

Track Three

Marketing

How to Start a Cooperative

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Guidelines

- Training or Orientation Tool
- Development DOES NOT Occur as a Linear Process
- Clusters Should be Completed Before Moving Forward
- Conscious Decisions Should Be Made to Proceed or Stop

Cluster 1: Needs Assessment

1. Identify Economic Need
2. Clarify, Review & Evaluate Proposed Business Activity
3. Evaluate / Identify Appropriate Organizational Structure
4. Define Proposed Activity in Mission Statement

Decision Point

- If need is identified, the proposal realistic, and a co-op is possible solution, proceed to Activity Cluster #2.
- If not, review activity or **STOP**
- Decision is made by vote of the group and by Cooperative Development Specialist

Cluster 2: Leadership and Work plan

5. Establish Steering Committee
6. Establish Advisory Team
7. Educate Comm. & Team on Co-ops & Dev. Process
8. Develop Plan of Work & Time Line
9. Assign Tasks & Target Dates

Decision Point

- If group takes responsibility for action, proceed to Activity Cluster #3.
- If not, **STOP**
- Decision is made by vote of the group, advisors, and / or by Cooperative Development Specialist

Cluster 3: Market and Member Analysis

10. Evaluate Market for Proposed Product/Service
11. Quantify & Characterize Potential Market
12. Evaluate Interest of Potential Members
13. Quantify Potential Level of Participation & Commitment

Decision Point

- If market potential and member participation are sufficient, proceed to Activity Cluster #4.
- If not, reconsider Activity Clusters # 2 & 3, or **STOP**
- Decision is made by vote of the group, advisors, and / or by Cooperative Development Specialist

Cluster 4: Feasibility Analysis

14. Conduct Feasibility Analysis
15. Identify Factors Necessary for Success of Cooperative
16. Define Risks and Benefits to Potential Members

Decision Point

- If feasibility analysis is affirmative and potential members recognize benefit, proceed to Activity Cluster #5.
- If not, reconsider Activity Clusters # 3 & 4, or **STOP**
- Decision is made by vote of the group.

Cluster 5: Business and Organization Plan

17. Develop Business Plan
18. Obtain Legal and Accounting Counsel
19. Finalize Capitalization Plan & Draft Legal Docs

20. Establish Banking Relationship
21. Conduct Member Equity Drive

Decision Point

- If equity drive successful, proceed to Activity Cluster #6.
- If not, reconsider Activity Clusters # 4 & 5, or STOP
- Decision is made by vote of the group.

Cluster 6: Incorporation and Start-Up

22. Incorporate / Elect Board
23. Establish Accounting & Control Functions
24. Id. Mgt. KSA's, Conduct Search, Hire Manager
25. Complete Capitalization
26. Land, Bldgs. & Equip.
27. Develop Opr. Policies
28. Begin Operations

CELEBRATE !

How to Start a Farmers Market

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A farmers market can be defined as a common facility or area where several farmers/growers gather on a regular, recurring basis to sell a variety of fresh fruits and vegetables and other locally-grown/raised farm products directly to consumers. Farmers markets give consumers direct access to fresh fruits and vegetables and other farm products, as well as provide small-sized farmers with an alternative sales outlet for their production.

Who Benefits From Farmers Markets?

Small/medium-sized farm operators Direct access to consumers at farmers markets provides an important supplemental source of farm income for many growers. According to USDA's National Farmers Market Survey in 2000, 19,000 farmers reported using farmers markets as the sole outlet for their commercial fruit and vegetable production.

Consumers Farmers markets allow consumers to have access to locally grown, farm-fresh produce and the opportunity to personally interact with the farmer who grows the produce.

The community Many urban communities where fresh, nutritious foods are scarce gain easier access to food through farmers market operations. Survey data from 2000 indicate that 58 percent of markets participate in WIC coupon redemption, food stamp redemption, and/or other State and local nutrition programs, while 25 percent of markets participate in gleaning programs aiding food recovery organizations in the distribution of food and food products to needy families.

The keys to establishing a successful farmers market involve setting and achieving a clear set of goals. When

starting a market, the following goals should be the main areas of focus:

Creating a Sponsoring Organization

The beginning stages of setting up a farmers market typically involve assembling a group of dedicated stakeholders to form a sponsoring organization, who meet to discuss the objectives and goals of the planned farmers market facility, establish a governing body, such as a board of directors, and develop by-laws and operating rules and regulations for the planned market. Preliminary feasibility studies are often undertaken by these organizations to evaluate local market conditions, and established operating rules and fee structures that are suitable for a specific market location.

Farmers markets can be initiated by a wide variety of groups or individuals. In some cases, individual citizens take the initiative to form committees of local volunteers, such as "Friends of the Farmer Market" organizations, which assume a leadership role in planning a farmers market facility. Other farmers markets are developed with the assistance of non-profit foundations with interests in sustainable agriculture, municipal, local and State governments, and producer associations.

Once these farmers markets are developed, it is very important to put together a mission statement and set goals that will serve as the benchmark for the market as well as communicate to potentially participating growers and consumers.

Mission Statement. The idea is for the mission statement to be short, but provides an impression of the direction in which the market is

headed. With the mission statement in place, the first major step is now to focus on goal setting. This process is utterly important because they not only serve as motivation and inspiration, but they also help in the formation of prioritizing them as well.

- Example: Dane County, Farmers Market in Madison, WI

Goal Setting. Goals describe what is expected to be achieved at the market, what is to be marketed, who will be involved in the market operations, and what is expected to be earned down the road. Unfortunately, goals do not describe how one plans to market and price products, staff the market, and provide market equipment. To further spell out particular goals, be sure to write out goals, identify common and realistic goals, and prioritize goals. When setting and prioritizing your goals, it is wise to define a timeframe for each goal. Timeframes for goals can be set up to include:

- Short-term – one to five years (Example: finding 5 local farmers to serve as vendors)
- Intermediate – five to ten years (Example: being a fully funded market on its own that offers other attractions to the market)
- Long-term – ten or more years (Example: remaining fully funded with no assistance and offering value-added opportunities)

The task of prioritizing goals will never be an easy one, since most goals overlap each other. However, the idea is to recognize which goals are most important to the market, and determine which ones are worth pursuing, even if it prevents from other goals being reached.

Identifying and recruiting farmers

When attempting to establish a farmers market, it is important to identify the local growers in the area, and figure out which

growers might be interested in participating in direct farm sales on the market, which commodities are available locally, and what the seasonal availability of product is likely to be. County extension agents, Cooperative Extension departments at local land-grant universities, and agricultural trade associations can be useful sources in finding farmers who may be willing to participate in the market. In order to convince local growers to support the concept of the farmers market, it may be important to demonstrate the level of consumers' interest in obtaining high-quality fresh produce and other farm products from local growers, set fees at a level that local growers find acceptable, and, in some cases, provide assurances to growers that 1) the farmers market will be a producer-only market and 2) there will be limitations on the number of vendors who are allowed to sell the same commodity. It is important to remember that there is "no hard and fast rule" about which item to consider first when starting a farmers market, but often identifying farmers is harder than finding a location.

