

## **DIRECT FARM MARKETING OPTIONS**

*by Russell Tronstad<sup>1</sup>*

**D**irect farm marketing has the obvious advantage in that you can increase the value of your product by eliminating (e.g., broker fees, packaging) or taking over common “middlemen” services. There are several approaches to direct farm marketing and all have pros and cons. One exclusive approach such as a fresh tomato delivery service to restaurants or a combination of direct and wholesale marketing (e.g., U-pick and sell to brokers in peak harvest) may best fit your firm’s goals. Market advantages and disadvantages to some of the more common direct farm marketing methods are discussed below. Issues related to U-pick, roadside marketing, farmers’ markets, and restaurant marketing are discussed in more detail in the Direct Marketing Alternatives section.

### ***Delivery Service***

Running a delivery service brings top dollar for your produce and probably adds more “value-added” than any other direct marketing alternative. But the per pound marketing costs can add up in a hurry with low volume deliveries, time on the road, and vehicle expenses. Interviews with potential buyers should be conducted and researched carefully before making the “delivery service decision.” In looking for delivery markets, try to pick out retailers that are out of the ordinary and sell in the upper price range. Price is not a major concern to the exotic restaurants in

town that are charging \$20 a plate for dinner. Supermarkets that are upscale, advertise for freshness, and carry unusual produce are good candidates as well. Price elasticity of demand is very elastic for these retailers. That is, if prices increase the decrease in quantity demanded will be very small. These retailers are mainly interested in the uniqueness of your product, good quality, and a reliable hassle free year round supply.

Recognize that a good portion of your produce won’t be fit for the delivery service market. If weather or insect problems cause a crop quality or volume failure, try to secure other supplies or offer heavy discounts to your buyers for reduced quality. In order to make a delivery service work you might need a mix of products to help cover delivery expenses. A mix can often improve your bargaining position as well. If a buyer wants your baby corn but doesn’t want your leaf lettuce you might say, “no leaf lettuce no baby corn.” Terms are commonly on a verbal agreement with payment received after delivery on a regular billing schedule.

Running a delivery service requires lots of time and energy in developing relationships with your buyers. If you have the desire to run a year round business, service your clients with personal care, and the ability to keep delivery costs reasonable, the personal and financial rewards of direct marketing through a delivery service can be rather handsome.

### ***U-pick***

U-pick has the obvious advantage in that you don’t have to pay a large crew of seasonal workers to harvest your crop and you can generally receive a price that is above what brokers will pay. But there are hidden marketing costs associated

with using an untrained and independent workforce. You will need good supervisory help that can train people to identify which fruit is ripe to pick, and prevent crop injury when harvesting. Customer safety, and ensuring that theft is not a problem is another task added to a U-pick. Crops that are hardy to foot traffic, very perishable, and easy to identify when ripe like blackberries, blueberries, raspberries, and strawberries are popular U-pick items. These crops also have very labor intensive picking and post-harvest requirements of washing, sorting, packaging, and storage requirements that are eliminated with a U-pick.

A U-pick opportunity allows individuals to get out in the fields and fully absorb the countryside atmosphere. This is a part of the rural experience and overall product that many individuals are looking for. Consumers also know that their produce is fresh so they are often willing to pay the same price as they would for produce already picked. Do some primary research by asking potential and current customers about whether they would like to learn harvest basics and if they like to get their hands dirty. Some do and some don't.

Cut flowers are an upcoming U-pick item. Identifying "ripeness" is generally not a problem and many individuals like to pick and choose their own variety of flowers for a bouquet. Flowers can also make your farm more attractive and improve on the rural experience — they might even be used in identifying your product position (e.g., Flower Farms U-pick Produce).

A marketing risk associated with a U-pick is that your crop may be ready for harvest this week-end but a major rain storm is coming in. If you had workers ready to go, you could probably pick a good portion of your crop before the storm and place it in storage for a few days. A cloudy day could be enough to turn away all the fair weather fans and half the regulars yet an extra nice day could cause such a large turnout that you have a stampede. To

build a solid base of U-pick workers you might consider offering a discount or the "first pick" to individuals that have gone through any "harvest training" and return later in the season or next year. If individuals are bumped lower on the priority pole when they don't show up one year, they might be enticed to make the drive and pick if rain showers are forecasted for the first harvest day scheduled.

