he should proceed to the section on coops and evaluate that option in more detail. He is also considering some other marketing options, so he should complete all of the worksheets about marketing options to verify that a coop is the best fit for him.

Jacob also has some ideas about who his customers are. Thus, he needs to go to the sections on pricing, advertising and promotion, risk management, and marketing strategies to develop actions plans on how to maximize his profits. He already has a basic plan of buying a particular farm. Thus, he should analyze this option in more detail. If this option is still positive after a more thorough evaluation, he can begin putting his plan in place. This worksheet analysis has helped him clarify his goals, available resources, and point him in the direction of further analysis and planning.

Evaluating Your Situation

Now, let's evaluate your current situation. Let's examine your goals; physical, financial, and marketing resources; and potential customers. Start by asking yourself the following questions before you begin your business:

Ask Yourself: Where Am I Now?

Goals

? What are my business and personal goals? Prioritize them with the most important first.

1. _____
2. _____
3. _____
4. _____
5. _____

Full-Time or Part-Time?

? Do I want a full-time enterprise? Yes ___ No ___

Labor

? Will my family be involved and supportive? Yes ___ No ___

? Will my spouse be involved in the enterprise? Yes ___ No ___

(A spouse's knowledge of and interest in related areas such as medicinal herbs, cooking, landscaping, etc. could spin off additional enterprises. A spouse could also be involved directly in the business by doing the bookkeeping, labor management, maintaining facilities, marketing, etc.).

? If yes, how will my spouse be involved? _____

? Is family labor available? Yes ___ No ___

? If so, how much? _____

? Is off-farm labor available? Yes ___ No ___

? If so, what type of labor is available? _____

? Can I afford it? _____ Yes ___ No ___

Customers

? Who are my potential customers?

(This will help you know how to reach these customers and target your promotional activities).

- ? Are they low _____, medium _____, or high _____ income?
- ? Are they young _____, middle-aged _____, or elderly _____?
- ? Is their highest level of education high school _____, college _____, post-graduate _____?
- ? Are they local _____, tourists (e.g., they will pass your farm and buy tomatoes on the way to the Jersey shore?) _____, or from more distant locations _____?
- ? Are they mostly White _____, African American _____, Hispanic _____, Asian _____, Other _____?
- ? Are they blue-collar _____ or professional _____ workers?
- ? Are they male _____, female _____, or both _____?
- ? Are they rural _____ or urban _____ residents?
- ? Are they homemakers _____ or working spouses _____?
- ? Do they purchase in large _____ or small _____ quantities?
- ? Are they motivated more by price _____ or high quality _____?
- ? Would they be interested in entertainment farming and tourism? Yes ___ No___

If you are in the wholesale market, you will have to do more work to find out what your consumers want. You will need to communicate with the broker, co-op, or other marketer to receive any additional feedback (other than price) to better know your market.

? What are my customers' needs? This applies whether or not you are selling to the final consumer or to intermediate buyers such as brokers or terminal markets.

(Do they need convenience? A particular size? Saturday deliver? Unique products? High value products? Large volumes? etc.)

? Given my customers' needs, what kind of products am I considering?

? What type of promotion would best target this audience?

Skills and Resources

? What knowledge and skills do I have to produce and deliver the product?

? What additional knowledge and skills do I need?

? What plans do I have to get the skills and knowledge that I need?

(This could be taking a class, hiring someone with the expertise, etc.)

? What physical resources like land, soil, machinery, water, building, livestock, etc. do I possess?

? What additional physical resources will I need?

? Do I have the facilities I need to produce and deliver the product? Yes ___ No ___

? If I don't currently have the facilities I need to produce and deliver the product, what plans do I have to get the facilities that I need?

(This could be renting facilities, purchasing them, building appropriate buildings on land you already own, etc.)

Profitability

? If I raise and sell the products, will I make a profit? Yes ___ No ___

? Where can I go to get the data I need to do this analysis?

Trade Magazines	Yes ___ No ___
USDA Ag Marketing Statistics?	Yes ___ No ___
USDA Statistics from the Agricultural Census?	Yes ___ No ___
County Extension Service?	Yes ___ No ___
Private Marketing Research Firms	Yes ___ No ___
Internet Searches	Yes ___ No ___
The Competition	Yes ___ No ___
My existing customers if I already have a farm or farm-related business?	Yes ___ No ___
Other _____	Yes ___ No ___
Other _____	Yes ___ No ___

? How can I best access such resources?

? What analysis did I use to determine whether or not I will make a profit?

(This can be partial budgeting, costs and returns analysis for the whole farm, cash flow analysis, etc.)

? If the analysis shows I will not make a profit, what adjustments, if any, can I make to make this a profitable venture? Or even if it is profitable, what can I do to make it more profitable?

(Examples could be look for different markets, add value by packaging, produce different sizes, etc.)

? Do I have access to financial resources in the form of savings, credit, or investment by family or friends? Yes ___ No ___

Products

? What are some of the crops or livestock that grow well in my area that will fetch the price I need?

- | | |
|----------|-----------|
| 1. _____ | 7. _____ |
| 2. _____ | 8. _____ |
| 3. _____ | 9. _____ |
| 4. _____ | 10. _____ |
| 5. _____ | 11. _____ |
| 6. _____ | 12. _____ |

? What is my competition doing?

(What products are they producing, at what price, and in what markets?)

Marketing

? How will I distinguish my product from my competitor's product?

(Examples: better quality; better service; quicker delivery; lower prices; different varieties, grades, sizes, etc.)

? Does my business plan include consumer education? Yes ___ No ___

? If yes, how? _____

(This applies to both wholesale and retail growers. You may want to have recipe cards if you sell vegetables directly to consumers in your farm stand; but, you may also want to include them if you are selling an exotic vegetable through a broker. Frieda Caplan, who founded Frieda, Inc., a specialty wholesale produce marketing company in Los Alamitos, California, changed the way America eats by introducing specialty produce to consumers.

Frieda explored the marketplace and quickly zeroed in on the lesser known, less popular fruits and vegetables. To her delight she saw that no one in the wholesale produce industry was bothering to exploit this market. Literally, it was hers for the taking. Most of the fruits were unknown to the American public. Even though Frieda was a wholesaler, she accompanied the produce with product descriptions, usage, handling and storage tips, country of origin, complete nutritional information to contact her for kitchen-tested recipes, and an invitation to contact her for free recipe brochures.

She renamed Chinese gooseberries kiwifruit because they came from New Zealand, and she became the leading marketer and distributor of specialty produce in the U.S. You can read her story at <http://www.hort.purdue.edu/newcrop/proceedings1996/V3-122.html#THE%20FRIEDA%20STORY>).

? What are the marketing resources in my area?

? Farmers' markets _____ Yes ___ No ___

? Cooperatives _____ Yes ___ No ___

? Auctions _____ Yes ___ No ___

? Terminal markets _____ Yes ___ No ___

? Brokers _____ Yes ___ No ___

? Retail stores _____ Yes ___ No ___

? Which, if any of the available resources in my area fit into my marketing plan?

A farmers' market is an excellent resource if you want to market your products directly. The other resources above are helpful if you want to wholesale your farm products. You can still sell through either market if these resources don't exist, but; if no markets exist, you will probably have to develop the markets yourself. You may want to sell in one market while you develop the other one that you really want.

For example, you may want to establish a marketing cooperative for your sweet corn, but while you are developing this market, you may want to sell through your own simple farm stand.

Check with your local Cooperative Extension County Agent, State Department of Agriculture or other agricultural service providers such as the Farm Bureau for marketing resources in your region.

? Are any of the following vendors willing to buy locally raised produce, flowers, meat, or other farm products?

- ? Restaurants _ Yes ___ No ___
- ? Supermarkets _ Yes ___ No ___
- ? Specialty grocery or health food stores _ Yes ___ No ___
- ? Home improvement stores _ Yes ___ No ___
- ? Hardware stores _ Yes ___ No ___
- ? Garden centers..... _ Yes ___ No ___
- ? Landscaper..... _ Yes ___ No ___
- ? Farm stands owned by other farmers _ Yes ___ No ___
- ? Other farmers who will retail or re-wholesale your products..... _ Yes ___ No ___
- ? Other vendors _____ Yes ___ No ___
- ? Other vendors _____ Yes ___ No ___

? How can I use these in my business?

Analysis of Your Situation

Let's look at where you stand now. After completing this worksheet, if you know whether you want to wholesale or retail your products, go to that section of the workbook. If you have already narrowed your marketing options down to a specific type of market such as an auction, go directly to the section on the market you are considering. Remember however that having more than one product or market can be a risk reducing strategy. (Take a look at the Risk Management Chapter). On the other hand, don't try to do too much too fast. It is better to start out simple and add more products and more markets later. If you already know what product you want to produce, and in which market you want to sell it, skip to the Chapter on pricing.

Resources

- Virginia Flower Growers Association Greenhouse Operator's Training Manual, Third Edition, <http://www.floriculture.vt.edu/vfga/GOCPcertification.pdf>
- ATTRA Direct Marketing Business Management Series by Katherine Adam, Radhika Balasubrahmanyam, and Holly Born, available on line at <http://attra.ncat.org/attra-pub/PDF/directmkt.pdf> or by calling Appropriate Technology Transfer for Rural Areas (ATTRA) at 1-800-346-9140.

What to Produce - Product

After you determine your market, you need to determine what product or service you would like to sell. Differentiating your products and services from those of competitors starts with thorough knowledge of your products or services. A product and service analysis goes beyond a list of what you will sell. One of the most important aspects of marketing is giving your customers reasons to buy your products. As a new farmer, you must describe the features, options, quality, accompanying service, name, packaging, etc. of your farm's products. These product characteristics will show how your products differ from those of your competitors. They will carry information about the services you provide and will describe the benefits of your products or services from your customer's perspective.

Resources

- For some ideas on agricultural products and help in selecting a product, see: List of Alternative Crops & Enterprises for Small Farm Diversification, compiled by: Mary V. Gold and Rebecca S. Thompson at the Alternative Farming Systems Information Center (AFSIC) National Agricultural Library, ARS, USDA, available on line at: http://www.nal.usda.gov/afsic/afsic_pubs/altlist.htm#toc4.
- Another excellent source of information is the Missouri Alternatives Center at the University of Missouri: 3 Whitten Hall, Columbia, MO 65211 Call: 1-573-882-1905 or visit their website at: <http://agebb.missouri.edu/mac>.

Catering to Today's Consumer

Gone are the days of selling only what is produced on the farm. Now surveys and special efforts have to be made to determine the consumers' wants; and, then develop a product (and package) that satisfies those wants. This applies to both wholesale and retail markets. After all, large, wholesale companies, like Coca Cola, who do not sell directly to consumers, but are very concerned about what their consumers want. Your product must satisfy the consumer's needs: the features, service aspects, marketing season, and benefits to the buyer whether that is the consumer who comes to your farm to go through your corn maze, or the slaughter house wholesaler who is buying your beef cattle to sell to supermarkets or goat meat to growing ethnic markets. You may decide upon a particular product/service based on what the customers want. Whether you sell directly to retail consumers (direct marketing) or to an intermediary (wholesaler), you need to think about what the consumer wants.

Wholesale producers often band together in national check off programs and contribute funds to do consumer research and target their products to consumer needs. Examples are:

- ✓ **Ocean Spray cranberry co-op** which promotes the health benefits of cranberries.
- ✓ **Dairy farmers** who developed the famous "Got Milk" marketing campaign.
- ✓ **Pork producers** who developed "The other white meat" promotional program.
- ✓ **Idaho Potato producers** who have convinced many consumers that Idaho potatoes are better than our Eastern potatoes.
- ✓ Other wholesale farmers have done their own **focusing on consumer needs**.
- ✓ Some field crop farmers in the Midwest have switched from the traditional commodity markets to **growing varieties of soybeans for making tofu** which command a higher price than those grown for cattle feed.
- ✓ Other wholesale field crop growers, seeing the trend toward health food and variety, are **growing organic blue corn** for making corn chips and receive a much higher price than corn grown for animal feed.
- ✓ Some wholesale dairy farmers are **producing goat cheese** and selling it through local or regional specialty food stores.
- ✓ Several field crop farmers in New Jersey are **growing special grasses** and oats to sell as feed to the high end horse market.

In the early 20th century, most types of farm products were sold as commodities on the open market. Sellers brought their hogs or cattle to centralized terminals, or their grain to country elevators, where current prices were paid on the spot. The rule of the day was "pushing" large volumes of standardized commodities through the supply chain, which kept costs down. This system worked well as long as consumers sought basic staples for cooking meals in their own kitchens.

Changing U.S. demographics-more mature consumers, greater ethnic diversity, and larger incomes-are driving changes in consumer demand for agricultural products. Today's time-pressed consumer is using his or her higher level of income to purchase more convenience, as well as quality, variety, and value.

Changing consumer preferences, along with technological advances and other changes in the economy, offer agribusiness companies new opportunities. Understanding and tailoring to the "diverse consumer preferences" moves your product to the forefront and "pulls" it through the supply chain.

