



Direct Marketing Options

Guide to Farming in New York State

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Direct marketing is a common strategy for beginning and small farmers. The main attraction compared with selling through traditional wholesale markets is that you receive the full share of the consumer dollar and have more control over the price you receive for your products. But with direct marketing, you'll also incur extra costs – not the least of which is your time. Be sure to evaluate each option carefully as part of a farm business plan.

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 does not sell out by the end of the day. Don't grow what doesn't sell 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 vendors what they like and don't like about the market, and 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. For produce vendors, this means growing a wide variety of crops. Farmers' markets sales alone may not generate enough money to make a living, requiring you to look at additional marketing strategies, but they are a good place to start a business.

To find NY farmers markets near you, contact the Federation of NY Farmers' Markets at 315-475-1101 or www.nyfarmersmarket.com/regions.htm or NYS Dept. of Agriculture and Markets at 585-457-7076 or visit www.agmkt.state.ny.us and click on Farm and Market Search.

On-farm Sales

Methods range from simple, self-serve stands to multi-department, year-round farm stores that may include pick-your-own or agritourism enterprises. The higher the overhead, the slimmer the margins will be. But if done right, a successful farm market will attract many regular customers and offer good 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 stop traffic. Consumers learn about local farms 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 risky if 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. Risk management and liability insurance is a must. Building loyal clientele is key, and may take many years. Your business plan must be based on realistic customer numbers and sales projections.

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Internet and Mail Order

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 bulky or heavy, this can be a profitable strategy. One easy option for getting started with internet marketing is to list your farm on the following free sites: www.localharvest.org or www.newyorkfarmersmarket.com

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 for farmers, and customers share 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.

One challenge is to have enough different crops each week so customers feel like they are getting their money's worth. CSA farmers often grow more than what their customers need and 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 a 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 easier.

Restaurant Sales

Many chefs (especially from higher-end restaurants) are looking for fresh, local products to feature in their menus. You will find that chefs are as busy as farmers. Develop a personal relationship with chefs, find out what they want and grow a wide range of products for them for as long a season as possible. You need to offer exceptional quality clean products that are delivered on time (avoid mealtimes). Restaurant sales need to be an intentional strategy, not a way to dump surplus product. 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.





Sales to Food Retailers

Increasingly small food retailers are interested in sources of locally grown food. One option is to contact retail farm markets in your area. Many do not grow all they sell. Also, check out food cooperatives, natural foods stores, and independent groceries. Most will only pay wholesale prices found at regional markets.

Everything else, from convenience stores to super-centers, is a chain and each has unique purchasing requirements. Some purchasing decisions are made at the local store level, but most require approval from higher-ups. Start with local 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 expect local prices to be in line with wholesale prices. Understand buyer expectations and prices before agreeing to delivery. Some may reject product on quality or simply because they have a better supply and price elsewhere. 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 can be a fickle, price-driven market. Be sure to spread your risks.

Institutional Food Service Sales

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-prepared or ready to serve, using few fresh items. Institutional food sales also come with institutional barriers, including regulations and requirements that dictate their purchasing practices. One way to tap institutional markets is to go through the distributors who sell to them. This adds a middleman and reduces returns. High quality, volume sales, standard packaging, and reliable delivery will be required.

For More Information

For more information on direct marketing, contact the NYS Farmers Direct Marketing Association – www.nysfdma.com or The North American Farmers' Direct Marketing Association – www.nafdma.com

To work through a marketing plan for your farm operation and consider which marketing channels are right for you, visit the NY Beginning Farmer Resource Center's Online Lessons at <http://beginningfarmers.cce.cornell.edu/index.php?page=learning>.

