

MARKETING

Direct Marketing Options for Small Farms

Reduce marketing and financial risks by choosing the best marketing options for your unique situation

By Monika Roth

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For beginning and small-scale farmers, a key question is how to sell the products you plan to produce. It doesn't matter how good you are at growing. You need to sell what you produce at a profit.

Direct marketing is a common strategy for reducing marketing and financial risks. But it's no panacea. You need to carefully evaluate which strategies might work best for you, and make adjustments as you go. The key is to have enough customers and sales to cover your production, marketing and other costs – as well as provide you with an adequate return for your efforts.

The main attraction compared with selling through traditional wholesale markets is that you receive a greater portion of the consumer retail dollar. You are also in a position where you have more control over the price you receive for your products, where wholesale markets are subject to volatile price swings.

But with direct marketing, you'll also incur extra costs – not the least of which is your time. So don't automatically rule out wholesale marketing. In some situations, your returns may be comparable after factoring in all costs.

Each of these strategies has its own risks and potential returns. Be sure to evaluate them carefully as part of a whole-farm business plan. See the Resource Spotlight sidebar for publications and other resources that provide more detailed information.



In a CSA (Community Supported Agriculture) operation, customers come to the farm or central distribution point to pick up their produce. Customers also pay for their 'share' at the beginning of the season, reducing marketing and financial risks.

OPTION 1: FARMERS MARKETS

Farmers markets are a good place to develop your marketing skills. Start by visiting markets in your area. Inventory what's available and note what doesn't sell out by the end of the day. Don't plan to grow what doesn't sell out unless you can differentiate your product – for example selling heirloom tomatoes instead of 'garden variety' fruit.

Also study the customers. How many are there? What is their ethnicity? Are they young or old? Families or single buyers? Affluent or bargain shoppers? Ask shoppers and sellers what they like and don't like about the market, and be sure to get a copy of the market rules.

To be successful, you need to enjoy interacting with people and be willing to invest the time it takes to pick, pack, transport, set-up and sell. To maximize potential returns you need to sell for as long a season as possible, which for produce vendors means growing a wide variety of crops. It may take going to several markets a week to generate enough income over the sea-

son to make a living.

Travel costs and time spent at market should be considered along with growing, harvesting and marketing costs. Farmers markets alone may not produce enough sales to generate the income you're aiming for, requiring you to look at additional marketing strategies. But they are a good place to incubate a business.

To find farmers markets in your state, visit the USDA-AMS website: www.ams.usda.gov/farmersmarkets/map.htm or contact your state's agriculture department.



Farmers markets are a great place to develop your direct-marketing skills. Photos by Monika Roth

OPTION 2: ON-FARM SALES

Methods range from simple, self-serve stands to multi-department, year-round farm stores and may include pick-your-own or agritourism enterprises. The higher your overhead, the slimmer your margins will be. But if done right, you can attract more customers and boost your returns.

Self-serve stands are a good way to assess the potential draw from drive-by traffic. Strawberries, sweet corn, tomatoes, peaches, and pumpkins are crops that can stop traffic. Consumers learn about local farmstands primarily through word-of-mouth. Build a product line based on what customers want, and pay attention to quality. Sufficient traffic may generate enough sales to warrant investment in facilities and staffing.

Pick-your-own (PYO) requires advertising and staffing. It can be very profitable, but can be risky if, for example, it rains every weekend during narrow harvest seasons. PYO can complement agritourism activities where it is one of several activities families can enjoy.

To be successful, you need to enjoy having lots of people at your farm – and in your fields in the case of PYO. Liability insurance is a must. Building loyal clientele is key, and can take many years. Your business plan must be based on realistic customer numbers and sales projections.

OPTION 3: COMMUNITY SUPPORTED AGRICULTURE

Community Supported Agriculture (CSA) operations typically provide a weekly 'share' (box) of produce to customers who pay for their shares at the beginning of the season – usually \$300 to \$600 per household. The up-front money reduces financial and marketing risks, since customers are sharing in production risks. Sometimes customers help harvest and pack shares in return for a discount. Depending on the operation, customers pick up shares at the farm, a central distribution point, or pay extra for home delivery.

The big challenge is to have enough different crops each week so customers feel like they are getting their money's worth. It's important to never come up short, so CSA farmers often have additional outlets for surplus produce. Sometimes several farms collaborate to offer a wider range of products including fruit, eggs, meat and more. Starting small and keeping customer

turnover low is a good way to grow the business while minimizing risks.

A key advantage to CSA is that you know how many customers you have early in the season, have their money in hand and can produce accordingly. This makes financial planning much easier.