So what does the modern consumer want? Convenience and variety are clearly important. Some consumers need or want good price deals and will search for lower prices. This means that farmers must supply the products that consumers want, and keep production costs low. An example of developing the product which would make it more convenient and add value in the eyes of the consumer would be to pre-package sliced vegetables or add nuts and decorations to make holiday cookies.

The most popular item in supermarket produce sections today are pre-packaged salads. These were introduced to the market by small, wholesale farmers in California who saw a market potential by giving consumers convenience.

Ask Yourself: What will I offer to the buyer?

Below, list the products your plan to sell and the features, service aspects, marketing season, and benefits to the buyer that your products will offer.

Products

Examples: Bedding plants, cheese, grain, sweet corn, etc.

- _____
- _____
- _____

Product Features

Examples: Raw farm product, semi-processed, branded product, performance, availability, size, quality, freshness product mix, varieties/new variety, types, color, shape, organic, selling points, etc.

- _____
- _____
- _____
- _____

Service Features

Examples: Delivery, unloading, stocking shelves, processing, packaging, instructions, and range of services offered, discount, credit terms, ease of parking, convenience, guaranties, etc.

- _____
- _____
- _____
- _____

Marketing Season

Months or seasons (fall, winter, spring, and summer), in which your product/service is offered or available. For example, fruits and vegetables are produced seasonally, but the market requires products throughout the year. You may sell fresh products during and shortly after harvest, and process the rest to meet demand during the remainder of the year, or you may choose not to market in the winter.

- _____
- _____
- _____
- _____

Product Benefits

Examples: Long lasting, fragrant, low in sodium, heart healthy, etc.

- _____
- _____
- _____
- _____

Resource

- <http://www.ers.usda.gov/Amberwaves/november03/Features/supplypushdemandull.htm>.

Where / How / In What Venue to Market It - Market Outlets

Agricultural markets can be divided into two broad categories:

- Wholesale marketing
- Direct marketing

Each of them has advantages and disadvantages. Deciding which channel to use for selling your products to buyers is important. You will want to match your belief system, personality, resources, goals, assets, market potential, and location with a market best suited to you. You may also want to pursue both wholesale and retail, or more than one wholesale market or retail market. Diversifying in markets, just like diversifying in production, helps reduce risks by providing income stability.

Wholesale Marketing

Advantages of Wholesale Marketing

- **Someone else does most of the marketing**, allowing you to focus on production.
- **Promotional/educational costs are low.**
- You **don't need a large parking lot** on the farm.
- You **will not need an expensive farm stand** or other buildings for retail.
- **Legal risks may be lower** than for retail marketing because customers will not be on the farm.
- You can generally **stop working when the day is done** because customers will not be on the farm.

Figure 1--Pat Schwalm, Robin Brumfield, and Dan Schwalm at Schwalm's Greenhouse in Sunbury, PA. The Schwalm's began as a wholesale business in 1986. Now, about half of their sales are retailed directly to consumers from their greenhouse. Dan focuses on production and keeping costs down by keeping up with technology, like this cutting edge, high tech, flooded floor greenhouse. (Photo by Lawrence S. Martin)

- Wholesale marketing is a **good choice if you are not a "people person"** and don't want to deal with the public.
- **You will not need to hire and train sales employees** to deal with retail customers; thus sales costs are low. However, you may still need someone to sell to wholesale customers.
- Wholesale marketing is a good choice if you are not near an urban or sub-urban customer base to support direct marketing.
- **You should receive economies of scale.** Once you develop a large farming operation, it is often difficult to sell everything directly. If you grow into a large farm, wholesaling may become your second marketing channel if not your only channel.
- **You can specialize in fewer items.** While you may want to reduce your risks by diversifying, you also want to concentrate on a few enterprises so you can do each one well and have efficiencies of production. Often, in retail operations you must have to have a much broader product line than wholesale producers to keep your customers happy. But, this makes it difficult to compete with low production costs on each item.

Disadvantages of Wholesale Marketing

- Because the marketing function is being done by others, the price you will receive will be lower than direct marketing alternatives.
- You will have **little control over the price**, i.e., you will be a price taker.
- You will probably have to adhere to strict grading standards of size and quality.
- You will probably need to follow careful harvesting, storage, trucking, and post-harvest handling procedures to meet competitive market standards.
- You will have to take the product to market and **incur some transportation costs**.

Direct Marketing

Advantages of Direct Marketing

- The **prices are higher** than prices in wholesale markets.
- You will have **some control over the price** based on being able to differentiate your product or service, i.e., make your products different from your competitors' products so you can charge a higher price.
- Because customers are looking for freshness rather than strict grades such as uniform size, you will probably be able **to sell all sizes and grades for higher prices** than you would receive in a wholesale market.

- The proclivity of the public to buy locally produced products creates an **almost automatic loyalty**.
- **Consumers perceive purchasing from a local farmer to be fresher** than products being shipped from California and other distant markets.
- In some direct markets such as an on-farm stand or roadside market, **transportation costs are low** or non-existent.
- Direct marketing is **great for people who love dealing with the public** or have employees who are people persons.
- Farmers can **spread depreciation, interest, taxes, insurance, rental, or advertising costs** that are fixed in the short run over additional activities such as agri-tourism, on-farm stands, and pick-your-own facilities.
- Excess capacity may allow farmers to **increase the scope of activities**.
- Direct marketing may require **minimal additional investment** and may utilize excess capacity of labor, capital, land, and natural resources.
- Direct marketing is a revenue risk management strategy.
- Bringing customers to your farm is **an excellent means of supporting the local community** and keeping it alive and prosperous.
- Direct marketing is an opportunity to increase agricultural awareness.
- The interaction of consumers with farming activities and farmers carries an **educational aspect**.

Disadvantages of Direct Marketing

- **Promotional/educational costs** are high in terms of money and time. You will need to develop brochures, newsletters, or other promotional materials.
- You will probably have to **invest in farm stands**, etc.
- **Sales costs** for hiring and training sales employees are high.
- You may have increased traffic.
- You may **need to provide parking** (Roadside Stand, Pick-Your-Own, and CSA on the farm) unless you are delivering the product (farmers' market, CSA drop off, internet and mail order).
- You may have **more conflict with non-farm neighbors** than wholesale farmers if the traffic comes to the farm.
- **Legal risk increases** when you have people on your farm, and you may need additional liability insurance.

- If selling on the farm, you will need to make your farm safe for the public to enter.
- People will probably come to your farm all hours of the day and **you may give up your privacy**.

Let's answer some questions to help you determine which market best fits your goals, skills, talents, resources, and consumers' needs.

Ask Yourself: Is Wholesale or Direct Marketing for Me?

- | | |
|---|----------------|
| 1. Do I want to do the marketing myself? | Yes ___ No ___ |
| 2. Do I like to work with people? | Yes ___ No ___ |
| 3. Do I have a location that would allow me to retail to consumers? | Yes ___ No ___ |
| 4. Do I have a large parking lot, or a place to put one? | Yes ___ No ___ |
| 5. Do I have the facilities that I can use to sell directly to consumers? | Yes ___ No ___ |
| 6. Is the consumer base large enough to support direct marketing? | Yes ___ No ___ |
| 7. Am I willing to develop markets for my products? | Yes ___ No ___ |
| 8. Do I have funds to promote my products? | Yes ___ No ___ |
| 9. Would my customers like to buy direct-marketed products? | Yes ___ No ___ |
| 10. Is a roadside stand feasible? | Yes ___ No ___ |
| 11. Have I considered the potential for entertainment farming and tourism? | Yes ___ No ___ |
| 12. Am I willing to take on the legal risk of having customers on my farm? | Yes ___ No ___ |
| 13. Are my target customers interested in how the product was produced? | Yes ___ No ___ |
| 14. Do I have a large volume of product? | Yes ___ No ___ |
| 15. Do markets already exist for the products I plan to produce? | Yes ___ No ___ |
| 16. Would I prefer to work through these existing markets rather than develop my own markets? | Yes ___ No ___ |
| 17. Do my customers prefer buying at mass retail outlets where price is the main consideration? | Yes ___ No ___ |

18. **Would I prefer to pay someone else who I do not have to train to market my products?** Yes ___ No ___
19. **Do I prefer to be producing products on the farm rather than selling products to customers in the farm stand, farmers' market, or other venues?** Yes ___ No ___
20. **Do I want to lock the door and go home at 5 PM?** Yes ___ No ___
21. **Do I want to specialize in producing only a few products?** Yes ___ No ___
- If you answered yes to the majority of **questions 1-13**, you should consider direct marketing and go to the **Direct Marketing Section** to review direct markets in more detail.*
- If you answered yes to most of **questions 14-21**, you should consider wholesale marketing and go to the **Wholesale Marketing Section** to review wholesale marketing options in more detail.*

, you probably want to consider wholesale marketing. Much has been said about "cutting out the middleman" and marketing directly to the final consumer. However, that "middleman" performs a valuable function of selling the products. If you don't use a middleman, then you will have to perform those sales functions yourself, allowing you to devote less time to production.

However, if you are a people person and have a good location to attract customers, then direct marketing can allow you to capture more of the consumer dollar. You will also want to consider what existing markets are in your area. Established markets (wholesale or retail) can give you and easy entry into farm marketing.

Marketing alternatives in more detail

Wholesale Markets

The main types of wholesale markets are:

- Terminal Market
- Cooperatives
- Wholesalers
- Brokers
- Distributors
- Retailers
- Consignment
- Contracts
- Auctions
- Internet - Business to Business (B to B)

Let's look at different types of wholesale markets in more detail.

Terminal Market

According to the Glossary of Agricultural Terms, Programs and Laws published by the US House Committee on Agriculture, a terminal market is a central site, often in a metropolitan area, that serves as an assembly and trading place for agricultural commodities. Terminal markets are usually at or near major transportation hubs.

Terminal markets around the world provide fresh fruits and vegetables to the geographic area's they serve. Without the terminal markets, we would all pay higher prices for food. The terminal markets provide an opportunity for growers world wide to sell their produce quickly and efficiently in a cost effective manner. Someone else gets the product to its final consumers, allowing farmers to concentrate on production.

Terminal markets started in the 1890s partly because it was becoming increasingly clear that the nearby market gardens alone would not be able to meet the produce needs of big city consumers if the cities were to continue with their rapid growth. Also, responding to the insistent and powerful demand for produce, railroad refrigerator cars were coming into widespread service, which triggered national wide changes in production in new areas in particular. But all of this placed unbelievable strain on the existing system of wholesalers, retailers, and markets. Adaptations were being made throughout the system, and this brought about the formation, development, and eventual fine tuning of the produce distribution system as we see it today.

Today at a terminal market you will find a great number of merchants competing on price and quality to move their product as fast and efficiently as possible. You will find merchants specializing in different products; for example, you will see merchants who specialize in herbs and spices fresh from growers all-round the world, merchants who specialize in just vegetables and others who specialize in just fruits. Parked at the docks you will find hundreds of trucks. They come from a variety of places: major chain stores, major food service distribution companies, larger retail fruit stores and many small family-owned businesses.

Ask Yourself: Is Terminal Marketing for Me?

? Do I plan to grow produce? Yes ___ No ___

? Would I prefer to let someone else market my product? Yes ___ No ___

? Am I willing to drive an hour or more to the closest terminal market to sell my products? Yes ___ No ___

? Am I willing to drive in the wee hours of the morning to sell my products? Yes ___ No ___

If you answered yes to most of these questions, you should consider a terminal market as a marketing option.

If you answered no to most of these questions, consider eliminating a terminal market as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Resources

- For a comprehensive website about terminal markets in the wholesale produce industry including what buyers have indicated they need and links to terminal markets, go to: <http://www.terminalmarkets.com>.
- For information on worldwide prices of various commodities, go to: <http://www.statpub.com/stat/statnutsapr03.html>.
- For USDA reports on terminal market prices for fruit, go to: <http://www.ams.usda.gov/fv/mncs/termfrui.htm>.

Cooperatives

Cooperatives (also called co-ops) have played a role in agriculture for quite some time. Agricultural cooperatives are entities that are formed by agricultural producers for the purpose of buying or selling products cooperatively, thus freeing individual farmers from performing these tasks alone.

Most coops will ask you to commit to growing certain products at certain quantities. You will probably be charged a fee to join the coop. If the coop does well, you will probably receive dividends as an owner at the end of the year, or the coop may vote to reinvest the retained earnings into the coop.

Chris Fullerton of Tuscarora Organic Growers Coop gives the following advice if you want to be part of a coop:

- ✓ Get the basics down before you focus on other areas like promotional material.
- ✓ The basics are: have the product you said you would have when you said you would have it.
- ✓ Make sure your production costs are competitive.
- ✓ Have your delivery system in order.
- ✓ Use good post-harvest handling procedures.
- ✓ Be good at projecting your harvest ahead of time so that you will know what you will have to offer and when.
- ✓ You can diversify, but don't try to produce everything.
- ✓ Focus on quality. You will probably not be able to compete with imports and California products on price or service, but you can compete on quality.
- ✓ Be willing to pay for the coop to do the marketing for you.
- ✓ When considering a marketing cooperative as a marketing channel, make sure that it will perform well for you. Cornell's Smart Marketing article "Make Sure your Cooperative Is Working for You" by Bruce L. Anderson suggests that members demand the following from their cooperatives:
- ✓ Establish high, but realistic, levels of expectations.