By-laws

The by-laws are established formal rules that govern the internal affairs of the market. They normally describe and define the role and responsibilities of the directors and officers, the purpose of the market, where it is located, the hours of operation, membership, dues, fees, election procedures, and the amendment process.

Rules and Regulations

To ensure an efficient and orderly market, it is important to adopt and enforce concise rules and regulations. However, please make sure to contact the state farmers market representative to find out about each State's specific guidelines for starting a farmers market at <http://www.ams.usda.gov/farmersmarket/s/>.

Examples of certain questions/concerns that can arise include:

- Should sales at the market be limited to fresh fruits and vegetables or should

processed and dried goods, or farm related crafts, be allowed?

- How many participants can the market accommodate or is there ample space for all of those that desire to participate?
- Are licenses and permits required to sell certain commodities at the market, such as nursery licenses for all potted plants and cut flowers, or processed foods certifications for any value-added vegetable or fruit items?
- Will the geographic region that the market draws on for suppliers be restricted in any way (e.g., by number of participating counties)?
- If a market is located on city property, will the city allow hot food items or "closed alcoholic containers" to be sold on the market?

Budget

The board of directors or similar governing body for the farmers market typically oversees the financial status of the organization by creating a budget and plan for the annual operation of business. Expenses from this include insurance, permits, and outside assistance and financing for the organization.

Insurance – All organizations should be covered by some type of liability insurance. Insurance companies view outdoor activities as a major risk, therefore, it has become quite difficult to obtain coverage. Researching the matter and finding out who offers coverage and what type of coverage offered is essential. Some companies require organizations to be incorporated, either as a non-profit organization or a non-profit organization with 501(c) 3 status, to qualify for such coverage. Local governments, that sponsor farmers markets, can sometimes add them to their existing policy. The North American Farmers Direct Marketing Association (NAFDMA) offers an insurance company referral list to their membership. To view that list, log on to their website at www.nafdma.com.

Permits – The need for permits will vary for each location. To find out what permits are actually needed, one should contact the local Chamber of Commerce or local community planning/economic development office for assistance.

Outside Assistance & Financing – Farmers markets can look for outside sources of financing and technical assistance through local and State government, foundations and other private organizations. The Northwest/Midwest Institute maintains a list of such resources at <http://www.nemw.org/farmersmarkets/>

Fee Structure - Fees collected from participating vendors are typically a primary source of income for farmers markets. Fees determine whether the market can afford to pay the manager a salary, how much advertising the market can afford, and what type of maintenance/improvements can be made on the market site. Fees should be based on profitability and reflect the true costs of operating the farmers market. They also should be structured to fit the needs of the organization. Fees may be based on a percentage of the farmers' gross sales for each market day, or a seasonal/annual basis.

Identifying a location

Location is a critical factor in developing a successful farmers market. Ideally, farmers markets should be centrally located in a downtown district, a well-populated residential area, or a well-trafficked commercial area. Wherever possible, market sites should provide easy access to car traffic, offer attractive surroundings, be visible from the road, and be located in an area with controlled traffic patterns. The most desirable locations are those that are easily accessed by both the public and participating farmers. Ample parking for customers and farm vendors, along with and ample room for vendors to set up their stalls are important assets.

Examples of good locations include:

- Shopping centers and malls
- Outdoor spaces/parking lots affiliated with religious institutions
- State and Federal building parking lots (for weekend markets)
- Downtown "plaza" areas
- Public parks
- Public square
- Blocked off street connected to local businesses

To be most successful, farmers market locations should offer access to public restrooms, public telephones, and a customer service booth.

Identifying a Market Manager

What most successful farmers markets have in common is a positive, dynamic manager, who serves as the main point of contact for the market. The market manager's main duty is overseeing the day-to-day operations of the market. He or she is responsible for collecting user fees, obtaining the proper permits and insurance for the market, enforcing the market's rules and regulations, recruiting vendors, controlling the vendor and product mix, handling any complaints or disputes that may arise among participating vendors, and working closely with the market's board of directors or other governing body. To be successful, it is critical that the manager is able to work well with and communicate information clearly to a variety of market stakeholders.

Beyond overseeing operational issues, a major component of the market manager's role is establishing strong contacts with the community, especially with members of the local media. The market manager typically represents the "public face" of the farmers market to the local community, and plays an important role in influencing the publicity that the market receives.

Farmers markets are a viable, direct marketing activity that provide ample variety, fresh quality, and reasonably priced farm-raised commodities to consumers of various ethnic and economic backgrounds. Shopping at a farmers market is a real delight for the senses, the assortment of smells, tastes, textures and color schemes create a rewarding experience that consumers would get excited in their respective return. It is simply a place of solace to some and a reunion to others.

When looking to develop a successful farmers market in your community, one must remember that it takes time, a great deal of patience, and persistent effort. Nevertheless, the chances of establishing a successful farmers market increase to the extent that stakeholders:

- "Do their homework" and thoroughly evaluate local market conditions
- Leverage available resources in the community
- Hire strong, capable management
- Set appropriate market standards
- Develop a realistic budget and fee structure
- Arrange for a reliable and steady supply of quality farm product, and
- Pay sufficient attention to market publicity and community relations
- Tap into city/county resources that deal with local health coding, local ordinances and laws, permits, etc., solid waste disposal, and connection to utilities
- Finding inexpensive public space
- Work together with other parties (community leaders, policy-makers, consumers, potential vendors) in order that the market is used profitably and efficiently to better suit the community

Marketing Natural Meats: Targeting Consumer Segments in your Marketing Plan

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Retail sales of organic meats and poultry are the fastest growing segment of the \$23 billion organic food industry, with a growth rate of 77.8% between 2002 and 2003 (Organic Trade Association). Sales through general supermarkets (rather than specialty health and natural markets) accounted for 45% of natural/organic food sales in 2001, up from 31% in 1998, but direct sales by producers also appear to be growing in many regions. These trends signal the growing mainstream appeal of natural foods and motivate the need for analysis of the nature and variety of characteristics and primary motivators of those consumer profiles who have interest in natural/organic meats.

The increasing complexity of consumer food purchasing trends is an important factor guiding all agribusiness-marketing efforts. Profiling and targeting consumers by marketing channel (natural and organic food stores) may have once been effective, but it appears that natural meat consumers may be increasingly diverse. This is an issue of interest and importance to those producers who seek to use smaller niche markets as a means to innovate value-added meat products since they are often too small to get access to retail natural stores. One area of increasing differentiation relates to the location and types of production methods used to raise the animals. Throughout the United States and Colorado, numerous new business ventures have been initiated to garner either a price premium or more loyal customer base through the marketing of unique production systems to consumer segments. The market research conducted on behalf of Colorado Homestead Ranches is presented here in the context of its potential use for

business planning among other US natural meat producers and alliances.

The objective of this presentation is to share research on consumer segments for natural, local meat products. Using a 2004 national survey, consumers were grouped based on their interest and willingness to pay for various natural beef products (varied by production claims), use of different marketing channels (health/natural food stores, farmers markets, meat shops, direct from producer, Internet), the importance they placed on different production practices (antibiotics, hormones, BSE-tested, wildlife-friendly grazing, grassfed) and reasons that motivate them to purchase natural meats. Such analysis should facilitate producers' ability to effectively develop product concepts, labeling and promotional strategies targeted as receptive consumers. In addition to presenting the research findings, the presentation will focus on how producers could use such findings to develop more effective marketing plans and activities.