### ***Rent a Row or Tree***

With rent a row or rent a tree farming, the customer buys at the beginning of the season before production decisions are made. Then the farmer provides all the labor and inputs necessary to grow the crop, and the customer does the harvesting at the end of the year. The market risk of having a bunch of U-pickers fail to show because the day is cloudy has been eliminated and the renter takes all the risk of crop failure from a hail storm. A written contract should be given that states quality and quantity risks are assumed by the renter, if the weather is good (poor) the customer benefits (assumes the loss).

Keeping track of the cultural practices not allowed or requested and who is renting what can be a headache for the grower. These costs and activities may prohibit this form of direct marketing for many growers. Most of these customers like to visit the farm during the year so if you have hiking trails, picnic tables, and natural beauty surrounding your farm this is a definite plus. This type of access can also bring headaches to the farmer unless customer access is restricted. Having your property open for "public access" and dealing with the public doesn't fit in line with the "low-pressure life-style" many farmers have chosen. But not all rent programs have to include public access. Sometimes companies will rent an apple tree or trees and then plan their company picnic when the apples are ready to pick. These relationships can be attractive for growers that like to keep "public access" lower.

## **Community Supported Agriculture**

Community Supported Agriculture (CSA) operates much like rent a tree or rent a row in that the farmer receives monies for "shares" before the growing season and CSA members accept all quality and quantity production risks. CSA members act as "shareholders" rather than renters of a tree or row. Organization structure is somewhat like a cooperative where the farmer is growing for the coop. Production practices are the same for the whole field and produce is divided up throughout the year as crops mature. CSA arrangements and agreements depend on the consensus of the "community" or shareholders. Members generally reach a consensus on varieties planted, and primary production decisions (e.g., organic or conventional) by voting their "shares." Some may be arranged so that the farmer delivers produce while others may be arranged so that members harvest the crop. Finding a group of homogeneous consumers is key to making a new CSA effort successful. Share prices are generally set to cover all production costs, farmer wages, and a return to ownership costs like land "rent." The average price anticipated for produce should be competitive with supermarket prices. CSA tries to meet all or most of the produce needs of the consumer throughout the growing season and possibly some produce for winter storage.

According to Robyn Van En, one of the originators of CSA, 400 CSA projects are currently in operation in the US. By the year 2000, the number is expected to exceed 1,000. CSA appears to work best for areas that are near urban consumers that want to "link-up" with the countryside. People skills are a must for CSA. People management and organizational skills will be needed for group meetings, similar to "town hall" type meetings. You will have to be able to explain production from planting through harvest and meet people on a regular basis. But the individuals you meet from one season to the next will hopefully be the same, allowing for long-lasting relationships.

## **Mail Order**

A mail order business offers the opportunity for receiving premium prices without dealing face-to-face with the public, if you don't have people skills. But products must be storable, ship well, and have a high price tag relative to their weight. Seeds are a classic example for a business that thrives through mail order. Other products like nuts, dried fruits, dried flowers, and processed jams and jellies have been successful mail order items. Location is a mute point for mail order since the cost of shipping is generally the same for isolated rural areas as downtown metro. Just as people skills are crucial for CSA, organization of records, promptness, and detail are crucial personality traits for the direct mail order marketer.

Although the market potential is unlimited for the mail order marketer, finding and building a mailing list is not easy. Mail order experts calculate that the mailing list is 40 to 60 percent responsible for the success or failure of a mail order business (Gibson). If you are patient, you can start small with little capital and wait for your business to grow. Most mail order businesses start as a sideline and then expand. Guestbooks and other "in-house" lists are a good starting point for a mailing list. Buying or renting a mailing list from others usually gives a response rate of less than 1 percent, even with fancy glossy catalogs. In-house lists often have a response rate of 10 to 20 percent (Gibson). Thus, if you acquire a new customer it is important to add them to your mailing list and monitor their sales activity along with all other customers. Computerized records are a must for a mail order marketer. Graphic design and layout skills are also a big plus for a mail order business. Your sales literature will need to be very catchy and attractive.