- ✓ Continually remind directors and management that the primary goal of a cooperative is to obtain the highest possible return on your products.
- ✓ Make sure the cooperative has directors and managers who are doing their utmost to assure that the cooperative is making money for members.

This means that you should expect your cooperative to be efficient. It should handle your products at low cost and employ the best people and equipment available. It should have an aggressive marketing program that provides customers with the value added products they want. This should generate enough revenue to pay dividends to members and expand demand for your product in the long-run. Small grower co-ops tend to undervalue and underpay their managers, making co-ops tenuous. Membership loyalty is also often a problem. This means than small grower co-ops may be problematic as good markets.

Ask Yourself: Is a Cooperative for Me?

- ? Am I willing to give up face time with my customers and trust someone else to sell my products? Yes ___ No ___
- ? Am I willing to focus on producing top quality products? Yes ___ No ___
- ? Am I willing to follow careful post-harvest handling practices and other procedures required by the market such as applying bar coding or price look-up stickers? Yes ___ No ___
- ? Can I be price competitive? Yes ___ No ___
- ? Am I willing to take very low prices for products that are not top quality? Yes ___ No ___
- ? Can I predict with reasonable certainty the quantities and times of delivery of my products? Yes ___ No ___
- ? Can I get your products to market on time? Yes ___ No ___
- ? Am I willing to spend some time as a member of the coop to work with the board of directors or to be on the board to make sure the coop is functioning to serve me? Yes ___ No ___
- ? Am I willing to support and give adequate compensation to a co-op manager? Yes ___ No ___
- ? Is a coop for the product I plan to produce located in my area? Yes ___ No ___
- If you answered yes to most of these questions, you should consider a cooperative as a marketing option.*
- If you answered no to most of these questions, consider eliminating cooperatives as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.*

Resources

- Chris Fullerton, Tuscarora Organic Growers Coop. HCR 71 Box 168-B, Hustontown, PA 17229. Or call 814-448-2173; fax at 814-448-2333. You can also e-mail Info@tog.coop Website: <http://www.tog.coop>.
- Cornell's Smart Marketing website at:
http://hortmgmt.aem.cornell.edu/smart_marketing/index.htm.
- Cornell's Community Food and Agriculture Program has some excellent resources on coops at:
http://media.cce.cornell.edu/hosts/agfoodcommunity/afs_temp3.cfm?topicID=445.

Brokers

A broker is normally described as an independent sales force that performs the essential functions required to facilitate sales between buyers and sellers. Brokers buy your products and sell them to other venders, such as supermarkets, who may then sell them to other middlemen or to the final consumer. This option turns the marketing function over to someone else, allowing you, the farmer, to focus on production. This can be a positive - marketing is someone else's problem, or a negative - someone else controls your market and your price.

Brokers normally provide their services to a number of different producers. Brokers can use their discretion as to where they market their products. You must make sure that the broker understands the product's position and markets it accordingly. The broker's responsibilities may be more complex than the definition implies. The broker's job is to please both the producer and the buyer. Brokers are often compensated by a commission fee for their services. Generally, the broker does not receive any money unless a sale is completed. Depending on the commodity, location, and relationship that you establish, you may sell to a broker directly, or you may sell to a broker through a cooperative or auction.

Michael Rozyne, founder of Red Tomato, a non-profit brokerage house for IPM and organic produce, says farmers going through brokers need to focus on the following:

- ✓ **Grade strictly according to government standards.** This is more critical in wholesale markets than retail ones since direct market consumers are usually more interested in freshness than uniformity.
- ✓ **Harvest carefully** to insure good quality.
- ✓ **Store carefully**, use appropriate post-harvest handling, refrigerate if necessary, and ship with care. In the wholesale market, you will compete in a world market, and you will lose your advantage of being close to the market if you are not as prudent about handling and storage as distant competitors.
- ✓ **Establish rapport with your broker.** You will often develop a mutual expectation of products and quantities to be supplied.

Ask Yourself: Is a Broker Right for Me?

? Am I willing to allow someone else to market my product? Yes ___ No ___

? Can I develop a relationship with someone else to sell my products and trust that he or she will get the best price and give me the best information about what the market wants? Yes ___ No ___

? Am I willing to strictly grade your product? Yes ___ No ___

? Am I willing to use stringent post harvest handling practices? Yes ___ No ___

If you answered yes to most of these questions, you should consider using a broker to market your product.

If you answered no to most of these questions, consider eliminating brokers as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Resources:

- For a discussion on using a middleman such as a broker, see "Some Facts and Myths about Eliminating the Middleman" 2003 by Brian Henehan.
http://hortmgt.aem.cornell.edu/smart_marketing/index.htm.
- Michael Rozyne, Red Tomato, personal communication.

Distributors

The main function of a distributor is to warehouse, take orders, invoice and deliver products. Distributors are not normally responsible for selling products. A typical distributor is involved with various product lines and usually covers a multi-state region. Distributors are not necessarily interested in carrying new products if they do not have a good track record of proven sales. When approaching a distributor, it is helpful if you have historical sales data for the product(s). Distributors charge for their services, and this charge can be a flat fee or a percentage of sales. Many large retail channels encourage their vendors to use distributors to reduce the problems of a relatively large number of delivery trucks and invoices.

Wholesalers

Wholesalers sell to retailers, other wholesalers and industrial users, but normally do not sell directly to the final consumer. Wholesalers are often segmented into agent wholesalers and merchant wholesalers. Agent Wholesalers act as sales representatives on behalf of their clients. They work on behalf of individual producers to identify alternative buyers and new sales locations and finalize orders with retail outlets. Most

agent wholesalers represent specialized products and provide their service for a fee or commission. Merchant Wholesalers use their knowledge of the product and industry to buy and sell products for their own gain. These agents will purchase a product from a producer or supplier and resell it for profit. Unlike the agent wholesaler, merchant wholesalers do not act on behalf of a producer client. As with the broker, it is important that wholesalers are aware of your positioning strategy. If a product is marketed as a high-end product, wholesalers should not market it to discount channels or set prices that do not reflect a high-end product.

Ask Yourself: Is a Distributor or Wholesaler Right for Me?

- ? Do I plan to sell a commodity or common item where a market already exists? Yes ___ No ___
- ? Do I want to sell my final product to a large retail chain store? Yes ___ No ___
- ? Am I willing to trust someone else to market my product? Yes ___ No ___
- ? Can I develop a relationship with someone else to sell my product? Yes ___ No ___
- ? Can I trust that he or she will get the best price and give me the best information about what the market wants? Yes ___ No ___
- ? Will I have a fairly large volume of a particular item? Yes ___ No ___
- ? Am I willing to strictly grade my product? Yes ___ No ___
- ? Am I willing to use stringent post-harvest handling practices? Yes ___ No ___
- If you answered **yes** to most of these questions, you should consider using a distributor or wholesaler to market your product.*
- If you answered **no** to most of these questions, consider eliminating distributors or wholesalers as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.*

Retailers

Grocery Stores, Restaurants, School Food Service Buyers, Specialty Food Stores, Florists, Garden Centers, Home Centers, and Discount Chain Stores

A retailer purchases farm products to sell to the end user or final consumer. The retailer does not purchase for personal consumption, but buys to resell, usually in small quantities per sales transaction. Most retailers buy products from distributors or through wholesalers. However, as a producer, you can also arrange to sell directly to the retailer.

Here are some considerations for prospective sellers to retailers:

- ✓ **Upscale restaurants and specialty stores pay top dollar** for quality produce and hard-to-get items. Growers can expect a minimum of 10 percent over wholesale terminal prices for standard items at mainstream restaurants.
- ✓ **Organic products** appeal to certain types of specialty stores and restaurants.
- ✓ Floricultural and nursery products will command **higher prices** at a florist or garden center than at a large supermarket chain, discount store, or home center.
- ✓ Most restaurants buy in limited quantities, and **sales may not justify the necessary frequent deliveries**. Farmers should start lining up buyers a year in advance and develop secondary outlets such as processing or selling at lower-end markets.
- ✓ Call buyers for appointments and bring free samples to gain credibility.
- ✓ Make sure you **talk with the decision maker when negotiating for sales**. If you are selling products to restaurants or school lunch programs, the chefs and servers may not be the people with the authority to purchase. The same is true at supermarkets and home centers; the person handling the produce and plants may not be the decision maker.

Figure 2--Many greenhouse and nursery products are sold through "Big Box Stores" such as Home Depot. These products can be sold through a broker or directly to wholesale buyers who work for the stores. Many of these products are sold on consignment. Since the farmers are paid for only the products that sell, many farmers are hiring employees to keep the plants watered and the shelves stocked. (Photo by Lawrence S. Martin)

- ✓ **Don't be shy.** Knock on doors and let people know that you are a vendor.
- ✓ Be respectful of your client's time.
- ✓ **Build you network of contacts** and use them to reach out to prospective buyers.
- ✓ **Major selling points** include daily deliveries, timely deliveries, special varieties, freshness, personal attention and responding quickly to any problems that arise.
- ✓ **Listen to your customers and be willing to adjust** processing and packaging methods to produce and package products that meet customers' requirements. If you are selling to restaurants, chefs often prefer to buy semi-prepared food (include pre-sliced vegetables, pre-peeled potatoes, pre-washed greens, or tomatoes and potatoes sorted according to size and variety), since they usually have a hard time finding affordable labor. Schools will follow specifications in the USDA Food Buying Guide for the Child Nutrition Program.
- ✓ Mass merchandisers and supermarkets want UPC or look up codes on clean products (No muddy pots or produce!).
- ✓ **You may have to provide additional service to keep your clients happy.** Large home centers and discount stores such as Lowes, Home Depot, K-Mart, and Wal-mart often expect you to provide someone to water the plants and keep the shelves stocked.
- ✓ **Be aware of seasonal fluctuations.** When planning your product mix, talk with buyers who are constantly looking for something new. Many farmers just produce what sold well last year, but successful sales depend on meeting the changing needs of your buyers.
- ✓ **Know your competition** and identify existing gaps in available merchandise.
- ✓ **Start small** and establish realistic production and distribution goals.
- ✓ **Explore the possibility of a partnership** with a local processor to expand your access to markets.
- ✓ Avoid the temptation to use political pressure to make a sale.

Ask Yourself: Is Selling Directly to Retailers Right for Me?

- ? Am I willing to start lining up buyers a year in advance and develop secondary outlets such as processing or selling at lower-end markets? Yes ___ No ___
- ? Am I willing to take the time to call buyers for appointments, meet with them, and take free samples to gain credibility? Yes ___ No ___

- ? Am I willing to do the research to find the decision maker to buy my products? Yes ___ No ___
- ? Am I willing to knock on doors and let people know that I am a vendor? Yes ___ No ___
- ? Am I willing to accept rejection and be persistent in finding buyers? Yes ___ No ___
- ? Am I willing to build my network of contacts slowly and use them to reach out to prospective buyers? Yes ___ No ___
- ? Am I willing to make daily deliveries and timely deliveries, and offer special varieties, freshness, personal attention and a quick response to any problems that arise? Yes ___ No ___
- ? Am I willing to listen to my customers and adjust processing and packaging methods to produce and package products that meet customers' requirements? Yes ___ No ___
- ? Am I willing to provide additional services to keep my clients happy, such as stocking shelves and watering plants? Yes ___ No ___
- ? Am I willing to keep up with seasonal fluctuations and offer products that my consumers want? Yes ___ No ___
- ? Do I know my competition, and can I identify existing gaps in available merchandise? Yes ___ No ___
- ? Am I willing to start small and establish realistic production and distribution goals? Yes ___ No ___
- ? Am I willing to explore the possibility of a partnership with a local processor to expand my access to markets? Yes ___ No ___

If you answered **yes** to the majority of these questions, you should consider selling directly to retailers.

If you answered **no** to most of these questions, consider eliminating selling directly to retailers as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Resources

- Gibson, Eric Gibson, 1994. "Sell What You Sow!: The Grower's Guide to Successful Produce Marketing," New World Publishing, Placerville, California.
- Tropp, Debra and Surajudeen Olowolayemo. 2000. How local farmers and school food service buyers are building alliances: Lessons learned from the USDA Small Farm/School Meals Workshop, May 1, 2000. USDA AMS. Available at: <http://agmarketing.extension.psu.edu/Wholesale/PDFs/LclFrmrSchlFdSrvBuyer.pdf>.
- Reap New Profits: Marketing Strategies for Farmers and Ranchers 2003. Sustainable Agricultural Network. <http://www.sare.org/publications/marketing/market03.htm> or <http://www.sare.org/publications/marketing/marketing.pdf> or order free print copies by calling 301/504-5236.

Consignment

Perhaps the most obvious difference in consignment and other ways of selling a product is when the producer gets paid. In consignment arrangements, a product is normally offered for sale at no cost or obligation until a sale is made. Usually the product is consigned to a retail store. The sale could take place quickly, or it could take months or years. The producer bears all the risk and cost, and the store has none. In this case, the retail channel does not pay for the product until it is sold to a consumer. For processing/production businesses trying to sustain themselves, consignment can be very risky because of the uncertain cash flow. In fact, the lack of cash up front can spell failure for a small business. However, consignment may provide a new producer with a way to test retail markets without a proven sales record.