The importance of various beef characteristics to consumers can be analyzed in two different ways: factor analysis, which measures the primary differences in responses across the entire sample to determine important factors for differentiation; and, cluster analysis, which groups consumers by their similar responses, suggesting groups of consumers who may appreciate and respond to various product concepts and marketing messages. The most important factor explaining almost two-thirds of the differences among Colorado consumer responses (and 60% in the national sample) relates to production practices (use of antibiotics, hormones,

environmentally friendly grazing). This signals the potential strength of production methods (and marketing of such quality differences) as product differentiation criteria.

Findings from the cluster analysis indicate that there are multiple segments of consumers who are likely to purchase natural beef, and that different segments are motivated by different factors. We found the five clusters vary significantly in means across a wide set of variables, including demographics, and used these differences to name each cluster. As a means to target consumer segments, we can focus on willingness to pay and note there is a stark difference in the level of premium that consumer segments are willing to pay (Fig. 1). Two target segments, quality seekers and health and natural consumers, were targeted because of their willingness to pay the prices that Colorado Homestead Ranches needs to charge to meet their goals for returns to meat.

Quality seekers (17% and 19% of Colorado and national samples, respectively) and health and natural consumers (22% and 13% of CO and United States, respectively) both indicate a willingness to pay a premium for natural, local beef, but are motivated by different aspects of the meat and its intrinsic production attributes. Quality seekers differ in not only their higher willingness to pay, but also in the fact they are more likely to be male and they put little importance on production

practices, even though they still expect freshness and premium brands (attributes that may directly affect their eating experience). The health and natural consumers are also willing to pay more, but differ in their higher use of health and natural food stores, are even more likely to be female than the entire sample (82% vs. 72%), are very concerned about societal health benefits relative to their personal benefits (a civic-minded reason they purchase natural), and rank the importance of every environmentally- and animal-friendly production practice high.

As a contrast, empathetic value seekers (15% and 27% of the Colorado and national samples, respectively) are not willing to pay a premium price, but could be future consumers if their incomes rise, natural prices decline, or if producers decide to price discriminate and target affordable meat cuts (roasts, ground beef) at price sensitive consumers. They are also females, in more rural areas and rate the importance of most production practices high, even though they currently seem unwilling to pay more for natural meat products.

This presentation on potential Colorado and national natural meat consumers focuses on how sustainable practices may be effectively used as a product differentiation strategy. The most interesting finding is that there is more than one "type of consumer" interested in niche beef products, and that the product development and marketing strategies needed to attract these different segments may differ significantly.

Maximum Willingness to Pay for Natural, Local Beef

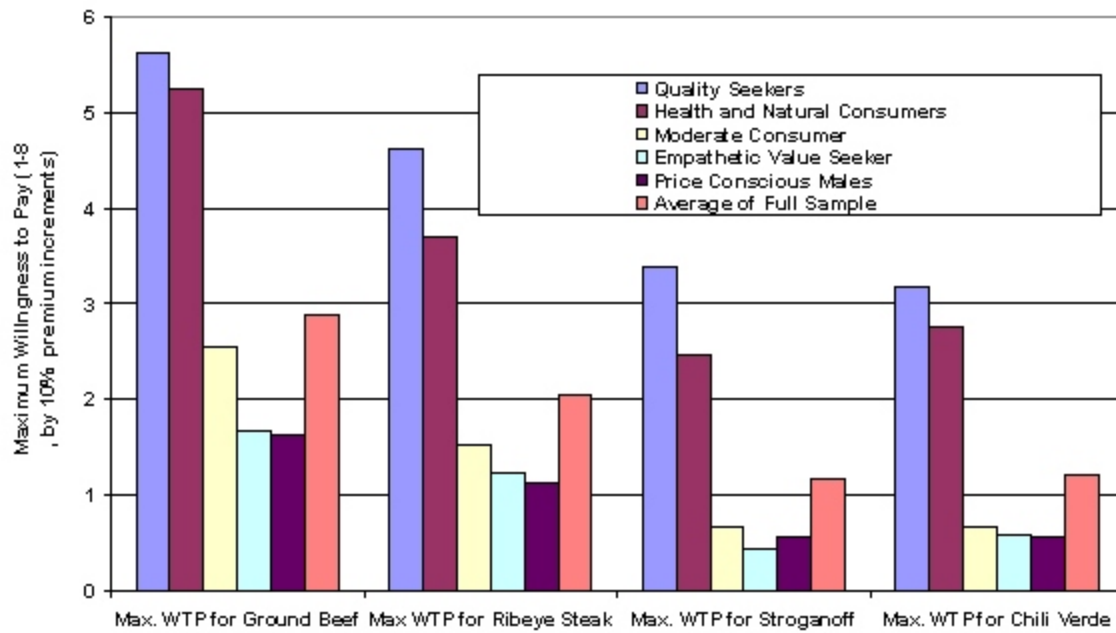


Figure 1-Consumer Willingness to Pay by Consumer Profile

Using the Web to Connect Buyers and Sellers of Small Ruminants

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SheepGoatMarketing.info

A national resource for sheep and goat marketing...

Introduction

The per capita consumption of lamb and mutton is estimated to be only 1.1 pounds (in 2002) as compared to 4.5 pounds in the late 1960's. Most Americans do not eat lamb, while some consume much more than one pound. Lamb and mutton imports currently account for more than one-third of U.S. consumption. Separate statistics are unavailable for the consumption of goat meat.

The typical lamb consumer is an older, relatively well-established ethnic individual who lives in a metropolitan area like New York, Boston, or Philadelphia in the Northeast or San Francisco or Los Angeles on the West Coast. Lamb consumption has remained constant among Middle Eastern, African, Latin American, and Caribbean consumers. Contrary to the overall declining trend in United States' lamb and mutton consumption, there is a growing, high-value market to be found among the American Muslim population. Population demographics favor an increase in lamb and goat meat consumption.

History of the Web Site

In 2001, the American Sheep Industry Association filed a section 201 trade grievance against imports of New Zealand and Australian lamb. While the case was eventually overturned, the sheep industry received a \$100 million assistance package from the U.S. government. The purpose of the assistance package was to

restore the competitiveness of American lamb. Some of the assistance package was used for competitive grant funding. Cornell University received a USDA marketing grant and developed the Northeast Sheep & Goat Marketing Program (NESGMP). One of the accomplishments of the NESGMP was the creation of a web site (www.sheepgoatmarketing.info). The grant ended in 2003.

In 2001, Maryland Cooperative Extension developed an online directory of sheep and goat producers. The purpose of the directory was to help producers sell their market animals, breeding stock, and other products and to help buyers locate the same. In 2004, Maryland Cooperative Extension received a Northeast SARE grant and developed the Mid-Atlantic Sheep & Goat Marketing Project (MASGMP). The purpose of the MASGMP was to build upon the accomplishments of the NESGMP and extend its efforts further south into the Mid-Atlantic States.