Pumpkins are a good crop to stop traffic for other sales at farmstands.

OPTION 4: RESTAURANT SALES

The farmers market rebirth of the '80s drew the attention of chefs (especially from higher-end restaurants) looking for fresh, local products to feature in their menus. Selling to restaurants is not easy. You need exceptional quality and to be willing to cultivate relationships with chefs. Restaurant sales need to be an intentional sales strategy, not a way to dump surplus product.

Chefs are as harried as farmers. You need to deliver on time and work around their schedule. Avoid mealtimes! Find out what local chefs want, and grow a wide range of products for them for as long a season as possible. Most chefs will pay about 75 percent of retail for produce.

Drawbacks include the need for small quantities of some items. Watch that delivery costs and time don't eat up profits, and be clear on payment terms. Once a relationship is solid, less face time is needed.

OPTION 5: SALES TO RETAILERS

More and more food retailers are interested in locally grown food, too. As with chefs, reliability is key. Contact retail farm markets in your area. Many do not grow all they sell. Most will offer prices only comparable to regional markets. Check out food cooperatives, natural foods stores, and independent groceries, as well.

Everything else from convenience stores to super-centers is a chain. Each has unique purchasing requirements. Some make purchasing decisions at the store level, but most require approval from higher-ups. Initiate contact with store managers. For produce, a head buyer is usually involved. It is most common for retailers to buy seasonal produce. Very few handle local meats, cheese, eggs or other products.

Food retailers buy with the market and expect local prices to be in line with the larger marketplace. Understand buyer expectations and prices before agreeing to delivery. Some may reject product based on quality or simply because they have a better supply and price elsewhere. Many producers have been left hanging, having to hustle product to other outlets.

The advantage of selling to food retailers is that you can move more volume to fewer buyers, reducing your marketing costs. But the disadvantage is that it is a fickle, price-driven market. Be sure to spread your risks.

OPTION 6: INSTITUTIONAL FOOD SERVICE SALES

Institutional markets are tantalizing, but usually a long-shot. Some schools, nursing homes, hospitals, prisons, etc. can purchase local products. But many are part of a buying consortium and have a single goal: keeping costs low. Meals are often pre-prepped or ready to serve, using few fresh items. Institutional food sales also come with institutional barriers, including federal food safety regulations.

A better strategy to tap institutional markets might be through the distributors who sell to them. However, for farmers, this adds a middleman and reduces returns. You'll need to make it work on high volume and low prices.

Some schools are interested in local purchasing to increase kids' consumption of fresh produce. Think apples and salad bars.

OPTION 7: INTERNET AND MAIL ORDER

A final direct marketing strategy is mail order or Internet sales. If you develop unique, high-value products that are easy to ship, this strategy can complement your other direct marketing efforts. Current customers who love your product can order more and help you market your products through word of mouth. Packaging and shipping costs need to be considered but for products that are not too bulky, this can be a profitable strategy.

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13 Strategies to Reduce Direct Marketing Risks

- Carefully evaluate your options before investing.
- Grow, pack and deliver quality products.
- Know your potential. Make realistic customer and sales projections.
- Pick the right size market for the size of your operation.
- Be intentional about your marketing. Have a written plan.
- Dedicate yourself to being professional in meeting buyers' needs.
- Communicate with customers and exceed their expectations.
- Be prepared to conform to market place standards.
- Sell through several complementary marketing channels.
- Track marketing costs by channel. Know costs and returns for each.
- If sales aren't covering costs, change your strategy.
- Don't stick with unreliable buyers.
- Carry adequate product and general liability insurance.

Resource Spotlight Direct Marketing Books

Contact your local Cooperative Extension office to find out what your state offers in the way of farm business management and marketing advice. Here are some useful publications:

Marketing Strategies for Farmers and Ranchers, USDA Sustainable Agricultural Network, 1999. Available online: www.sare.org/san/htdocs/pub.

Sell What You Sow! The Grower's Guide to Successful Produce Marketing, Eric Gibson, New World Publishing, 1994.

Sharing the Harvest, A Guide to Community Supported Agriculture, Elizabeth Henderson, Chelsea Green Publishing, 1999.

Dynamic Farmers' Marketing, A Guide to Successfully Selling your Farmers' Market Produce, Jeff Ishee, Bittersweet Farmstead, 1997.

The New Farmers' Market, Vance Corum, Marcie Rosenzweig & Eric Gibson, 2001, New World Publishing.

Sustainable Vegetable Production From Start-Up to Market, Vernon P. Grubinger. Natural Resource, Agriculture, and Engineering Service, 1999. Order from www.nraes.org.