

## Marketing at Produce Auctions

Produce auctions offer fresh produce for sale to the highest bidder. There were four produce auctions operating in Kentucky during the 2008 season:

- Bath County Produce Auction
- Buffalo Trace Auction (near Maysville)
- Fairview Produce Auction (near Hopkinsville)
- Lincoln County Produce Auction

### Fitting into Your Marketing Plan

Some Kentucky growers use produce auctions as their primary marketing mechanism. For many producers, however, the produce auction is one piece of their marketing plan. Research funded by the UK New Crop Opportunities Center indicates:

- About a third of all growers using produce auctions use the auction to sell more than 75% of their produce
- About 20% of produce auction sellers use the auction to market a small quantity (less than 10%) of their total produce

The research indicates that over half of produce auction sellers rely on auctions to market less than 50% of their produce. Produce auctions in Kentucky thus fill a necessary niche for large-scale growers seeking occasional markets, as well as small-scale growers marketing greater quantities. The Lincoln and Fairview auctions also provide vital markets for Amish and Mennonite farmers in their areas.

Benefits of the auction include:

- Set days and times for delivery
- Ability to group produce into various lots



- Ability to “test market” new products or sizes of produce for wholesale

The primary risk in using a produce auction is the price uncertainty. Produce auctions are dependent on attracting an adequate number of buyers to support the quantity of product offered. The auction adage that “it only takes two bidders” to get the highest price is true. However, it is also true that two bidders may not be able to use a large quantity of produce offered on a single day.

Producers considering produce auctions as part of their marketing plan need to realize the seasonal and price volatility of auctions and other wholesale produce markets. Price reports for Kentucky’s produce auctions are updated weekly on the New Crop Opportunities Center Web site. Following and observing auction prices can provide an idea of what volumes and price ranges to expect when you begin to sell produce at an auction.

Produce auctions present many opportunities for producers to discover different markets. Seasonal opportunities, like fall ornamentals and vegetable production using season extension, may be

evaluated for what wholesalers are willing to pay. Different grades and sizes, as well as different kinds of package sizes and materials, may also be preferred locally or regionally.

While an auction offers a place to discover these market differences, there are other factors that can affect prices received at auctions. Quality, placement of lots in the auction order, and lot size can all affect price. Ultimately, bidder profile will determine much of the auction's organization. For example, an auction where most of the buyers are end consumers may offer some smaller lots in order to meet consumer preferences—and these lots, often, will command greater prices per unit.

A list of produce auctions and contact information is provided at the end of this publication. The remainder of this publication is devoted to an overview for groups considering beginning a produce auction in their area.

### **User Ownership/Commitment**

*Produce auctions are quite popular in communities where a core group of producers is committed to marketing their highest quality produce through the auction.* Auctions have flourished in Amish and Mennonite communities, but auction success does not have to be confined to these groups. The key to a produce auction, or any other marketing effort requiring a group to work together, is user commitment and ownership. Auction members, especially founding members, must be committed to using the auction to market a substantial volume of high-quality produce. The success of auctions in Mennonite and Amish areas is due to the commitment of those communities to making their auctions work.



### **Product Quality**

*To be viable, a produce auction will need a critical volume and mix of quality products.*

The year-round success of the Fairview Auction is due in part to a consistent volume and variety of produce offered throughout the season. There is also a commitment from many producers to continually market their produce through the auction in spite of expected price fluctuations. This commitment results in a year-round supply of seasonal products: greenhouse-grown plants in the early spring; fresh fruits and vegetables through the fall; and fall fruits and vegetables, ornamentals, hay, and straw through the winter.

### **Develop Regular Buyer Base**

*The success of an auction is based largely on its ability to attract buyers.* High quality product is essential to attracting high quality buyers. Regular contact with actual and potential buyers by an auction's management, as well as identifying new buyers, is also critical. The produce auction will need to remember that different kinds of buyers purchase different kinds of produce.

Different types of buyers may also prefer different types of packaging and, in some cases, have different quality preferences. In order to attract buyers, new auctions should plan to spend a significant amount of time and money on advertising and promotion to contact and attract probable customers.

Some types of buyers regularly attracted to produce auctions in Kentucky and Ohio are:

- On-farm markets
- Local grocers
- Produce wholesalers
- Farmers market vendors
- Roadside produce vendors
- Private citizens
- Local restaurants
- Food services

A delivery network will also develop as an auction progresses. Delivery services to population centers for high quality products purchased at auction may be something that an auction wishes to formally or informally develop.

Auctions may also want to develop an order buyer system. An order buyer is someone who bids on items for a buyer that is not able to attend. This can help auctions generate more sales, but care must also be taken to only take orders from reputable buyers. Auctions or producers with questions concerning the credit rating of a potential buyer can access that information through Red Book Credit Services. You may contact the University of Kentucky's Department of Agricultural Economics for access to this resource.

## Product and Packaging Guidelines

*Produce quality should be defined by the auction and inferior produce should be rejected, with no exceptions.* Auctions will find that establishing guidelines for how produce is packaged will help present buyers with a uniform product. Packaging guidelines should be developed only after considering industry standards and consulting potential auction buyers for their preferences. Auction sellers may discover that buyers prefer certain kinds of packaging over others, providing possible price and profit benefits.

## Produce Auctions

### KENTUCKY

- *Bath County Produce Auction*

[http://ces.ca.uky.edu/Bath/anr/produce\\_auction.htm](http://ces.ca.uky.edu/Bath/anr/produce_auction.htm)

2914 East Highway 60, Owingsville, KY 40360

Contacts:

Shawn Cook, Auction Manager  
Bobby Rogers, Auctioneer  
(606) 210-1416 or (606) 674-2599

- *Buffalo Trace Auctions*

<http://www.buffalotraceauctions.com>

6031 KY Highway 3170, Maysville, KY 41056

Contacts:

Lori Humphries, Office Manager  
Sandy Marshall, Order Buyer  
Office phone: (606) 742-9036

Rick Alexander (859) 351-6667

[RAlexander@commoditygrowers.com](mailto:RAlexander@commoditygrowers.com)

- *Fairview Produce Auction*

[http://www.kyagr.com/Main.aspx?procedure=show\\_page\(3804\)](http://www.kyagr.com/Main.aspx?procedure=show_page(3804))

Location: along US 68/80 in Pembroke, KY

Mail: 955 Britmart Road, Elkton, KY 42220

Contacts:

Steve Sauder, Auction Manager  
Ralph Burkeholder, Order Buyer  
(270) 887-0053 or (270) 885-1048

- *Lincoln County Produce Auction*

2896 KY Highway 39 North

Crab Orchard, KY 40419

Contact:

Lloyd Schrock, Auction Manager  
(606) 355-0030

### OTHER

- *Produce Auctions in Missouri*

University of Missouri Extension

<http://agebb.missouri.edu/hort/auction/index.htm>

## More Information

- Kentucky Produce Auction Report (University of Kentucky)

<http://www.uky.edu/Ag/NewCrops/auctions.html>

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