The SARE grant provides funding for a part-time web master (10 hours per week for 2 years). As part of the grant project, the Northeast Sheep & Goat Marketing Program web site is being expanded into a national resource on sheep and goat marketing with a focus on the ethnic/religious markets for lamb and goat. The Maryland producer directory is being combined with the NESGMP directory into a national database of sheep

and goat producers. The entire web site is being converted to a database to allow more automation and interactivity. The web site – www.sheepgoatmarketing.info – is a joint project between University of Maryland Cooperative Extension and Cornell University.

The Web Site

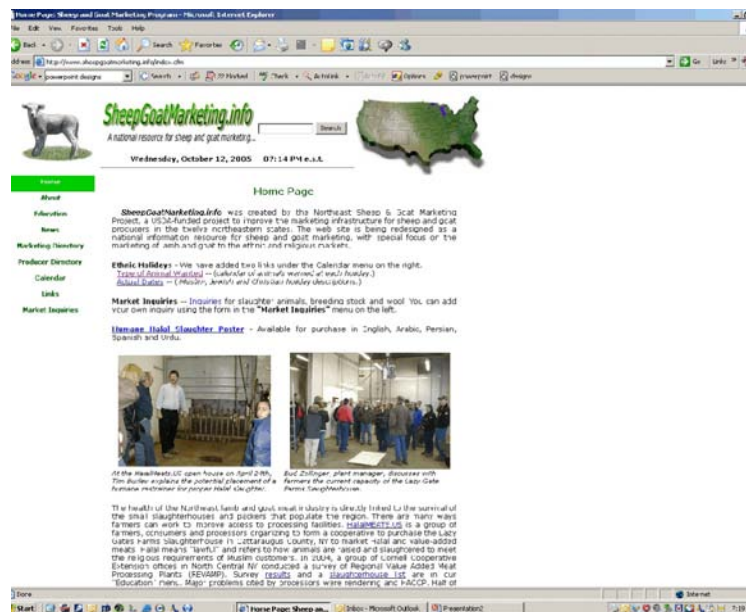
While there is a strong demand for lamb and goat meat from ethnic customers, the marketing infrastructure is generally lacking, and buyers and sellers often have difficulty making connections. As a result, the primary objective of the web site is to connect buyers and sellers. The web site contains the following sections:

1. About
2. Education
3. News
4. Marketing Directory
5. Producer Directory
6. Calendar
7. Links
8. Market Inquiries

The education section includes an ethnic calendar and on-farm slaughter poster, as well as various articles pertaining to the

ethnic/religious markets for lamb and goat. The interactive portions of the web site include the producer directory, marketing directory, calendar of events, and market inquiries.

The producer directory contains listing of sheep and goat producers with breeding stock, market animals, and other products to sell. Producers may enter their own data. Currently, there are over 500 entries. The Marketing Directory contains listings of live animal markets, livestock auctions, livestock dealers, livestock haulers, livestock processors, marketing cooperatives, meat wholesalers, meat retailers, and feeders. These entries are made and updated by one of the web site administrators. The Calendar of Events lists events pertaining to sheep and goats. Users may enter their own information to the database. Market Inquiries list sheep and goats for sale and wanted (to buy). Buyers and sellers enter their own information into the database. During the holiday seasons, there are special listings of lambs and kids. These lists are compiled by one of the web site administrators.



Future Plans for Web Site

In recent months, the web site has experience difficulties with the server at the University of Maryland. This has limited progress. In the future, the web site will be expanded to include more listings from more states. More sections of the web site will be automated with database programming, improving the web site's interactivity. Eventually, users will be able to edit their own listings. Currently, changes to entries have to be made by one of the web site administrators. The web site will be made more visually appealing.

Web Site Impacts

A goat producer attributed 15 sales to his listing in the directory

A sheep/goat producer sold animals within a week after listing his farm in the directory.

A goat producer made his first on-farm sales to the ethnic market after listing his farm on the web site.

A producer said, "Thanks to your web site, I have every goat born next spring sold, as well as orders for various products."

A Virginia sheep producer with 700 ewes made a connection with an ethnic lamb processor in Connecticut. Thanks to the web site, he has all his wether lambs pre-sold for a premium price.

Accessing New Markets: Challenges for Small Farmers

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This presentation is based on 25 years of experience working as an extension educator working with small farmers. The information being presented is not based on research results; rather it is my observation and assessment of the challenges that small farmers face in marketing their products. It is important to clarify that the small farmers I have worked with include primarily beginning farmers who started out direct marketing their products to consumers and then expanded into direct to retail and wholesale marketing activities. (Most achieve sales between \$40,000 to \$120,000.)

The challenges small farmers face are both internal to the farm operation as well as external from the marketplace. Size does matter and for a small farmer to succeed, it is important to grow for the market. As educators, our role in helping small farmers grow is to understand the marketplace so that we can help match the producer's capabilities with the market's expectations. I call this "Right Sizing" – linking producers of a particular size with markets of a size that they can serve successfully.

Small farmers often struggle to expand the scale of their operation, as it is not incremental. A beginning farmer who is successful at farmers' markets may need to expand production three or four fold to become established in new market venues such as sales to restaurants, retailers of wholesalers. Expansion from a small fairly self-sufficient farm into a larger enterprise requires more inputs (labor and equipment) to generate the additional output. To justify the added cost, the output has to be significantly increased. Many small farms may not have the internal capacity to expand into new

markets. Financing an expansion or management skills pose limitations for some. Labor is another limitation. Finding markets that allow incremental expansion of a small farm enterprise is ideal though not available in every locale.

Marketing challenges also vary significantly by type of product. Dairy, livestock and poultry products are subject to more market regulation than fruits and vegetables. Thus producers of meat-based products have additional regulatory costs associated with selling their products. Regulations can limit participation in certain market channels. As food safety and security regulations become more stringent, it will become ever more challenging for small livestock producers to meet regulatory requirements.

Industry consolidation has played a played a significant role in reducing marketing options for small livestock farmers. During the past 50 years, the markets for dairy, livestock and poultry have become ever more concentrated hence small livestock farmers are impacted both by low prices and limited markets. Local and regional marketing of fruits and vegetables has not been impacted to the same extent in part because these have been consistently available at local outlets such as farm stands.

Consumer preference for fresh local produce has played a significant role in revitalization of direct marketing which was faltering until the 1970's when farmers' markets started making a comeback. Over the past 35 years, there has been a significant expansion of direct marketing. While fruit and vegetable producers have been more engaged in direct marketing from the outset, now all

types of producers of livestock products and added value agricultural products are found in direct consumer or retail venues.

Consumer interest in fresh foods produced closer to home with fewer chemical inputs is a driving force behind the expansion of direct marketing. This has enabled more small farmers to connect to the marketplace in new ways. However, there are challenges. One is that of unrealistic expectations about the demand for locally produced products. Small farmers often fail to critically assess the demand for their products in the marketplace. Furthermore, since many buyers lack experience dealing with local suppliers, farmers must be prepared to “push” their products with potential buyers. This activity of marketing is highly time intensive and often conflicts with time-spent farming.