Many of the big box stores are buying nursery and greenhouse plants on consignment. If you use this channel, you may want to have someone checking on the plants in the store to make sure they are properly displayed, watered, and old and dead plants are removed.

Ask Yourself: Is Selling on Consignment Right for Me?

- ? Do I plan to sell a commodity or common item where a market already exists? Yes ___ No ___
- ? Do I want to sell my final product to a large retail chain store? Yes ___ No ___
- ? Am I willing to trust someone else to market my product? Yes ___ No ___

- ? Can I develop a relationship with someone else to sell my product? Yes ___ No ___
- ? Can I trust that he or she will get the best price and give me the best information about what the market wants? Yes ___ No ___
- ? Will I have a fairly large volume of a particular item? Yes ___ No ___
- ? Am I willing to strictly grade my product? Yes ___ No ___
- ? Am I willing to use stringent post-harvest handling practices? Yes ___ No ___
- ? Am I willing to take back product that doesn't sell? Yes ___ No ___

- If you answered **yes** to the majority of these questions, you should consider selling through consignment.
- If you answered **no** to most of these questions, consider eliminating consignment selling. Instead, consider other market options, rethink your business, or retarget your audience.

Contracts

The growth of mass-market sales and national brands has encouraged specialization and price competition. For many years, much of the poultry industry has used contracts where farmers produce for one large supplier. The pork industry has moved to contract production in recent years. In the greenhouse industry, large producers and processors are expanding by vertical integration and mergers. Some of these large growers are offering contracts to other growers to supply products.

Ask Yourself: Is Contract Selling Right for Me?

- ? Would I like guaranteed sales so that I can focus on production? Yes ___ No ___
- ? Do I want a guaranteed price? Yes ___ No ___
- ? Do I want an easy way to enter the market? Yes ___ No ___
- ? Do I want a reliable cash flow? Yes ___ No ___
- ? Am I willing to give up the possibility of a higher price in the open market in exchange for guaranteed sales and price? Yes ___ No ___
- ? Am I willing to deliver product on time and meet quality standards? Yes ___ No ___

? Am I willing to pay penalties for non-delivery and not meeting quality standards? Yes ___ No ___

? Am I willing to sell all my product to just one customer who could default? Yes ___ No ___

? Am I willing to risk that changes in input prices may not be accounted for in a long-term contract? Yes ___ No ___

? Am I willing to look for a new buyer at the end of the contract? Yes ___ No ___

If you answered **yes** to most of these questions, you should consider a contract as a marketing option.

If you answered **no** to most of these questions, consider eliminating a contract as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Ask Yourself These Questions Before Entering Into a Contract Arrangement...

? How long has the buyer offered contracts? _____

? Do other producers in the area have contracts with this buyer? Yes ___ No ___

? What kinds of contract disputes have arisen, if any?

- _____
- _____
- _____

? How much buyer competition is in the area? _____

? Will future expansion be included in the contract? Yes ___ No ___

? What is your lender's attitude toward contracts? _____

? What is the long-term price outlook for the product? _____

? Does the buyer have a right to inspect the products and make changes and adjustments in the buying program? Yes ___ No ___

? Can the buyer cancel the contract? Yes ___ No ___

? Are there provisions for me, the producer, to get out of the contract? Yes ___ No ___

? Have I consulted with my attorney regarding contract production in my state? Yes ___ No ___

? Did I carefully read and understand the contract? Yes ___ No ___

A good contract is clear and concise. It states the rights and responsibilities of both the producer and buyer. Terms should include:

- ✓ Quantity
- ✓ Quality standards
- ✓ Location for delivery
- ✓ Date of delivery
- ✓ Price
- ✓ Provisions for settling disputes
- ✓ A possible escape clause
- ✓ Duration of the contract
- ✓ Method and timing of payments
- ✓ Recordkeeping system to be used
- ✓ Sources of inputs such as chicks, seeds, seedlings, etc.
- ✓ Technical assistance provided by the buyer
- ✓ Specifications, if any, for production facilities.

Resource

- FAO. Contract farming. <http://www.fao.org/ag/ags/AGSM/contract.htm>.

Auctions

Auctions are one method of wholesale sales for a variety of farm products, including fruits, vegetables, ornamental plants, flowers, meat, and eggs. Auctions are usually a type of producer cooperative: a large number of sellers take their farm products to the auction where several buyers bid competitively for those products. Auctions throughout the Northeast sell a wide variety of products such as fruit, vegetables, flowers, trees, shrubs, eggs, jams, jellies, and live animals.

The Vineland Produce Cooperative Produce Auction Association Inc., in operation since 1930, is an example of a farmer owned cooperative auction. It is one of the largest produce auctions on the east coast. The auction's regular sale starts at 11:00 a.m., every day except Friday and Sunday. On a daily basis, about 140 farmers loaded with produce are in line at the start of the auction. After the sale is made, the farmer has to

make deliveries by 4 o'clock to the broker who purchased his or her products, unless the farmer and buyer agree on an earlier or later time. When the produce is delivered, the sample is checked against the remainder of the load. Once the produce is inspected and leaves the auction premises, the produce is the responsibility of the buyer. If the produce is rejected, the buyer, the manager and the farmer review the load. If the buyer finds the produce not to be of good quality, or that the sample misrepresents the lot, the farmer can negotiate a cheaper price, or the buyer can reject the load.

The Vineland Produce Auction is now serving certain markets, all along the east coast into Canada, and the Midwest. Everything is shipped via trucks. The cost to the grower to sell produce through the auction is 4% of the selling price, out of which the farmer receives a 2.5 % patronage dividend refund.

About 35 buyers regularly purchase produce at the Vineland Produce Auction.

Figure 3—A typical day at the Kutztown, PA, Produce Auction. (Photo by Lawrence S. Martin)

Most buyers are local dealers who could best be described as buying brokers. They play the important role of assembling quantities of produce from several sources into larger economical units. Most of their purchases are to fill orders that have already been negotiated. Packing containers are standard size and must be marked as to grower's name, address, quantity and quality. This makes it easier for the buyer to bid because all buyers are bidding on the same unit and quality. This method speeds up the sale and cuts down on the time the buyer must spend at the auction.

The wide variety of products available at one location has been the key to Vineland's success. The availability of truckers in the Vineland area has been very helpful. Growers need to keep alert to the buyer's needs and attempt to address those needs. The Vineland Produce Auction serves producers and buyers. In fact, it is becoming a major produce terminal. The board of directors worked with Rutgers Cooperative Extension to install electronic data processing equipment to speed the time required for farmers to auction their produce. The New Jersey Department of Agriculture's Division of Markets has played an important role in the success of the Vineland Produce Auction.

Ask Yourself: Is an Auction Right for Me?

- ? Am I willing to allow someone else to do my marketing, allowing me, the farmer, to focus on production? Yes ___ No ___
- ? Am I willing to take the competitive market price, even if that is low? Yes ___ No ___
- ? Do I need a market where I can sell even low quality products? Yes ___ No ___
- ? Do I want a market that requires lower capital investment than other common marketing methods so that market operators can concentrate on selling produce, not on packing, inspecting or transporting? Yes ___ No ___
- ? Would I prefer to turn the responsibility of collecting accounts and determining the reliability of the buyer over to someone else? Yes ___ No ___
- ? Do I want to be assured of receiving payment on a regular basis? Yes ___ No ___
- ? Do I want my liability for marketing losses to end at the delivery of the product? Yes ___ No ___
- ? Do I want someone else to handle accounting and credit? Yes ___ No ___
- ? Do I want a market where the marketing cost is low relative to other marketing channels? Yes ___ No ___
- ? Am I willing to be physically present at the sale? Yes ___ No ___
- ? Am I willing to wait my turn for my products to come up for sale? Yes ___ No ___
- ? Does a farmers auction already exist within a reasonable driving distance from my farm? Yes ___ No ___
- If you answered **yes** to the majority of these questions, you should consider using an auction to sell your products.
- If you answered **no** to most of these questions, consider eliminating a cooperative as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Other things to consider

- ✓ Often, growers are more dissatisfied with existing marketing methods or institutions than buyers. Therefore, growers who want to establish an auction market must **be sure it satisfies the needs of buyers as well as their own**. Even if they too, are interested in market improvements, they cannot be forced to patronize an auction market if they believe it does not serve their interests.
- ✓ Because of its competitive nature, an auction might result in a loss of market power for buyers. Unless the auction can compensate them in some other way, **buyers might reject it as a method of produce procurement**. The most important incentive for buyers to patronize an auction is availability of an adequate volume of products.
- ✓ Because buyers must openly bid against each other, **auctions provide the opportunity for growers to receive competitive prices**. Buyers have equal opportunity to bid on grade and quality their trade demands. However, price differentials provide strong incentive for growers to produce the best quality possible.
- ✓ The competitive nature of the auction means **farmers sometimes receive low prices**.
- ✓ Larger growers often find it advantageous to sell products directly to buyers through sales agents rather than through the auction.
- ✓ Today, supermarkets are the primary retail outlet for produce. Most chain stores buy from local dealers who buy from the auction. Thus, **the auction is one of the most efficient ways to reach the final consumer**.
- ✓ **Auctions can become dumping grounds for farm products** when farmers use other marketing methods and only take products to the auction that they haven't been able to sell anywhere else.
- ✓ **Auctions result in wide publicity of prices** reflecting supply and demand conditions to growers, buyers and or other interested parties. Market information is readily available and rapidly disseminated. Quotations for private sales of produce are often based on prices determined at the auction.

Resource

- History of the Vineland Produce Cooperative Produce Auction Association, Inc. by Charles C. Bylone, President of Vineland Produce Cooperative.
<http://history.vineland.org/block/history/history.htm>

Internet - Business to Business (B2B)

E-commerce is the first major marketing innovation since brand advertising and network television. Innovations in technology made it possible. Business to Business (B2B) e-commerce is companies buying and selling to each other electronically on-line. But it is more than just selling. E-companies have formed as market places (more correctly called market spaces) to sell agricultural products on line. Many of them are directories of products for both the retail and wholesale sides of the agricultural industry. Customers worldwide can search for agricultural products and services. As a buyer who is also an agricultural producer, you can search for products that satisfy your needs. As a seller, many of these sites promote your brand and marketing message. Many also offer website development and direct mail services.

Everyone is familiar with Amazon.com and e-bay, e-commerce companies who sell directly to customers (Business to Consumers or B2C).

What is the difference between B2B and B2C e-commerce?

- ✓ **Who the customers are:** companies (B2B) or individuals (B2C).
- ✓ **B2B commerce requires negotiation.** Selling to another business often involves haggling over prices, delivery, and product specifications. This is usually not true when you are selling to consumers. It is easy to put a catalog online. That is why the first B2B applications were for buying finished goods or commodities that are simple to describe and price.
- ✓ **Integration.** To sell to other companies online, you will probably have to integrate with their systems, which is not usually the case if you are selling online to individual consumers. Systems often have to integrate without human intervention.

What are the benefits of B2B e-commerce?

- ✓ You can manage inventory more efficiently.
- ✓ You can adjust quickly to consumer demand.
- ✓ You can get products to market quickly.
- ✓ It is a popular way to **unload excess inventory**.
- ✓ You can cut the cost of paperwork.
- ✓ You can **obtain lower prices** for some input supplies.

You may want to start in B2B e-commerce by buying supplies. There are several B2B e-commerce website exchanges that focus on agricultural. Some of them offer B2B and B2C services, sell input products, market your products, provide website development, commodity prices, weather conditions, and offer help with everything from building design and business strategies. A short non-exhaustive list of these, without endorsement for any of them follows:

- Bobcat B2B Simple Business to Business Guide:
<http://www.bocat.com/agriculture/>.
- Business to Business Company Farms.Com:
<http://www.internetb2blist.com/pages/station.asp?stationID=20&c=B2B>.
- B2B Markets for Agriculture:
http://www.business.com/directory/agriculture/b2b_markets/.
- Many sites focus on a particular commodity. One example is Green Industry Yellow Pages, Inc. at: ***www.GIYP.com***. This is a powerful search directory that serves both the retail and wholesale sides of the green industry.

Ask Yourself: Is Business to Business (B2B) Internet Marketing for Me?

- ? Am I willing to take the time to make sure my customers know how to find me on the internet? Yes ___ No ___
- ? Am I willing to invest the time and money to develop a website for my business? Yes ___ No ___
- ? Am I willing to link my web page to web sites that strive to connect farmers to other farmers, such as: Yes ___ No ___
- *<http://www.bocat.com/agriculture/>*.
 - *<http://www.internetb2blist.com/pages/station.asp?stationID=20&c=B2B>*
 - *http://www.business.com/directory/agriculture/b2b_markets/*.
 - *<http://www.GIYP.com>*.
- ? Am I willing to update and maintain my web site often with new product information and uses? Yes ___ No ___
- ? Can I make sure that my site is secure for credit-card users? Yes ___ No ___
- ? Can I provide regular and toll-free telephone numbers for customers who prefer to call in orders? Yes ___ No ___
- ? Can I find reliable and cost-effective shippers who will deliver products on time and in good condition? Yes ___ No ___

? Am I willing to maintain an electronic list of customers; then send them weekly or monthly announcements that beckon them back to my site? Yes ___ No ___

? Can I find alternative markets while I am building an e-commerce business? Yes ___ No ___

If you answered **yes** to most of these questions, you should consider B2B internet marketing.

