

## Marketing Fresh Produce at Farmers Markets

### Introduction

The number of farmers markets in the United States increased from 1,700 to over 3,100, an 80 percent increase, from 1994 to 2004.<sup>1</sup> The number of markets in Kentucky more than tripled during this same period, from 30 to over 90 markets, as more producers and consumers became interested in locally grown food.

Farmers markets are used by Kentucky growers of all sizes and scales. “Market gardeners” often tend less than an acre for selling strictly at the local farmers market. On the other hand, some of Kentucky’s largest orchards use local farmers markets as a retail outlet during the fall to command a premium price for their crop.

The rise in number and popularity of farmers markets in Kentucky has resulted in considerable support from the Kentucky Department of Agriculture and other state agencies. Legislation, such as House Bill 391, which permits the sale of some home-processed value-added products at farmers markets, has allowed many producers to expand their product offerings. The Kentucky Ag Development Board has also offered grants for capital improvements to local and regional farmers markets.

This fact sheet provides an overview of marketing considerations for farmers markets divided into the “Three P’s” of retail marketing: product, price, and promotion. This publication is intended as an introductory



marketing reference for producers considering new involvement in a local farmers market.

All producers considering involvement in a local farmers market should contact their county Extension office for guidelines on how to enter their local farmers market.

### Product

The most common reason that customers give for shopping at community farmers markets is the quality of produce. Consumers are more frequently looking for tastes that can only be grown locally, from produce that is picked at its peak for sale at its most desirable stage.

The potential farmers market vendor must carefully plan to offer a range of products. Producers will want to have a core product offering of reliable varieties that produce well in their area. These should be varieties that local consumers are familiar with and prefer. Varieties can be determined by consulting local Extension agents, area growers, or potential customers.

Production concerns are critical



to maintaining product quality. Soil fertility, pest management and post-harvest handling can all greatly affect a farmers market vendor's ability to sell their product. Production and marketing go hand in hand—good production requires good marketing to be successful and good marketing skills require good production for success.

Most markets have rules guiding how they are operated. These rules may restrict types of product offerings. Some farmers markets allow vendors to resell a certain amount of produce they have not grown themselves, while other markets require the seller to grow all the produce they sell. Clearly understanding your market rules will help you plan your product offering. Knowing and abiding by these rules will help you plan and market your product successfully.

Finally, farmers markets are the market of choice for new and different produce items to be tested in the marketplace. Successful farmers market vendors are often constantly experimenting with produce variety, packaging and presentation.

Some noticeable trends in plant product variety at Kentucky farmers markets include:

- Non-edibles like cut flowers and gourds
- Sheltered/greenhouse production—flowers, bedding plants, vegetable plants, greenhouse vegetables, early/late vegetables grown using season extension techniques
- Heirloom varieties
- Jams, jellies, baked goods, and other value-added items
- Ethnic vegetables—Asian, Latin American
- Dried herbs, nuts, fruits, vegetables
- Organic products

## Price

One of the most common questions that farmers market vendors have is how to set prices for their products. This is a more complicated question than might be thought. There are three kinds of pricing approaches used by farmers market vendors: pricing for profit, pricing for value, and pricing against competition.

## PRICING FOR PROFIT

Every retailer should be pricing for profit. As a farmers market vendor, your task in pricing for profit is a bit more complex than a grocer or restaurateur who is purchasing and reselling their product. The challenge for farmers market sellers is to determine how much it cost them to grow and deliver their product to market. *Once you know your cost of production and delivery to market, you can accurately determine the price you need to receive to cover your costs.*

There are many tools available to help you determine your cost of production. The University of Kentucky has developed many vegetable and fruit budgets that you can obtain as guides to developing your own estimates. Computer users familiar with spreadsheet software will find many spreadsheet budgets available online. Other universities have also developed production budgets. There are links to budgets for most major produce crops at the UK Horticulture and New Crops Marketing site.

Knowing your entire cost of production—including *delivery costs and the value of your own labor used in growing and selling*— is the most important part of setting a price for your product in a farmers market or any other retail setting.