While direct marketing has provided opportunities for small farmers, a real challenge is imminent. For the first time in decades, consumers are facing a significant increase in energy costs that will impact spending in other areas. The commitment to purchasing foods from local farmers may be overshadowed by their need to economize. This can impact farmers in two ways: consumers may choose to buy more foods from conventional grocery and big box retailers because of cost and convenience—lower prices, one stop shopping, less gas. This will require small farmers to develop new strategies to attract and retain customers.

Rising energy costs are also impacting retail and wholesale buyers. Shipping costs have increased sharply due to rising gasoline prices. Placing further downward price pressure on distant suppliers may not be an option; hence, food costs will rise at the consumer level. Whether the increased cost of shipping products from distant sources makes local supplies more attractive remains to be revealed. If farmers work collectively to offer a price advantage, the opportunities for local producers could expand. A regional food economy could reemerge with the

additional benefit of increasing food safety and security.

What is clear regardless of the market channel being utilized by small or large farmers, margins are narrow and the marketplace is constantly changing. Farmers must remain alert and flexible. Challenges that arise are not without opportunities. Further discussion of the challenges and opportunities associated with major market channels follows.

Direct Marketing Challenges and Opportunities

Over the past 35 years, direct marketing has expanded to include many new models. Farmers’ markets, sales at the farm, roadside stands, farm stores, community supported agriculture, pick-your-own and agritourism are some of the location-based activities that small farmers participate in. The Internet and mail order are additional tools by which small farmers access consumers directly for sales.

The key challenge for direct marketers is attracting customers and building a loyal clientele that enables the farm to survive. Indeed many farmers who have either started out or shifted into direct marketing are realizing a high degree of success. Sales at thriving farmers’ markets can be as high as \$100,000 per season per farm and successful PYO/Agritourism ventures may be operating multi-million dollar enterprises.

The success of direct marketing is attracting more individuals to farming, some see it as a retirement activity and others are seeking a business opportunity. Both types seem to have romantic notions about the opportunities and what is involved. Some quickly find that sales via farm stands or farmers’ markets are small, especially as they seek to establish themselves among the competition. At the Ithaca Farmers’ Market, which is a very successful market, it is my observation that a small farmer has to be present for 3 years before sales begin to cover costs. The same can be said of

roadside stands—it takes time to build clientele. This needs to be factored into the start-up phase of a business. Very few new farmers develop sales projections to help them accommodate 3-5 years of start-up.

Another challenge for small farmers is that many communities may not have the population and demographics to support successful direct marketing. This requires a variety of strategies to develop a customer base. Many small farmers use multiple direct market channels to increase customer numbers and sales. In Ithaca, none of our small farmers participate in only one direct marketing strategy. For example, they may sell at the farmers' market, operate a CSA, or sell to restaurants or specialty food stores in order to generate sales that approach a full-time income, and many rely on part-time off-farm work for benefits and living expenses. One strategy to overcome the population problem is to take product to urban markets, examples of this include farmers that drive several hours to NYC Greenmarkets or who offer CSA shares to urban consumers or that collaborate on delivery to urban markets.

Additional innovative direct marketing strategies are emerging to get local product into the stomachs of local consumers; these include home delivery and cooperative farm stores offering a wide variety of local products. Undoubtedly more initiatives will emerge out of necessity.

Retail Marketing Challenges and Opportunities

Retail marketing, as I define it, includes sales from the farm to restaurants, specialty food stores, and grocery chains...where the farmer is once removed from the end consumer. The retailer in these situations is motivated to feature local farm products. The benefit of selling retail is that farmers can access more consumers and prices, while lower than direct sales, are a bit better than conventional wholesale. Each of these channels has its challenges. High-end

restaurants interested in local farm products are not big volume users, demand the highest quality, and some have the reputation of being slow to pay. Specialty food stores and grocery chains may purchase more but also expect standard packs, grade and quality. It is the more experienced farmer that can meet these demands. They can also be tougher on prices and generally pay on a monthly schedule.

Institutional Sales Challenges and Opportunities

The growing farm to school movement is creating new marketing opportunities and challenges for small farmers. The first reality is that school food service directors are required to keep costs per student down through use of government commodities and by serving foods that require little additional prep time thus saving on labor. Thus there are very few fresh, whole food items being utilized in the school kitchen. Some local products that have potential include apples and other fresh fruits, potatoes, onions, lettuce, and perhaps hamburger. This will change as concern over the diets of children is shaping policies that make it more feasible for small farmers to supply a school district. Costs are still of concern to school districts, therefore, low prices make the school food service market less attractive to farmers unless they find a way to specialize in this niche.

In investigating opportunities for institutional food service sales, a myriad of additional barriers to doing business arise for small farmers. These may include the following: requirement to carry a high level of liability insurance, paperwork to become an approved vendor, refrigerated trucks, traceability, HACCP regulations, etc. In addition, these venues, just like schools, operate a tight ship, with targets established for what they can pay per meal, and they limit the amount of cooking required to save on labor costs. Thus products they demand in fresh form are few. Just as with schools, an individual farmer would need to become specialized in serving this market.

Another strategy would be for groups of small farmers to work with a distributor who can assume the business functions and overhead associated with sales and delivery requirements.

Wholesale Marketing Challenges and Opportunities

Small farmers involved in traditional wholesale markets tend to be those who are on the “larger” side of small (by USDA definition). Wholesale markets for the purpose of this paper are twice removed from the consumer. In other words, the broker/distributor takes possession of the product and resells to restaurants, food stores or institutions that in turn sell to end consumers. Opportunities for local sales to brokers/distributors are increasing as the demand for local products is being pushed backwards up the marketing chain. The wholesale buyer, in order to retain contracts, may be being forced to seek out local sources. As an example, Cornell University has changed its contract

to require their produce distributor to supply 25 % from NY farms. Another local produce distributor is being asked by his restaurant customers to supply local products. Additionally, a major NYC distributor is actively seeking supplies of specialty products from small farms. This shift in the marketplace, driven by consumers, is huge and offers increasing opportunities for smaller farmers to specialize in meeting volume demanded by larger consumer markets.

Ultimately, for growers to succeed in any of these marketing arenas, they will need to become more intentional in their marketing efforts. More time must be spent on meeting the demands of consumers. However, when products can be supplied at a quality, price and location that is optimal, fair and convenient, opportunities will increase and small farmers will once again become significant local and regional players in the food supply system.

Evaluation of Three Small Farm Feeding Regimens for Beef and Small Ruminant Relative to Market Value

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The role of extension personnel is to provide realistic and practical information to community based clientele in order to accomplish cost effective outcomes and impacts. Cattle production is no exception. Extension personnel are in a crucial position to provide practical information to producers based on applied science and research. Limited resource producers especially rely on extension personnel to assist in developing programs that can be consistently managed and sustained.

The diversity of programs and methods of raising cattle and small ruminants make this area one that requires sound science and sustainable models. A study was conducted to gather data for use in limited resource beef cattle programs in fifteen counties in northern Florida. Information derived from the study could be used by extension personnel to assist limited resource farmers in these counties to make decisions according to Best Management Practices to achieve target weight gains in typical cattle operations. As a result of the knowledge gained, extension personnel will be able to provide science-based information to small and limited resource farmers that could enhance on farm cattle production.