If you answered **no** to most of these questions, consider eliminating B2B internet marketing as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Interested in B2B Internet Marketing?

If you're interested in investigating the potential of B2B Internet marketing, keep in mind:

- ✓ You may want to **start with purchasing supplies** via B2B e-commerce.
- ✓ You can **attract mail order sales via the internet**, especially if you have a specialty product.
- ✓ You can use your website to tell customers more about your products.
- ✓ Make sure your customers know how to find your website.
- ✓ Depending on what you are selling, look for software or e-commerce exchanges that support your needs.

Resources

- USDA's Agricultural Marketing Service publication entitled "How to Direct-Market Farm Products on the Internet" available on line at:
<http://www.ams.usda.gov/tmd/MSB/PDFpubList/InternetMarketing.pdf>
- The ABC's of B2B by Elana Varon. Available at on-line at:
<http://www.utextension.utk.edu/hbin/What%20is%20B2B%20&%20B2C.pdf>
- Introduction to e-commerce by Dr. Charlie Hall, University of Tennessee. Available at:
<http://www.utextension.utk.edu/hbin/Introduction%20to%20Ecommerce.pdf>

Wholesale Marketing Summary

The big question is wholesaling versus retailing is do you want to focus your energies on marketing or turn that function over to someone else. This about where your talents are. If you are a people person, direct marketing is probably for you. If you are more interested in production than sales, wholesaling may be for your. Even then, however, you have to keep in mind what the consumer wants.

Resources on Wholesale Marketing

- USDA Agricultural Marketing Service (AMS) Wholesale Marketing and Facility Design. Available at:
<http://www.ams.usda.gov/tmd/MSB/publications.htm#Wholesale>.
- Penn State's Ag Marketing Website:
<http://agmarketing.extension.psu.edu/Wholesale.html>.

Direct Markets

A consumer is one who consumes/ acquires goods or services for personal use or ownership rather than for resale. A consumer's behavior is influenced by many factors, including taste, preferences, culture, class, family, role, status, age, occupation, lifestyle, beliefs, attitudes, learning and income. Because of these influencing factors, consumers with like characteristics often frequent the same type of markets.

Direct marketing, i.e., farmers selling their farm products directly to consumers, has been gaining popularity in recent years. Direct marketing includes:

- Pick-Your-Own Farms
- Roadside Stands
- Farmers' Markets
- Community Supported Agriculture (CSA)
- Agri-tourism
- Internet and Mail Order (Business to Consumer - B2C)

Farm products that are sold directly include fruits, vegetables, nuts, honey, meats, cheese, eggs, flowers, plants, herbs, bulbs, spices, specialty crops, Christmas trees, and value-added products such as maple sugar candies, cider, jellies, preserves, canned food, and firewood.

Direct marketing is especially beneficial to small farm operators. The USDA Agricultural Marketing Service has developed a website to serve as a one-stop information source for farmer direct marketing activities:

www.ams.usda.gov/directmarketing.

If you are interested in direct marketing alternatives, you should evaluate several alternatives to help determine which marketing channels to focus or target. Normally, the most important factors include the cost of participating in a certain channel, the potential net revenue to be generated from sales, the retail price and the physical distribution environment. Farmers' markets, farm stands, and agri-tourism provide consumers the experience of not only purchasing fresh produce from the producer, but also the opportunity to learn how it was produced.

Let's take a closer look at direct marketing alternatives.

Pick-Your-Own Markets

Pick your own farms were popular in the 1970's when people still picked produce to freeze and can or make jellies and jams. The popularity has declined since the 1970s and 1980s because people no longer travel to a farm to get cheap food. But as fewer people are raised on a farm, they go to a farm to pick fresh produce or flowers, to have fun, and create a family experience and memory. It gives them contact with the land and the farmer and a better understanding of how they get their food. Pick-your-own marketing turns the job of harvesting, packing, and transporting your production over to the customer. This type of farming operation may be a low cost way for a small farmer to get started in farming because it reduces harvest labor needs and eliminates most post-harvest tasks such as grading, washing, packing, cooling and storing. Since many people are coming to your farm as entertainment rather than to save money by picking their own produce, many farmers have pre-picked some produce so that customers can buy more when they tire of picking. Once folks are on your farm, they usually buy other farm products.

Before you proceed, however, consider what opening your farm to the public means.

Ask Yourself: Is a Pick-Your-Own Farm for Me?

- ? Am I willing to have a phone with an answering machine that gives updates on prices, conditions and operating hours? Yes ___ No ___
- ? Am I willing to maintain evening and weekend hours? Yes ___ No ___
- ? Do I have the location to create a pleasant and educational setting for families, many with small children? Yes ___ No ___
- ? Can I provide ample parking, good roads and clean trails? Yes ___ No ___
- ? Am I willing to supply containers, even if customers are told to bring their own? Yes ___ No ___
- ? Am I prepared to display clear signs indicating rules, prices, hours, etc? Yes ___ No ___
- ? Am I willing to buy extra liability insurance? Yes ___ No ___
- ? Am I able to supervise customers? Yes ___ No ___
- ? Am I willing to sacrifice my privacy? Yes ___ No ___
- ? Am I a "people person"? Yes ___ No ___
- ? Am I willing to overlook customers who trample my plants and take "free samples" of the products? Yes ___ No ___

- If you answered **yes** to the majority of the questions, you should **consider Pick-Your-Own**. Remember that you will need liability insurance, space for parking, ability to supervise customers, and, perhaps most important, a willingness to sacrifice your privacy.



. If you are a perfectionist, beware because customers will trample your plants, take "free samples" of the produce, not pick where you direct them to pick, or not pick very closely.

Roadside Stands, Roadside Markets and On-Farm Sales

Few people today have their own vegetable garden or even a few tomato plants in their back yards. Yet, they still want the good taste of fresh local food. They may not want to pick produce themselves, but they are willing to drive to a farm stand or roadside market to purchase it. By locating a farm store right on the farm, producers can interact more with customers, learn their preferences and gain their support.

Figure 4--Seasonal display at Barlow Flower Farm, Sea Girt, NJ with value added services of potting plants.

Ask Yourself: Is a Farm Stand Right for Me?

- ? Am I willing to invest in the expense of building a farm stand, including building aterials and permits? Yes ___ No ___
- ? Am I willing to start simple at first and upgrade as I succeed? Yes ___ No ___
- ? Do I have particular items that would attract consumers to my farm stand? Yes ___ No ___
- ? Do I have a location to attract customers, i.e., a busy roadway or other well-trafficked area? Yes ___ No ___
- ? Can I provide adequate parking? Yes ___ No ___

If you answered **yes** to most of these questions, you should consider a farm stand.

If you answered **no** to most of these questions, consider eliminating a farm stand as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Other things to consider

- ✓ **Contact your state Department of Agriculture** to find out whether you can set up a stand along state roads.
- ✓ **Consider the traffic speed** and how to give motorists a heads-up to slow down.
- ✓ **More elaborate roadside stands and small seasonal markets** often prove successful for direct marketers. They commonly feature a wide variety of retail products along with those actually produced on the farm.
- ✓ **Check your local extension office** for information about how to construct sales stands, small market buildings and produce displays.
- ✓ State Departments of Agriculture and Departments of Highways **may be able to provide tourism signs**.
- ✓ Stands are sometimes most successful when they feature only one or two high-demand items such as fresh-picked sweet corn, early watermelons or pumpkins.
- ✓ **Location is very important**; busy roadways or other well-trafficked areas are almost essential. Consider, however, the traffic speed and how to give motorists a head-up to slow down. You also will need to provide parking. Contact your state Department of Agriculture to find out whether you can set up a stand along state roads.

Resource

- For information on developing a business plan for a farm market and worksheets that help you plan, go to The University of Delaware's "Plan the Farm Market Website" at http://www.agriculturehealth.com/agri_marketing/index.htm.

Farmers' Markets

Farmers' markets have been making a resurgence since the 1990's. Their numbers have grown to over 3,100. Consumers want to buy fresh farm products from their local farmers with whom they can build a relationship of trust. Their primary reason for purchasing from a farmer's market is quality. The second is to support local farmers.

Farmers' markets offer a regular outlet where producers can sell a wide range of farm products including produce, plants, meat, eggs, cheese, and crafts. Farmers' markets work well in the rural/urban fringe, and help build good will for agriculture. If a farmers' market already exists in your area, entry may be easy and limited only by space at a particular market and the fee to sell, which is usually nominal. If no farmers' market exists, you may want to organize one with other farm families in the area. You will want to look for a good mix of producers and diversity of products. The more farmers there are in a farmers' market and the more diversity of products, the more customers will be drawn to the market.

Ask Yourself: Is a Farmer's Market Right for Me?

- ? Would my customers like to buy direct-marketed products? Yes ___ No ___
- ? Does a farmers' market already exist for the products I plan to produce? Yes ___ No ___
- ? Would I prefer to work through these existing markets rather than develop my own markets? Yes ___ No ___
- ? Do my customers prefer buying at retail outlets where they can meet the farmer? Yes ___ No ___
- ? Is my farm too far from population centers to attract customers out to my farm? Yes ___ No ___
- ? Am I willing to get to the market early in the season to establish rapport with customers and build a customer base? Yes ___ No ___
- ? Am I a "people person"? Yes ___ No ___
- ? Would my customers like to buy direct-marketed products? Yes ___ No ___

- If you answered **yes** to most of these questions, you should consider marketing at a farmer's market if there is one within a reasonable distance from your farm.
- If you answered **no** to most of these questions, consider eliminating a farmer's market as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Resources

- For a list of farmers' markets in your area, go to the USDA Agricultural Marketing Service website on farmers' markets at <http://www.ams.usda.gov/farmersmarkets>.
- For information on how to start a farmers' market, go to http://www.ams.usda.gov/directmarketing/l_online.htm#guides.
- For more information on farmers' markets, call the Farmers' Market Hotline at 1-800-384-8704 or visit the USDA Agricultural Marketing Service Farmers Markets web page at <http://www.ams.usda.gov/farmersmarkets>.
- Additional information on how to start a farmers' market and other direct marketing information can be found at <http://www.ams.usda.gov/directmarketing>.

Community Supported Agriculture (CSA)

Community Supported Agriculture (CSA) is a partnership-marketing venture between farmers and consumers. CSA farms represent a shift from the individualism of traditional agriculture to a community approach in producing food.

The goals of CSA farms are to:

- ✓ **Provide farmers with direct outlets** for farm products and ensure a certain price
- ✓ **Strengthen local economies** by keeping food dollars in local communities.
- ✓ **Directly link producers with consumers**, allowing people to have a personal connection with their food and the land on which it was produced.
- ✓ **Make nutritious, affordable, wholesome foods accessible** and widely available to community members.
- ✓ **Reduce environmental impacts of agriculture** by lowering the use of fossil fuels to transport, process, and distribute locally produced food to local consumers rather than transporting food long distances.

Community members who join a CSA farm pay a local farmer an annual membership fee to cover the production costs of the farm and in return receive a weekly share of the freshly picked harvest, (usually organic) vegetables during the local season. Some farms also offer fruit, herbs, flowers, and other products. In this way, farmers and members become partners in the production, distribution and consumption of locally grown food.

A "share" is usually enough to feed a family of four. Sometimes "half shares" are available. The price of a share is usually between \$300 and \$600 for a season and varies widely depending on an individual farm's costs of operation, total months of distribution, variety of crops available and productivity of the soil. A study by Sabih and Baker (2000) showed that CSA farms gave farmers a bigger profit and consumers lower costs than did conventional agriculture. On average,

Figure 5—Bob Muth with his CSA wagon on his farm in Williamstown, New Jersey (Gloucester County). Customers pick up produce on Fridays and Saturdays from the wagon that his wife oversees. Each CSA member is allocated a certain amount of produce to pick from the wagon. Sometimes they can pic-your-own in the field for certain crops like strawberries in the spring. (Photo by Michelle Infante-Casella).

farmers were able to realize substantially more income than with traditional techniques. Consumers saved 39% on groceries compared to supermarkets.

A CSA farm operator sells individual shares in the farm before the planting season, thus receiving an infusion of cash to purchase inputs without having to finance the operation through credit. The arrangement guarantees the farmer financial support and enables many small- to moderate-scale organic family farms to remain in business. CSA farms often include consumers in the decision-making processes of what produce to grow, how to market, and whether labor as well as financial support is required by shareholders. Purchasing produce from a CSA farm requires more of a consumer's time than buying from a supermarket, but appeals to consumers who want to be more connected to their food source.

Today, over 1,000 CSA farms operate in the US and Canada, mostly near urban areas. Ostensibly, the shareholders share in the risks of the production so CSA farms can shift some of the production, market, and financial risk from producers to consumers.

Ask Yourself: Is a CSA Farm Right for Me?