## PRICING FOR VALUE

Pricing for value refers to a strategy used to sell more quantity by giving price breaks when more product is purchased. For example, pumpkins might be priced at “\$4 each or 3 for \$10.”

Pricing for value most often occurs in situations when the vendor wants to “move” more product by offering quantity discounts. However, the seller **must know their cost of production** to effectively price for value. If it costs you \$3.50 to grow each pumpkin and you're offering “3 for \$10” to sell more, you are actually losing money on each of those pumpkins!

Value pricing is often used by farmers market vendors who sell larger volumes to restaurants or

other regular customers. Value pricing can also be used at the end of the market day if the vendor does not wish to return home with produce.

#### PRICING AGAINST COMPETITION

Many farmers markets discourage vendors from purposefully undercutting each other on prices. This is especially relevant to markets that may allow reselling, where a vendor might be able to buy bulk wholesale produce at a cost lower than that produce can be grown locally.

Farmers markets are still the marketplace where buyers and sellers can freely arrive at market prices. Again, the best strategy for pricing against your competition is to know **your** cost of production. Differentiating your product from your competition can help address this problem. Furthermore, the reputation you develop for offering quality packaging, presentation and high-quality products will allow you to maintain a higher price

*Loss leaders* are products that are purposefully priced below their cost of production or purchase value. You might choose to offer certain products as *loss leaders* to your customers if those products attract customers to your stand and cause them to also purchase other, higher-profit items from you.

#### Promotion

Properly managed farmers markets are attractive destinations for customers wanting to purchase the finest local produce available. There are many ways to enhance customer traffic at the entire farmers market. You can consult the Kentucky Farmers' Market Manual or your county Extension office for guidelines and ideas for proper market management and promotion. There are many ways to promote your own produce at the market. Good **signage** will help your products stand out on a busy market day. Use signs to communicate information about your farm, prices and interesting information about your products. You may also be able to offer **samples** of new or unusual commodities.

You might also ask a chef or local Extension employee to do a **cooking demonstration** using some of your crops. Customers who are able to taste or see your product used in food preparation are more likely to purchase it.



*Point of purchase materials* are items that you provide your customers at sale time to educate them about their purchase. **Recipes** are some of the best promotional materials around. Some farms choose to provide **newsletters** or other information detailing how their produce was grown.

Regardless of how you choose to promote your product, it is doubtful that you can offer your customers too much information. Many farmers market customers are interested not just in the product itself, but also the product story—where it came from, who grew it, how it was grown. The more information you provide customers wanting to connect with where their food comes from, the more likely they are to return for more purchases.

<sup>1</sup> Kremen, Amy, Catherine Green and Jim Hanson. "Organic Produce, Price Premiums, and Eco-Labeling in U.S. Farmers' Markets." USDA-ERS Report VGS-301-01, p. 2.

#### More Information

- Horticulture and New Crops Marketing: Production Budgets (University of Kentucky) <http://www.uky.edu/Ag/HortBiz/pubs.html#budgets>

- Kentucky Farmers' Market Manual (Kentucky Department of Agriculture, 2008-2009)  
<http://www.kyagr.com/marketing/farmmarket/manualchapters2008.htm>
- Kentucky Farmers' Market Program (Kentucky Department of Agriculture)  
<http://www.kyagr.com/marketing/farmmarket/index.htm>
- Kentucky Farmers Market Report (University of Kentucky)  
<http://www.uky.edu/Ag/NewCrops/farmersmarket.html>
- Direct Marketing Guide for Producers of Fruits, Vegetables and other Specialty Products (University of Tennessee, 2002)  
<http://www.utextension.utk.edu/publications/pb-files/PB1711.pdf>
- Farmers Markets (USDA)  
<http://www.ams.usda.gov/farmersmarkets/>
- Farmers' Markets (ATTRA, 2002)  
<http://www.attra.org/attra-pub/PDF/farmmarket.pdf>
- Farmers' Markets, Rules, Regulations and Opportunities (University of Arkansas, 2002)  
<http://www.law.drake.edu/centers/docs/farmersMarkets.pdf>

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