Cattle production is a major industry that includes both large and limited resource producers. Comerfort, et al (2001) reported that the United States is the leading beef producer in the world. Almost 26.9 billion pounds of beef were produced in the United States in 2000 and per capita consumption totaled 78 pounds.

USDA reported 62 pounds per capita consumption in 2001 (USDA.GOV).

A major concern of all cattle operations, is maintaining an effective feeding program. Since feed account for over 50% of the cost of production, both limited resource and large cattle producers are challenged with utilizing cost efficient feeding programs to raise cattle to target weights. Traditional small producers will raise cattle relying on pasture in a cow-calf or stocker herd. An established practice of supplementing cattle feed with sub-therapeutic levels of antibiotics and antihelminths have long been practiced as an aid in weight gain. However, there is empirical evidence that the strategy of feeding medicated feed may be contraindicated. The use of these substances could possible have an impact that could lead to antibiotic and/or parasite resistance

Materials and Methods

The experiment was conducted under limited resource farms conditions in north Florida. The objective was to determine whether or not a specific feeding management system, significantly affected the target weight (market weight) of cattle raised under limited resource conditions. Three groups of weaned crossbred Brangus cattle (10 per group) were used in this experiment. The animals were weighed on a monthly basis. The initial weights were taken in June 2002 and the final weight was recorded in December 2002.

**Table 1 Compositional Profile for feeding rations
Profile of Grass using kahdahl method**

Protein%	11
Fat %	3
Fiber %	74

^aAOAC (1995) methods were used to determine compositional values.

Table 2 Composition of Medicated and Non medicated supplements

Composition	Medicated	Non Medicated	
Protein %	12	12	
Fat %	1	3	
Fiber %	8	15	

Compositional values were supplied by the feed manufacturer

Results:

Our study concluded that animals fed on non-medicated (Super 12) rations gained significantly more weight when compared to the other groups. Inconsistent with our expectations, the medicated group did not gain significantly more weight than the graze only group. The results of this study suggest that feeding cattle on supplements including medicated and high protein feeds do not significantly improve weight gain in a cow calf operation. In consideration of cost of feed, it would appear that limited income and small producers can feed their herds to market weights on farm conditions by providing high quality pasture with a good rotational grazing strategy. This data can be used by extension to educate and train the small beef cattle producers regarding sustainable and affordable feeding programs. It can be used to teach limited resource farmers how to realize a profit margin from cattle operations, especially as it relates to high quality pasture grazing as compared to supplemental feeding.

The implications and significance of this information:

Extension programs can be further developed to train small and limited cattle producers to:

- Apply a pasture-based feeding program to grow in production based operations.
- Incorporate feeding programs with herd health management programs in order to maximize weight gain and decreased loss.
- Develop effective and prudent parasite control in concert with enhanced pasture rotation, new animal control, and strategic deworming programs.
- Recognize advantages of feeding a combination of high quality grass and high quality supplement for cost effective feeding of cattle.
- Practice the prudent use of medicated feed that is environmental friendly and limits food safety risks.
- Develop and maintain effective record keeping systems on weight gain and cost of feed as a valuable tool in management decisions.

Although this was a limited study, extension personnel can use the data to more effectively advise small and limited personnel in sustainable production based cattle operations. Additional studies should be conducted to examine the duration and cost of feeding medicated feed. The use of antibiotics and parasiticides in animal feed should be further investigated.

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Making Educational Sense of Market Planning for Small Farmers with “P”, “C” and “Z”!

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Introduction

Marketing is seen as one of the great challenges facing small farmers. Small farmers frequently express their willingness to handle production but then hope to leave marketing to someone else. Or, they just throw up their hands and end up at the mercy of the market receiving whatever price is offered. Research has shown, however, that successful small farms do not abandon the market to someone else. They are actively involved in their own marketing (Johnson & Perry, 1999).

Extension and other support services tend to do not much better in terms of actually assisting small farmers to market their products. Campus-based faculty members sometimes give the impression that market research is a very complex and convoluted science. This too can be a significant disservice to Extension and to their clientele. Market research conducted by large corporations and taught as the models and case studies in schools of business can be very complex and be off-putting for Extension outreach use. In addition, economics is often seen as the reserve of campus “experts” or gurus, whereas Adam Smith (1776) has much to offer people trying to understand how markets function.

Small farmers have very real educational needs in terms of marketing. They, especially as direct marketers, need to understand what their customers want, when they want it, where they want it, what they will pay for it, and how to communicate with the customers. Small farmers need help to develop these skills. Extension can offer educational programs to help farmers understand these topics.

However, they too need guidance and support, to become successful educators in marketing skills. Then, they could see significant impacts as their small farm market audiences become educated to be able to find appropriate marketing answers for themselves.

Presentation

This presentation offers approaches for outreach educators to use so as to explain marketing basics to farmers and marketers. It sees a model in the train-the-trainer model of ordinary Extension In-Service training or of the Sustainable Agriculture Research and Education Professional Development Program. It explains these basics in simple terms and it offers ways to operationalize the ideas of basic marketing by small farmers and marketers.

The present program also offers some simple steps of market research by small farmers that do not have to be an overwhelming challenge. It offers simple steps that can be followed by small farmers, their extension partners, and others, interested in helping direct marketers understand their customers. It offers suggestions for tools, as used to assist small farmers in North Carolina, as well as simple market observation techniques to assist producers to develop their own marketing skills. These steps provide the starting point for market planning, allocation of market resources, and ways of using information for production and marketing decisions. They also can then be built into evaluation feedback loops for program evaluation as part of the implementation of an evaluation plan.

What is marketing?

Marketing text books usually define marketing as the total process engaged in order to achieve customer satisfaction. See, for example, the presentation offered in Kotler and Armstrong (1987), preface and chapter 1. In another textbook, it is argued that that goal of achieving customer satisfaction is met by a series of management decisions made by sellers, based on their knowledge of customer wants and needs, competition and other market environmental factors. For example, Aaker, Kumer and Day (1998) layout the broad parameters of market research as being the way-by-which informed decisions can be made by marketers. Successful marketing-achieving customer satisfaction- is successful because of insight into the consumer and the marketing context. According to Hiebling and Cooper (1996) marketing is the "insight developed through a deep understanding of the target market, the business environment and the competition". These texts, used in business courses emphasize the complexity of the task. But they should be studied and used to provide us with the goal for our educational programs for small scale farm marketers.

Market Research-steps to understanding the customer

It is obvious that the very important first step of the process must be to understand the customer. Jay Conrad Levinson (1998) describes key ways that small business people can conduct essential business steps on a "shoestring" budget in his acclaimed *Guerrilla Marketing*. Basic to market research is "ask the customer". It can be done by anyone and is essential for business success. Direct Marketing offers perfect opportunities for doing just that on a regular basis- face-to-face.

In addition there are several other possibilities for direct marketers to glean information from customers. For example, there is the "Dot Self Survey" method of market research. We have used it at Farmers Markets but it could be used in roadside stand situations and other

venues. This method also allows for customer suggestions and comments.