- ? Do I want to have customers on my farm and build stronger links to the community?** Yes ___ No ___
- ? Am I willing to have a phone with an answering machine that gives updates on available products, conditions and operating hours?** Yes ___ No ___
- ? Am I willing to maintain evening and weekend hours?** Yes ___ No ___
- ? Do I have the location to creating a pleasant setting for families, many with small children?** Yes ___ No ___
- ? Am I willing to supply containers, even if customers are told to bring their own?** Yes ___ No ___
- ? Am I prepared to display clear signs indicating rules, quantities to pick or take, hours, etc.?** Yes ___ No ___
- ? Am I willing to make my farm property as safe as possible to avoid accidents?** Yes ___ No ___
- ? Am I willing to buy extra liability insurance?** Yes ___ No ___
- ? Am I able to train and supervise customers if they contribute to labor?** Yes ___ No ___
- ? Am I willing to sacrifice my privacy?** Yes ___ No ___

- ? Am I a "people person"? Yes ___ No ___
- ? Am I willing to overlook customers who will trample my plants? Yes ___ No ___
- ? Do I have a several items that would attract consumers to my farm? Yes ___ No ___
- ? Do I have a location to attract customers? i.e., a busy roadway or other well-trafficked area? Yes ___ No ___
- ? If I don't have a convenient location, do I have a plan to attract CSA members? Yes ___ No ___
- ? Can I provide adequate parking? Yes ___ No ___
- ? Am I willing to let customers help run my farm? Yes ___ No ___

- If you answered **yes** to most of these questions, you should consider a CSA.
- If you answered **no** to most of these questions, consider eliminating CSA farms as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Resources:

- Cathy Roth at the University of Massachusetts compiled a list of CSA resources available at:
http://www.umassvegetable.org/food_farming_systems/CSA/csa_site/csa_resources/publications/index.html 13 Jan 2005.
- Sabih, S. F. and L.B.B. Baker. 2000. Alternative financing in agriculture: A case for the CSA method. *Acta Hort.* 524:141-148.
- Van En, R., L. Manes, and C. Roth. 1999. What is community supported agriculture and how does it work?
http://www.umassvegetable.org/food_farming_systems/CSA/csa_site/index.html#What_is_a_CSA. 13 Jan 2005.
- Henderson, Elizabeth and Robyn Van En. 1999. *Sharing the Harvest. Community Supported Agriculture in America.* Chelsea Green. White River Junction. VT. (800) 639-4899.

Agri-tourism

Agri-tourism is the economic activity that pairs farms with entertainment. It includes visits to a farm as part of a leisure time activity. Agricultural tourism is expanding in the United States and around the world. Agricultural tourism is defined as "a business conducted by a producer for the enjoyment and education of the public, to promote the products and thereby generate additional income (Sustainable Agriculture, 1998)." Pairing farms with entertainment can draw families -- and their recreational dollars.

Agri-tourism enterprises can take many forms. Educational offerings such as planting demonstrations, equipment and garden displays, and farm museums give consumers a greater understanding of farming. Farms are popular tour sites for school and group tours. Often they arrive in the fall to receive a tour of the farm and pick a pumpkin or take a tour of a haunted house, take a hayride, or visit a petting zoo of farm animals.

Seasonal festivals such as Spring Flower Fairs, Flower Shows, Fall Foliage Festivals, corn mazes, haunted houses, grape stomping festivals,

Strawberry festivals, native American Powwows, and birthday parties attract consumers to farms. Another option for recreational farming is leasing wooded land or marginal cropland for hunting, fishing or hiking.

Figure 6--Nathan Kohler, Kohler Farms, Ambler, Pennsylvania, petting zoo with animal feed for sale. The Kohlers have made substantial investments in this agri-entertainment segment of their marketing. The petting zoo has been not only popular with the children of their customers, but it has also increased other peripheral sales. (Photos by Lawrence S. Martin)

Ask Yourself: Is Entertainment Farming or Agri-tourism for Me?

- ? Do I want to have customers on your farm and build stronger links to the community? Yes ___ No ___
- ? Am I willing to have tourist activities interfere with main farm activities? Yes ___ No ___
- ? Am I willing to deal with increased traffic on my farm? Yes ___ No ___
- ? Am I prepared to provide adequate parking for customers? Yes ___ No ___
- ? Am I willing to deal with possible conflicts with non-farm neighbors because of increased traffic and noise? Yes ___ No ___
- ? Am I willing to invest in additional items such as farm stands, toilets, etc., for customers? Yes ___ No ___
- ? Am I willing to hire and train employees to deal with customers? Yes ___ No ___
- ? Am I willing to face a potential of low financial return and high liability risk? Yes ___ No ___
- ? Am I willing to make your farm property as safe as possible to avoid accidents? Yes ___ No ___
- ? Am I willing to buy additional liability insurance to cover activities such as farm stand sales, pick-your-own activities, school tours, festivals, etc.? Yes ___ No ___
- ? Am I willing to never really be off duty? Yes ___ No ___
- ? Am I prepared for late-night calls? Yes ___ No ___
- ? Do I have social skills to deal with the public? Yes ___ No ___
- ? Am I willing to create a scenic, clean, attractive farm? Yes ___ No ___
- ? Am I willing to do the extra work above and beyond producing products so that I can create a market for my farm products and add value to them? Yes ___ No ___

? Do I plan to have other on-farm activities such as an on-farm stand where visitors can browse and purchase other farm products while enjoying seasonal activities? Yes ___ No ___

? Do I want to reduce risks by sharing other farm inputs (e.g., information, machinery, labor, etc.) with other farm enterprises and spread depreciation, interest, taxes, insurance, rental costs, advertising, and other fixed costs of your basic farming operation over additional activities like agri-tourism? Yes ___ No ___

If you answered **yes** to most of these questions, you should consider entertainment farming or agri-tourism.

If you answered **no** to most of these questions, consider eliminating cooperatives as a marketing choice. Instead, consider other market options, rethink your business, or retarget your audience.

Figure 7--Dan and Pat Schwalm of Schwalm's Greenhouse in Sunbury, PA sell about 50% of their product wholesale, and 50% retail. Pat runs the retail side of the business. She has open houses and sells food to raise money for charity. She keeps the proceeds for plant sales and builds good community relations. She has innovative displays to demonstrate to customers how to use their plants. They have seating under their pergola. Visiting their retail greenhouse is a fun experience for customers. (Photo by Lawrence S. Martin)

Some additional tips

- ✓ **Creating a scenic, clean, attractive farm is crucial** for success in agri-tourism and can overcome a location that is less than ideal.
- ✓ Holidays likely mean a full workday.
- ✓ Call tour bus companies and your local or regional tourism and convention bureau for information on **attracting tour buses to your farm**.
- ✓ **State Departments of Agriculture often offer assistance in setting up farm festivals** and similar activities. State tourism bureaus also can offer a wealth of ideas and information.

Resources

- Brumfield, R.G. and E.K. Mafoua. 2002. Agricultural Tourism as Income-Based Risk Management Strategy for Greenhouse and Nursery Producers. Factsheet 1003. Available on line at: <http://www.rce.rutgers.edu/pubs/pdfs/fs1003.pdf>.
- Agri-tourism - A Growth Industry. September 21, 2000. <http://public.gov.nf.ca/agric/whatsnew/Agri-Tourism.htm>.
- Defining Agri-Tourism. March 1, 1999. <http://www.gov.nf.ca/agric/Tourism/define.htm>.
- Direct Farm Marketing and Tourism Handbook. August 17, 1999. <http://ag.arizona.edu/arec/pubs/dmkt/dmkt.html>.
- Rilla, Ellen. "Unique Niches, Agritourism in Britain and New England." September 27, 2000. <http://www.sfc.ucdavis.edu/agritourism/printer.html>.
- Sustainable Agriculture. "Unique Niches: Agritourism Grows in West Marin." Cooperative Extension Agricultural Experiment Station University of California, Vol. 10, No. 2, p. 3, Summer 1998.
- Alternative Enterprises and Agritourism in the Natural Resources Conservation Service by the USDA and the Natural Resource Conservation Service. Agri-tourism and alternative enterprises can provide supplemental income to small farms. This website provides examples of successful alternative enterprises, information sheets, resource people directories, tool kit, and brochures for those people seeking alternative methods of utilizing their natural resources, available at <http://www.nrcs.usda.gov/technical/RESS/altenterprise>.

Internet and Mail Order - Business to Consumer (B2C)

As mail order and Internet sales continue to grow, creative farmers are jumping on board. Both spell convenience for busy people looking for unique products. Everyone is familiar with Amazon.com and e-bay, which sell products directly to consumers. Existing companies with bricks and mortar stores are also adding on-line sales. Some farmers are also selling their products directly to consumers on-line, or using a website as a way to attract customers to more conventional marketing venues.

Today the profile of the typical online consumer more closely resembles the typical US resident than ever before. Online shopping is growing rapidly, and spending in this market is increasing. Catalog consumers tend to be characterized as demanding people. They want to know all about a product before purchasing: cost, origin and other specifications. Many are members of the baby-boomer generation, male and female, mostly married, somewhat affluent and college-educated. Not only are they demanding; but, they also want instant gratification. These consumers have high expectations, and their expectations generally increase with age and experience.

You don't need to be a copywriter or a computer expert to tap into millions of potential on-line buyers, although maintaining a successful web site is time-consuming and challenging. You may want to hire a helper or find a friendly computer whiz to help you. You also need insights into the worldviews and desires of potential customers who are not farmers.

The main disadvantage to mail order and Internet marketing is fierce competition. Attracting buyers can be difficult when hundreds of other farmers offer similar products in catalogs or web sites. Keep in mind that you need to budget time to maintain a good web site. If it's not current, a customer will zip away with a click of the mouse. Look to local farming organizations, your local cooperative extension service or state department of agriculture to get listed on their websites which list farmers selling directly to consumers.

Ask Yourself: Is Mail or Internet Marketing for Me?

- ? **Am I willing to take the time to make sure my customers know how to find me?** Yes ___ No ___
- ? **Am I willing to link my page to web sites that strive to connect farmers and consumers, such as <http://www.localfarm.net>, www.upick.com and www.smallfarms.com?** Yes ___ No ___
- ? **Am I willing to update my catalog or web site often with new product information and uses?** Yes ___ No ___
- ? **Can I make sure that my site is secure for credit-card users?** Yes ___ No ___
- ? **Can I provide regular and toll-free telephone numbers for customers who prefer to call in orders?** Yes ___ No ___
- ? **Can I find reliable and cost-effective shippers who will deliver products on time and in good condition?** Yes ___ No ___
- ? **Am I willing to invest the time to bring customers back to my web site by sending e-mail announcements about new features?** Yes ___ No ___
- ? **Am I willing to maintain an electronic list of customers; then send them weekly or monthly announcements that beckon them back to my site?** Yes ___ No ___
- If you answered **yes** to most of these questions, you should consider mail or internet marketing.*
- If you answered **no** to most of these questions, consider eliminating mail or internet marketing as a marketing choices. Instead, consider other market options, rethink your business, or retarget your audience.*

If you're interested in investigating the potential of mail or Internet marketing, keep in mind:

- ✓ You can either attract mail order sales via the internet, or use your website as a way to draw local customers to your farm.
- ✓ You can use your website to tell customers more about your farm. You can also give directions, hours, and products currently available.
- ✓ The proliferation of websites can make navigating the Internet difficult. Make sure your customers know how to find you.

Resources

- USDA's Agricultural Marketing Service publication entitled "How to Direct-Market Farm Products on the Internet" available on line at:
<http://www.ams.usda.gov/tmd/MSB/PDFpubList/InternetMarketing.pdf>.
- The ABC's of B2C by Susannah Patton. Available at on-line at:
<http://www.utextension.utk.edu/hbin/What%20is%20B2B%20&%20B2C.pdf>.
- Introduction to e-commerce by Dr. Charlie Hall, University of Tennessee. Available at: <http://www.utextension.utk.edu/hbin/Introduction%20to%20Ecommerce.pdf>.

Direct Marketing Summary

First consider your location. Are you on a busy road that lends itself to retail sales? If not, this does not mean you can't market directly, but it may be harder to draw customers to your farm. Many consumers are interested in having a farming experience and, incidentally, want to buy farm products such as fruits, vegetables, plants and flowers, cheese, milk, etc. Consequently, you need to be aware that you are selling services as well as products. If you are selling on your farm, you will need to have a promotional plan to attract customers to your farm. If you plan to sell from your farm, contact your insurance agent and make sure that you have the appropriate liability insurance. You may need a liability insurance plan that covers activities such as farm stand sales, pick-your-own operations, school tours, festivals, and so on.

Alternatively, instead of attracting customers to your farm, you may want to consider taking the products to the customers. Examples of this include having a drop-off point for members of your CSA to pick up their products, or setting up a stand in a farmers' market.

Assistance and Additional Resources

Where can I get assistance for my direct market or project?

There are several types of programs that provide support through technical assistance or funding. Many programs target particular needs so please follow the links for more information. For details on USDA and other government programs go to:
<http://www.ams.usda.gov/directmarketing/funding.htm>.