In order to justify mailing expenses, each order should be at least \$25. Postage could easily double or triple the price of a \$5 item and most shoppers will buy elsewhere, even if they value their time and like the ease of shopping mail order. To

lower per unit mailing costs you will probably have to offer a variety of products. Variety can be added by making variations on your main product too. For example, if you are selling almonds offer honey roasted almonds in addition to just plain almonds. "Package deals" that work as gifts are particularly popular around Christmas. Many Christmas gifts need to be mailed anyway, and most see mail order as a hassle free shopping solution for buying Christmas presents.

### ***Farmers' Market***

Farmers' markets are appealing in that each grower can specialize in production and not be as involved with marketing activities as the other direct marketing alternatives. But the grower takes all the production and price risk and transports her product to the consumer. A farmers' market emulates many of the characteristics of a competitive market with numerous buyers and sellers gathered at a central location. Prices must be competitive with what other growers are offering but are still generally above wholesale prices. Growers have cash in hand on the day and can sell odd-sized or oversized products that would be rejected in the wholesale market. Some farmers' markets (e.g., Sonoma California) operate so that all produce brought in must be sold by the end of the day. Thus, if you are willing to wait an hour or so before closing you may get a real bargain or go home empty. This type of atmosphere and bustling of the crowd is what draws many people to farmers' markets. According to an informal American Vegetable Grower survey, farmers' markets have almost doubled in the last five years. Bob Chorney, executive director of Farmers' Markets Ontario, Brighton, ON said: "People come for the freshness and stay for the fun."

Most established farmers' markets have individuals hired that oversee the organization, rules and regulations, and promotion for all growers. Growers are charged a membership fee for the entire season or

pay on a one time basis as space is available. Promotion expenses of farmers' markets are spread over all growers so that per unit advertising costs are generally low. And if your area has a well established thriving farmers' market, you can plug into an established reputation if you're a grower starting out. One-on-one personal skills are required while at the farmer's market since many customers may want to know how your product was grown and why it is so great. If you have an established farmers' market to plug into and want a "private lifestyle" on the farm without customers on your land and you only grow a couple of crops, the farmer's market is probably for you.

### ***Roadside Stands***

The success of roadside marketing largely hinges on location and cheap labor. A visible location is needed to attract customers. Labor expenses can add up real quick with somebody always "manning the stand." A variety of products helps to draw more consumers, but it also helps to have a specialty. Appearance, freshness, nutritional value, price, and locally grown are important for roadside stand marketing. A roadside market is definitely more of a convenient store shop for produce than a farmers' market, but customer interaction is still important. Catchy sign skills are important for getting the customer to stop. Then one-on-one personal skills are needed for selling your produce and in bringing your customers back. As phrased by Gibson, "Repeat customers — happy and satisfied customers — are the key to success in a roadside market." Staying in-tune with a suggestion box and customer conversation can help in building a base of repeat customers. Regular hours and consistently friendly service are a part of bringing your customers back again and again too.

Capital requirements for a roadside stand can vary from almost nothing to an elaborate store. Thus, a roadside stand can be a good way to get started if you have

access to a good location and have several produce items to sell. Regulations for selling on a roadside market will vary depending on location (on-farm or off-farm, city or countryside) so it is important to contact local and county authorities before establishing a roadside stand (see section on "Legal Structure" for further information). With a farmers' market, an executive director may be on board to take care of issues like zoning, licenses, health permits, food stamps, and sanitary

requirements. But these issues must be explored by the entrepreneur for the roadside marketer. The legal rules and regulations are much greater when produce leaves the farm than when it is sold on the farm, and especially when it keeps its "original form."

Gibson, Eric Sell What You Sow; The Grower's Guide to Successful Produce Marketing, New World Publishing, 1994, p. 98.

<sup>1</sup> Russell Tronstad, Assistant Specialist, Department of Agriculture and Resource Economics, Cooperative Extension, The University of Arizona, Tucson, Az.

**FROM:**

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