Traffic flow patterns can be important too. For this, we use the "Customer Flow Counts" with hand count machines. Using this method, better display and merchandising steps can be taken so that they are appropriate to traffic flows.

Finally there is electronic mail messaging to maintain dialogue and to keep customers in the loop. Community Supported Agriculture can use this method as well as regular feedback forms in the give and take of the supply boxes.

No comments on market research would be complete without reference to the wonders of "Google". Web explorations of local demographics can show the trend of customer patterns for the present and the foreseeable future. Detailed projections of business and economic development plans might provide suggestions as to how customers can be met on their own turf.

Responses to Customer Wants, The 4 "P's"/ "C's" and "Z's"

Once people involved in direct sales of farm products obtain information about their customers and their wants, then they can plan how to respond. Small farm direct marketers are business people just like everyone else. Their point of sales may only be a three foot by six foot table at a Farmers Market, but they face the same challenges of achieving customer satisfaction as any business person, large or small. Indeed, vendors at Farmers Markets must recognize that American customers expect their shopping experiences to conform to certain set standards and to ignore these is a way of courting disaster (Underhill, 1996).

Extension can help marketers to respond with a useful explanation of the 4 P's of marketing. Study of options in the 4 "P's" is built on a rotation of the perspective so that the 4 P's become the 4 C's of customer satisfaction. A useful Extension program can then bring these perspectives into the direct market context by looking

at the 5 shopping Zones described by Paco Underhill. Underhill's research shows that there are five "zones" in the American shopping experience. These are; the Landing Zone, the Transition Zone, the Destination Zone, the Transaction Zone and the Exit Zone. These are relevant from the biggest to the smallest retailer. Awareness of customer expectations allows small marketers to provide positive shopping experiences and hence increase sales. These issues are addressed in the presentation in the area referred to as the "Z's".

The program is presented with power point slides. It is available for anyone interested in having a copy of it for in-service training with Extension or other adult educators. There are also a short video and handouts used as take-home check sheets for direct marketers. These are available to be shared with program participants. The references cited below offer a base from which to build a sound practical, useful Extension educational program. Small farm direct marketers need us to offer this educational support.

Some Useful References

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Examples of Extension Materials from my own NCA&TSU Cooperative Extension Educational Program. I will be happy to discuss and share these and other materials.

- O'Sullivan, J. M.
 "Know your market first. Video (13 min).
 "Winning Shoppers for your market". Video (13 min).
 Building a Bridge to Your Customers, a marketing handbook
 Direct Marketing- A hands-on display (with T. Nartea).

Using GIS Tools to Improve Agricultural Marketing and Local Food System Mapping

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Farmers Are Looking for More Sophisticated Marketing Tools

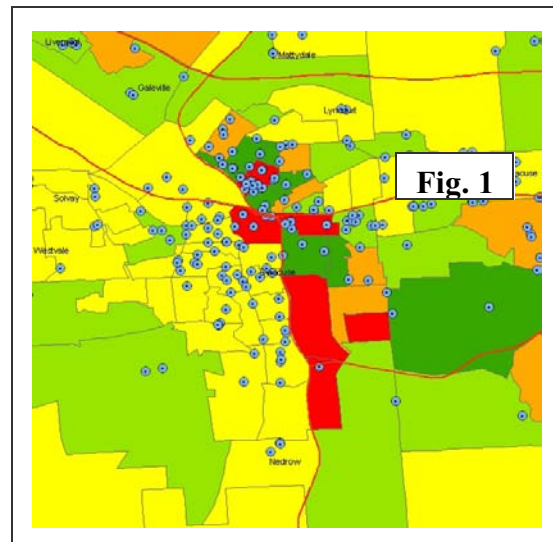
Recent research conducted by the Community, Food, and Agriculture Program (CFAP) identifying farmers' needs confirms the work of others (e.g., Bills, et al., 2000) indicating that *New York farmers want more marketing information and tools to take advantage of the immense scale and diversity of the state's consumer base*. Focus groups of three samples of NY State Farmers' Direct Marketing Association (NYSFDMA) members showed that farmers want: (a) more information on what motivates customers to buy; (b) techniques to understand who their customers are; and (c) information Cornell can develop to educate consumers about local products (e.g., the health benefits of particular foods).

CFAP is exploring methods of providing low-cost information and tools not previously available to the average farmer nor to many segments of the agribusiness community. With these tools, farmers will be able to generate maps at the census-tract (neighborhood) level showing the location of concentrations of potential specialty-dairy-product consumers, gourmet consumers, organic consumers, kosher, and other ethnic consumers and the like. Producers, Extension agents and commodity organizations will be able to identify and map restaurants and grocery stores, as well as local public schools, hospitals, jails and other public institutions that might buy New York agricultural products.

Examples of the Application of GIS Technology to Market Analysis

Perhaps the most simple use of geo-

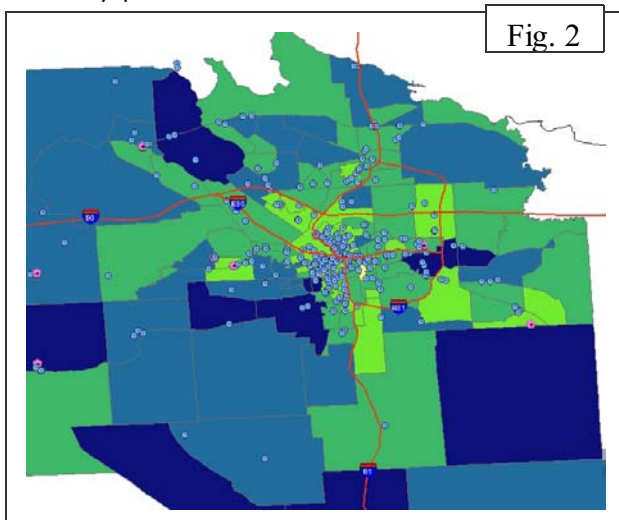
graphic information systems in market analysis is to create color maps depicting demographic data superimposed with symbols marking the location of potential buyers. Figure 1 is a map with a base layer at the census-tract level in the Syracuse, NY, metropolitan area showing the concentration of Asian residents (the darker the color, the higher the percentage of Asians).



The location of retail food businesses are superimposed (purple dots). Imagine how useful this information would be if you were a vegetable grower interested in targeting Asian consumers. This map provides you with a simple understanding of the relationship between your target consumers and retailers in their neighborhoods. A bok choy grower or kim chi processor now knows which food retailers to contact. Furthermore, an "identify" feature allows the user to simply click on the retail store symbol and a window will pop up providing the contact info for that particular store. CFAP is

preparing to develop an on-line version of this technology similar to what is already available to Illinois farmers, called MarketMaker™. It consists of a general GIS-based demographic information mapping tool, and geocoded business listings. Farmers, cooperatives, distributors and other agribusinesses are already able to visit MarketMaker and conduct basic demographic and business information queries.

At CFAP we will develop a second and more advanced set of marketing tools to permit a look not only at demographic factors but also attitudinal and behavioral information about food preferences, purchases, etc. MarketScape™ will be designed for producers, farm organizations, Extension field staff, and ag. development professionals who want to conduct more thorough market analysis. In **Figure 2**, for example, data from a survey of New York State consumers (Empire State Poll, n= 1,000) was used to construct this map depicting consumer “propensity to buy local” in the Syracuse, NY, metropolitan area. The darker the color of the census tract, the more consumers in that tract matched the demographics characteristics of consumers in the Empire State Poll who said they would go out of their way to buy locally produced food.