Additional references on direct marketing

- "Direct Marketing Guide for Producers of Fruits, Vegetables, and Other Specialty Products" by Charles R. Hall, University of Tennessee Agricultural Extension Service Bulletin PB1711. Available on line at: <http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>. This is an excellent overview of direct marketing strategies for the budding entrepreneur. This bulletin provides practical advice on selling through farmers' markets, roadside stands, and pick-your-own operations. Other topics such as business planning, market research, advertising and promotion, and pricing are discussed as well.
- "ATTRA Direct Marketing Business Management Series" by Katherine Adam, Radhika Balasubrahmanyam, and Holly Born, available on line at <Http://attra.ncat.org/attrapub/PDF/directmkt.pdf> or by calling Appropriate Technology Transfer for Rural Areas (ATTRA) at 1-800-346-9140. This publication focuses on direct marketing alternatives - with emphasis on niche, specialty and value-added crops - and features many farm case studies, as well as information on enterprise budgets and promotion/publicity, implications of Internet marketing and e-commerce for agriculture. It also has an extensive list of resources for direct marketing.

Pricing

You need to know how you will price your products.

Key pricing points to keep in mind

- **Know your production and marketing costs** so that you can establish a "price floor" i.e., the lowest price you can receive is your cost of production.
- **Know what your customers think is the "value" of the product**, "price ceiling" i.e., want and how much they are reasonably willing to pay for your product.
- **Do some cost accounting** on paper (or spreadsheet) to determine costs, sales and profit goals.
- Most customers will be willing to pay a price somewhere between the price floor and price ceiling.
- Develop a strategy to meet them.
- **Analyze your products and services** and the risks associated with their production.

Pricing Strategy Facts

There are some facts you need to know when choosing a pricing strategy.

- Prices charged will always have an important effect on sales programs.
- In some markets (especially wholesale markets) you will be the **price taker**. In other words, the market, rather than you, sets the price.
- You can still **do things to obtain a higher price**. If you want more control over your pricing you will need to differentiate your product.
- These practices also apply if you are a **price setter**.

Ask Yourself: How Do I Price My Product?

? How much will it cost to produce my product? _____

? How much are customers willing to pay for my product? _____

? What price will I charge? _____

? Will the price I choose support my

- Product? Yes ___ No ___
- Sales objectives? Yes ___ No ___
- Distribution? Yes ___ No ___
- Promotional strategies? Yes ___ No ___

? Which of these practices do I intend to use?

- ✓ Produce high quality products. Yes ___ No ___
- ✓ Carefully grade my products. Yes ___ No ___
- ✓ Focus on good post-harvest handling techniques. Yes ___ No ___
- ✓ Look for niche markets and products that consumers want especially those that other producers are not supplying. Yes ___ No ___
- ✓ Offer good service. Yes ___ No ___
- ✓ Be in the market at the right time. Yes ___ No ___
- ✓ Make sure you know the cost of production so you know your bottom price. Yes ___ No ___

? What plans are my plans for obtaining the highest price possible:

1. _____
2. _____
3. _____
4. _____
5. _____

Advertising and Promotion

Even if a market has the best quality product, service, and price, it will not succeed if it doesn't attract an adequate number of customers. Promotions can best be described as activities to prompt or entice customers. To many producers this seems like too large an expense for a seemingly invisible product. It is often hard to see the short/long run benefits of advertising and promotion.

Advertising and promotion increase patronage and sales and can really pay-off when you are:

- ✓ Introducing **new products**.
- ✓ Offering **seasonal products** which are in high demand.
- ✓ Marketing exceptionally **fresh and high quality products**.
- ✓ Offering **products that are clearly differentiated**.
- ✓ Promotions can take the form of:
 - Clearance sales
 - Free shipping
 - Free sampling
 - Billboard advertisement
 - A buy-one-get-one free product promotion
 - Your local newspaper running a feature article about a locally produced product

Figure 8--Bill and Meg Bitter use an attractive sign along with their plants and adequate parking to attract customers to Bill Bitter Flowers and Plants, Belmar, New Jersey. They also have innovate, jump start spring sales by featured classical musicians on opening day. Their novel approach has been received well in the community. The Bitters have accurately and smartly targeted their audience. (Photo by Lawrence S. Martin)

It is essential to remember that promotions, advertising and publicity alone cannot generate significant, sustainable demand for a product if consumers do not like the product. Your product must meet a specific need. You must be in tune with what the target consumer wants.

In some wholesale markets, you will have less opportunity for promotion than in direct markets.

In markets that sell at an auction or through a broker, your best promotion will be:

- ✓ Your reputation
- ✓ Consistent products
- ✓ High quality products

Your customers will most likely not only buy your products, but they will also be willing to pay a higher price for them than for competing products from competing producers.

Even in these markets, you can:

- ✓ Offer **promotional flyers** describing the attributes of your product.
- ✓ Add labels with information about your product:
 - How to use it and generally care for it.
 - How to feed, fertilize, and/or water if you are selling plants.
 - How to store it.
 - Help with problem solving.
 - How to contact you.
 - Your website address.
- ✓ Carefully **grade your products**.
- ✓ Focus on **good post-harvest handling techniques**.
- ✓ **Look for niche markets** and products that consumers want especially that those that other producers are not supplying.
- ✓ Offer **quantity discounts**.
- ✓ Have **clearance sales**.

In wholesale markets and direct markets, you can promote on your website and send newsletters and other information directly to your customers.

Promotional plan

If you plan to conduct an advertising or promotional campaign, you should develop a promotional plan. This plan should:

- ✓ Be prepared 6-12 months before the campaign is set to begin.
- ✓ Include questions you need to ask about potential customers such as:
 - Basic marketing information about your competition
 - Population in your target area
 - Trade patterns in that area
 - Your product strengths and weaknesses
- ✓ Target Your Markets!
 - Determine the buying behavior of potential customers.
 - Determine specific, short-term objectives that are consistent with the long-run goals of your business.
 - Establish Alternatives.
 - Evaluate and select advertising and promotional techniques to meet your objectives most effectively and economically.
- ✓ Make a **Budget**.
 - Decide on the amount and allocation of **funds needed to meet your objective**.
- ✓ **Strategy**. Select techniques or types of media to be used and determine the timing, frequency, and **coverage**.
- ✓ **Evaluation**: Was it worth it? Was it profitable?
 - **Review the net sales**. Was the cost of the advertising and promotional campaign justified?

Figure 9--John and Jessica Dryer. Dryer Farms in Cranford New Jersey offers fresh produce and plants in a very urban area. They were vegetable farmers, but have added other types of production so that their farm stand is now open almost year round. They also sell bedding plants, nursery plants, fall pumpkins, and Christmas trees.

Customer profile

Your promotion should be targeted to the type of customer that you want to reach. Your advertising and promotional campaign is a way of communicating with that potential customer. For example, if you are selling fruits and vegetables to vacationers who are on their way to the Jersey shore, a billboard is likely to be more effective than an ad in the local newspaper.

Ask Yourself: Who are my customers?

? Who are my potential customers?

(This will help you know how to reach these customers and target your promotional activities).

- ? Are they low _____, medium _____, or high _____ income?
- ? Are they young _____, middle-aged _____, or elderly _____?
- ? Is their highest level of education high school _____, college _____, post-graduate _____?
- ? Are they local _____, tourists (e.g., they will pass your farm and buy tomatoes on the way to the Jersey shore?) _____, or from more distant locations _____?
- ? Are they mostly White _____, African American _____,
- ? Hispanic _____, Asian _____, Other _____?
- ? Are they blue-collar _____ or professional _____ workers?
- ? Are they male _____, female _____, or both _____?
- ? Are they rural _____ or urban _____ residents?
- ? Are they homemakers _____ or working spouses _____?
- ? Do they purchase in large _____ or small _____ quantities?
- ? Are they motivated more by price _____ or high quality _____?
- ? Would they be interested in entertainment farming and tourism? _____ Yes ___ No___

If you are in the wholesale market, you will have to do more work to find out what your consumers want. You will need to communicate with the broker, co-op, or other marketer to receive any additional feedback (other than price) to better know your market.

? What are my customers' needs? This applies whether or not you are selling to the final consumer or to intermediate buyers such as brokers or terminal markets.

(Do they need convenience? A particular size? Saturday deliver? Unique products? High value products? Large volumes? etc.)

? Given my customers' needs, what kind of products am I considering?

? What type of promotion would best target this audience?

Compare this to the answers you gave in the "Assessment of Where You Stand". Have you made any adjustments after reading this book?

Image

Some important things to remember

- ✓ Whether you are a wholesale or direct marketer, you need to **focus on your image**.
- ✓ A goal of advertising is to keep old customers while attracting new ones.
- ✓ You only get one chance to make a first impression.
- ✓ If what the consumer finds does not measure up to his or her expectations, **sales and customers can be lost**.
- ✓ Many things can be done to build your image for little cost.

Ask yourself: What is my image?

- ? Are my facilities neat and clean? Yes ___ No ___
- ? Are my marketing trucks neat and clean? Yes ___ No ___
- ? Are the areas around my farm, office, and buildings uncluttered? Yes ___ No ___
- ? Are my products top quality, fresh, clean, and graded? Yes ___ No ___
- ? Are my products labeled? (This applies to retail and wholesale farmers) Yes ___ No ___
- ? Are my displays neat, full, and convenient? Yes ___ No ___
- ? Are my employees who come in contact with customers appropriately dressed? Yes ___ No ___
- ? Are all the management and staff courteous, friendly, and helpful to customers? Yes ___ No ___
- ? Are owners and employees constantly looking for ways to improve the business and benefit customers? Yes ___ No ___
- ? Do I seek assistance from outside advisors such as my local Extension staff? Yes ___ No ___
- ? Who are my competitors? (Are they other farmers, or vendors who produce competing products for your customers' dollars, i.e., if you are selling potted plants, your competition may be with wine or candy rather than the nursery next door who sells landscape plants.) _____

- ? What is the population in my target area? _____
- ? What are the trade patterns in my area? (Do things sell locally or do customers buy from other states? _____

- ? What are the strengths of my product compared to competing products?

- ? What are the weaknesses of my product compared to competing products?
- ? How much are my customers willing to spend for my product? _____

? How will I attract customers to my farm or to my products?

1. _____
2. _____
3. _____

? What promotional plans do I have for my farm?

1. _____
2. _____
3. _____
4. _____
5. _____

? How much do I plan to budget for promotion and where?

(For example, \$500 for direct mailing newsletters, and \$500 for a newspaper ad with a coupon.)

Additional things to consider are:

- **Dress.** Consider how you and your employees dress during the event. Having distinctive tee shirts with my business logo lets customers know who to ask for help. Customers like to shop where they know someone cares.
 - Describe any special dress, name tags, logos, etc. to identify my employees to customers.
 - _____
 - _____
 - _____
 - _____

- **Value-added services.** Consider value added services such as gift-wraps, shipping, and accepting credit cards.
 - Describe any value-added services such as gift-wraps, shipping, accepting credit cards.
 - _____
 - _____
 - _____
 - _____
 - _____

- **Include employees.** Brainstorm with your staff. Coming up with ideas on your own is difficult. Getting your team together will enable you to come up with different ideas. Once you have brainstormed ideas, set a budget for the events and ensure the entire team is aware of the event and the budget.

- List any additional plans I have to include employees or customers in the planning and promotional process.

- _____
- _____
- _____

- After the promotional campaign, **evaluate** whether or not it was worth it.

? Would I do the same thing again? _____

? What would I change? _____

Resources

- "Marketing for the Value-Added Agricultural Enterprise". Univ. of Tennessee Publication 1699, available at:
<http://www.utextension.utk.edu/publications/pbfiles/PB1699.pdf>.
- "Direct Marketing Guide for Producers of Fruits, Vegetables, and Other Specialty Products" . Univ. of Tennessee Publication 1711, available at:
<http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>.

Risk Management

Farmers face many risks. The USDA Risk Management Agency has listed five sources of risks:

- ✓ Production
- ✓ Marketing
- ✓ Financial
- ✓ Legal and environmental
- ✓ Human

In risk management, we generally focus on reducing variability in net income, not on necessarily increasing total net income. Income stability ensures that farmers can meet personal and business obligations. Everyone's risk tolerance is different.

Figure 10—Kohler Farms in Ambler, Pennsylvania, try to reduce their liability by posting these signs warning that customers should wash their hands after petting the farm's animals. They also increase income by selling feed for the animals. (Photo by Lawrence S. Martin)

Some factors that affect risk tolerance

- ✓ Age
- ✓ Family status
- ✓ Debt level
- ✓ Psychological makeup.

Production Risks

Sources of Production Risks

- ✓ **Weather:** Drought, variability in rainfall, tornados, hurricanes, hail, snowstorm, ice storm, frost, excessive heat, flood
- ✓ **Pests:** diseases, insects, wildlife
- ✓ **Technology, management:** power failure, water pump failure
- ✓ Input quality and availability
- ✓ Fire, theft, and other casualties
- ✓ Production Risk Management Strategies
- ✓ Enterprise diversification.
- ✓ Crop insurance.
- ✓ Contract production.
- ✓ **Technologies** such as plasti-culture, frost protection, climate control, mechanization, etc.
- ✓ **Irrigation.**
- ✓ Good cultural practices:
 - Time of planting
 - Tillage practices
 - Weed & disease & insect control strategy
 - Sanitation.
- ✓ **Site selection** - one that is less susceptible to freeze-related events, has adequate drainage, good fertility, and good water source, and a close proximity to markets.
- ✓ **Select varieties of plants and breeds of animals for disease and insect resistance**, adaptability to the location, and to meet the demands of customers. Many markets now "request" a certain variety be grown.
- ✓ Production practices that **meet the market demands in your market**. Some markets want IPM, organic, or no GMO.

- ✓ Good **personal management** skills.
- ✓ **Timeliness of operations** for optimum yield and quality.
- ✓ **Crop insurance** - when used with a sound marketing program, can stabilize income.

Marketing Risks

Sources of Marketing Risks

- ✓ **Price risk** due to increase in supply or change in demand.
- ✓ **Loss of market access** due to buyers' business relocation or closing sellers' relationship to buyers.
- ✓ **Loss of marketing power** due to a small number of farm sellers relative to a large number of buyers.

Marketing Management Strategies

- Know your market before the first seed or animal is ever purchased!!! Each market has its own requirements in terms of quality, packaging, cooling, varieties, production practices, etc.
- Consider producing a continuous supply, i.e., supply product into the marketplace over an entire production season. This means you will be in the market for the highs and lows of prices. Much of the season you will "swap" money (break even); some of the year you will lose money; generally, at some point in the year you will make good money! For example, you produce fresh market snap beans with costs of production at \$8.00/bu. Early season beans start at \$12-16/ bu., then drop to \$7-8 / bu., but at any given point, prices may go to \$18-20 /bu.
- Look for windows of opportunity, i.e., time products to be ready for market at opportune times.
 - ✓ Times of high prices. Example: tomatoes in the early spring and late fall produced in high tunnels to extend the season and be in the market when others are not.
 - ✓ Times of transition or movement of crop harvest - South to North. Example: Wholesale Sweet Corn as the harvest progresses Northward.
 - ✓ Niche markets for specialty products. Examples: small potted plants for local restaurants or goat cheese for local specialty food stores.
 - ✓ Seasonal crops. Examples: Pumpkins, gourds, and cornstalks for fall decoration for either direct or wholesale; spring bedding plants for retail or wholesale markets.
- Consider direct marketing. Receipts are likely to vary less than if you are selling wholesales with a contract, but direct marketing requires "retailing" skills and time.
- Contract production. This can reduce downside price risk at the cost of reducing opportunities for sales at high prices.

- Develop a marketing plan outlining:
- External operating environment - opportunities and threats.
- Internal resource and capabilities - strengths and weaknesses.

Resources

- USDA Risk Management Agency On-line: <http://www.rma.usda.gov>.
- USDA Risk Management Agency Introduction to Risk Management: http://www.rma.usda.gov/pubs/1997/irm_intr.html.
- National Ag Risk Education Library: <http://www.agrisk.umn.edu/Default.htm>.
- Northeast Center for Risk Management Education: <http://www.necrme.org/>.
- Crop Insurance for Northeast Nursery and Greenhouse Crops: http://aesop.rutgers.edu/~farmmgmt/cropinscasestudies/cropins_nursery.pdf.

Marketing Strategies - Action Plans

The marketing strategies section should define and describe particular strategies that will be used to reach the specific marketing and financial objectives and goals outlined in the previous section. A variety of marketing strategies may be used to launch and enhance sales of a value-added product. Specific marketing strategies are generally grouped under the following four primary categories:

- ✓ **Market Penetration**
- ✓ **Market Development**
- ✓ **Diversification**
- ✓ **Product Development**

Market Penetration

For market penetration you should document the reasons and activities that you will use to acquire more market share in the current market. To enhance market penetration, try one of these three approaches:

1. **Encourage customers to buy more** of the product during the month. This works if they currently purchase the product infrequently and can be shown the benefits of increased purchases.
2. **Attract competitors' customers.** This works if flaws are noticed in competitors' products, marketing, etc. and their customers can be lured away.
3. **Convince those not buying your product to purchase it.** This works if there are a lot of people who have not tried your product or do not know of its existence.

Market Development

Market development strategies are those that will identify and tap new markets or new uses for a value-added product. A value-added product whose target market has traditionally been described as "parents in their 20s and 30s, with small children and annual household incomes between \$50,000 and \$70,000" may desire to expand sales to tourists. In this case, you need to describe and plan a strategy for developing the tourist market. In addition, explain how you will develop this new market if. If you plan to pitch a fresh fruit preserves product as an ice cream topping, you need to provide an analysis of why consumers would use this product as a topping, as well as an explanation of how consumers will be enticed to purchase your product for this use. Another example of a market development tactic might be to position honey as a safe, all-natural sweetener that could be substituted for sugar. In this example, the honey could be packaged in a container featuring marked measurements for easy use in food preparation and sold wholesale.

Ask Yourself: How Do I Develop My Market?

? Who is your target market?

? What product are you providing?

? Why will consumers want this product?

? How will you entice customers to buy it?

Diversification

Product diversification includes strategies to produce new products for new or existing target markets. Having more than one product or market can reduce risks by spreading the costs and other risks such as weather over more than one product. Farm businesses often have resources to compete in different markets. For example, a farm winery may diversify its operation by developing a restaurant or offering a line of beer. Diversification strategies often attempt to increase sales by offering new products that will attract new customers or increase sales to existing customers. Because diversification activities often push producers into new and uncertain markets, it is perhaps the most risky of the marketing strategy options. Examples of diversification include expanding a pick-your-own apple orchard business to include selling ready-to-use apple pie filling, apple cider, jams and jellies, fried pies or dried apples for food preparation and crafts/decorations.

Figure 11--Dr. Robin Brumfield with Mark and Lonnie Brooks of Coventry Plants, Inc., Pottstown, PA who run a small, primarily wholesale greenhouse and sell niche products including a large selection of coleus and large hanging baskets. (Photo by Lawrence S. Martin)

Ask Yourself: What are my plans for diversification?

? Do you plan to diversify?

Yes ___ No ___

? What are your different products or markets?

1. _____
2. _____
3. _____
4. _____

Product Development

To develop a product, describe the reasoning behind selling this product or service. Product development strategies could add value to existing products or develop entirely new products. For example, a producer could add value to sweet potatoes by developing a new product, such as pre-packed sweet potato patties. A product development tactic might be adding nuts, candies, and/or coconut to cookies, icing cookies, making different-shaped cookies or making holiday cookies.

Examples

Direct Marketing Example

Robin's Gardens in New Jersey markets fresh produce, such as vegetables, fruits, and floral products. It has 20 acres in vegetable crops and grows small fruits, primarily strawberries on an additional 2 acres. It uses plastic-covered greenhouses used to produce flats of bedding plants, and hanging baskets in 8-inch pots and 10-inch pots for sale. Robin's Gardens specializes in unusual bedding plant varieties and purchases the more common ones, like impatiens, from other producers. This helps differentiate their products, allowing them to focus on quality by growing only a few varieties. Robin's Gardens' packages bedding plants in packages in various ways to increase their value to customers.

About 80 percent of total sales are generated at the farm via retail stand, which opens from the first of May through the end of October, and via pick-your-own operations for strawberries in June where consumers harvest strawberries themselves. Consumers select fresher, higher quality, vine ripened produce at lower prices. Also, they enjoy picking produce themselves as a recreational event or outing. Robin's Gardens has a very convenient parking lot for its customers. The remaining 20 per cent of sales occur at a nearby farmer's market.

In 2000, Robin, the owner of Robin's Gardens, had expanded irrigation to cover all crops and maintained a diversified crop mix to protect against production risks such as drought and frost. To protect the whole farm against revenue risk (yield and price risks), she signed up for the 75% or 80% coverage level. She was eligible for the Adjusted Gross Revenue (AGR) insurance coverage since she has 50% of the allowable income from agricultural commodities purchased for resale and less than 50% of the allowable income from insurable crop and livestock commodities.

Wholesale Example

Tony is the owner of Tony's Vegetable Farm in Cumberland County, New Jersey. Tony's wife Marie, works off the farm as a schoolteacher, but does the books for the farm. Tony grows 20 acres of vegetables and markets them through the Vineland Produce Auction where he pays a 4% marketing commission. Tony uses the auction because his farm is close to the auction, and not is close enough to a large enough base of customers to direct market all of his produce on the farm. He has a reputation with the brokers who purchase from the auction of having good quality produce. He uses high tunnels to get his crops to market as early in the season as possible when the prices are the highest. Labor is Tony's biggest cost. In the peak season he employs additional workers for picking. In the dead of winter, it is just Tony.

Tony feels he has done all he can to mitigate his risks. All of his crops are irrigated, and he grows a diversity of crops (winter squash, sweet corn, tomatoes, cucumbers, and peppers). If prices or yields are low for one crop in any particular year, chances are, the other crops will do better. Weather risk can result in losses of more than 20%. His number one risk is hail, which happens on average about once every 3 years. His second biggest risk is drought, which occurs every 4 to 5 years. Even though he irrigates, in a severe drought, he cannot get enough water to the crops to overcome the drought. Drought also usually brings excessively high temperatures, which stunt the crops and reduce yields. The third biggest risk is too much rain, which occurs every 4 to 5 years. There is nothing he can do to remove excess water, and crops are often lost. One year, he had to plow under the pumpkin and butternut squash crop because of excessive water that rotted the crops.

Tony carries only Catastrophic Risk Protection (CAT coverage). He feels he cannot afford buy-up coverage. He is a good farmer, so he feels he will only have losses when the weather is so severe that the whole county has losses. However, weather is a big enough threat that he is very interested in considering Adjusted Gross Revenue (AGR) insurance.

Ask Yourself: How do I plan to market my product and manage my risk?

Please read the examples on Robin's Gardens and Tony's Vegetable Farm. Then consider your own farm and use the space below each question to describe the product you plan to produce on your farm.

Examples:

- **Robin's Gardens** produces vegetables, fruits and flowers.
- **Tony's Vegetable Farm** produces winter squash, sweet corn, tomatoes, cucumbers, and peppers.

? What would you like to produce?

? What are your product features?

Examples:

- **Robin's Gardens** markets fresh produce. It also produces unique varieties of bedding plants and hanging baskets in two sizes (8 inch and 10 inch pots).
- **Tony's Vegetable Farm** markets fresh produce. They focus on having high quality products. They are careful about grading and post-harvest handling to insure top quality.

Examples:

- Robin's Gardens grows varieties that aren't readily available elsewhere. This allows them to sell at higher prices than the big box stores. They also grow a wide selection of vegetable varieties such as heirloom tomatoes that aren't readily available elsewhere, thus allowing them to charge a premium.
- **Tony's Vegetable Farm** grows several varieties of vegetables. They focus on quality, and use high tunnels so that they are in the market earlier than other producers and obtain a premium price.

? How do your products differ from your competitors' products?

Examples:

- **Robin's Gardens** washes their vegetables and fruit and displays them to appeal to consumers. Bedding plants are packaged or enhanced in various ways to increase their value to Robin's Gardens' consumers. Some are planted in bowls and planter boxes to add value and can be sold at a higher price than plants would be if sold individually.
- **Tony's Vegetable Farm** puts look up codes on the produce, washes the produce and carefully handles and cools produce if needed after harvest to insure freshness.

? What are your product features?

? What is your marketing season?

Examples:

- 80 percent of total sales of **Robin's Gardens** are generated from the first of May through the end of October, and via pick-your-own operations in June. The remaining 20 per cent of sales are sold all year at a nearby farmer's market.
- **Tony's Vegetable Farm** sells produce from May through October.

Examples:

- **Robin's Gardens** provides easy parking to its customers. Its' customers benefit from the freshness, high quality, large selection of unusual products, value-added products, and the lower prices of their vegetables via pick-your-own operations in June (recreational event).
- **Tony's Vegetable Farm** provides stickers with look-up codes for ease of check out. The produce is the freshest around.

? What benefits do your products/services provide to your customers?

Resources

- "Reap New Profits: Marketing Strategies for Farmers and Ranchers 2003." Sustainable Agricultural Network.
<http://www.sare.org/publications/marketing/market03.htm> or ***<http://www.sare.org/publications/marketing/marketing.pdf>*** or order free print copies by calling 301/504-5236.

- "Considerations for a Value-Added Agribusiness." Rob Holland, and Kent Wolfe, University of Tennessee Agricultural Extension Service Publication PB 1642, available at: ***<http://www.utextension.utk.edu/publications/pbfiles/pb1642.pdf>***.

- "Marketing for the Value-Added Agricultural Enterprise : Concepts, Principles and Practices for Planning, Developing and Evaluating New Market Opportunities," by Rob Holland, Anne Dalton, Shasta Hubbs, and Kent Wolfe, University of Tennessee Agricultural Extension Service Publication PB 1699, available at: ***<http://www.utextension.utk.edu/publications/pbfiles/PB1699.pdf>***.

- "Virginia Flower Growers Association Greenhouse Operator's Training Manual, Third Edition," Edited by Joyce Latimer, Available in print or CD version, call Janice at 757-547-2424 or e-mail Janice@vt.edu to order a copy. Information is also available at ***<http://www.floriculture.vt.edu/vfga/GOCPcertification.pdf>***.