Collecting and geocoding survey data like this is a laborious and expensive process. The data available to be mapped in

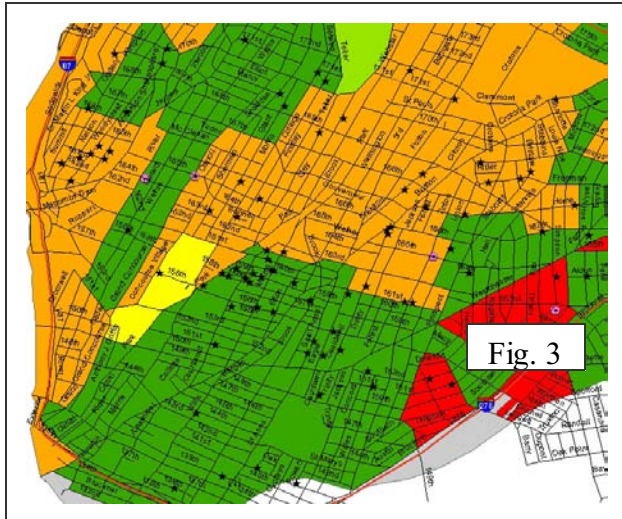
MarketScape include several dozen databases of additional marketing clusters, such as databases of potential institutional markets like hospitals, nursing homes, public schools and universities. MarketScape subscribers will also have the capability to identify concentrations of niche markets, such as consumers of organic, gourmet and ethnic specialties, as well as target concentrations of consumers of specialty products — from artisanal cheeses and value-added fruit preserves, to maple-sugar specialties and herbed sauerkraut. Covering training and technical assistance will likely require charging a nominal annual fee (e.g., \$500) once the proposed project has reached term.

Implications of GIS Technology in Food System Planning

Finally, there is longstanding interest among food security organizations, urban planners, and others in New York and elsewhere for new neighborhood and regional food-system analysis tools. Using the latest technology in mapping, planners and practitioners in the food security community can generate maps indicating demographic and socioeconomic status (SES), food insecurity levels, and food consumption patterns at the neighborhood level. Overlaying this colored information with symbols marking the location of critical food-system infrastructure, such as farmers’ markets, CSA distribution sites, community gardens, food stores which accept food stamps, congregate meals sites, food pantries, food banks, and the like, can reveal new insights into the relationships between the needs of the hungry and the food-security resources of service providers.

For example, in the map of lower Bronx (New York City) in **Figure 3**, we can see concentrations of Hispanics (the darker the color, the higher the percentage of Hispanics) overlaid by the locations of Community Supported Agriculture (CSA) distribution sites (purple with dot). Such a map might trigger the question “why don’t we have more community gardens in our most densely populated Hispanic

neighborhoods (near Interstate 278 in the lower right quadrant of the map)?”



The above map was generated using ARC MapTM and required census-tract boundary and street-location data, US Census of Population data, and the accurate addresses of community gardens and CSAs. Using the latest GIS technology there is virtually no practical limit to the kinds of SES and point (address) data that can be mapped. (See below for list of proposed data which may be able to be mapped.) However, it should be noted that while this tool is powerful, it is only as useful as the data are accurate. Census and SES data can age quickly, and the locations of local CFS infrastructure can change. Therefore, the data must be continually refreshed, preferably with continued participatory inputs from local frontline service workers. This tool should be used to supplement and/or corroborate, not replace, the local knowledge of such workers.

MarketScape Features

Capable of mapping primary (survey) as well as secondary data; Zoom feature, streets and highways, labels; Exhaustive list of demographic and SES variables and CFS infrastructure point data; “Clickable” symbols with pop-up windows that provide contact info and other data; On-line for easy access; Annual data refreshment; Web site linked to the USDA, the Community Food Security Coalition, and the Community, Food, and Agriculture Program at Cornell; and Tutorial and case examples of how to use the technology.

Data Modules

Below is a list of the data modules (with indicators) that will be explored. The data is only useful if it is systematically collected, is updated on a scheduled basis, and is relevant to a further understanding the scope and status of the regional food system.

- Basic Demographic Data Module
- Transportation Systems Module
- Socioeconomic Data Module
- Food Security Infrastructure Module
- Farm Data Module
- Value-Adding Infrastructure Module
- Marketing Services/Infrastructure Module
- Institutional Markets Module
- Agency/NGO Module
- Agriculture Development Tools Module
- Agricultural Services Module
- Food Consumption Patterns Module
- Market Niches Module

Assessing Direct Marketing Options for Small Farms in the Pacific Northwest

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Garry Stephenson

Oregon State University
Corvallis, Oregon

Cinda Williams

University of Idaho
Moscow, Idaho

This session presents the combined results of a four-year, USDA-IFAFS study that was initiated in 2001 as a collaborative effort of Oregon State University, Washington State University, the University of Idaho, the Washington State Department of Agriculture, and Rural Roots. The project was designed to document the current status and future potential of locally-based food production and consumption systems in Pacific Northwest at the state and county level. Project components included assessing the feasibility of different direct marketing strategies; evaluating and fostering the development of farmers' markets; and identifying market barriers in federal, state and local regulations and processing infrastructure.

One Market at a Time: What We Have Learned About Improving Farmers' Markets

The economic viability of many Pacific Northwest small farms and the region's potential for establishing and maintaining local food systems is linked to the vitality of numerous independently operated and sometimes isolated farmers' markets. As grassroots non-profit organizations thin on resources, farmers' markets are challenged by widely varying agricultural conditions, population densities and socioeconomic circumstances. How markets address these issues is a major factor in their success or failure. This paper reports on research exploring the

traits shared by successful farmers' markets with implications for strategic planning and increased management capacity.

Growth in farmers' markets has been achieved not by the replication of a single successful model but rather by markets following diverse paths that reflect the diverse communities that they serve. Despite this growth, many individual markets remain "works in progress" characterized by both limited financial resources and high levels of manager turnover, changes in location, and modifications in market rules. Over the last five years we have developed and refined research and extension approaches that focus on addressing these constraints without reducing the individuality of markets. This "one market at a time approach" depends on a limited set of easy-to-adopt research methods and an action research approach that improves manager skills and strengthens manager networks.

Assessing Direct Marketing Strategies

Across the Northwest, farmers are employing innovative strategies to develop local markets for their products. Through interviews and in-depth whole farm case studies, the performance of farmers' markets, on-farm sales, CSA, and direct-to-retail was evaluated from the farmer perspective. Analysis of farm management records on case study farms

suggests that direct market farms retain a higher share of gross sales than their conventional counterparts. In one urban county, direct sales of products such as broccoli, lettuce, and apples were resulting in prices two to four times higher than wholesale rates. At least a fifth of the farms in Washington were direct marketing some of their products.

Market research indicates tremendous consumer demand for locally-raised meat products; however, most producers have been unable to access these markets. Project sponsored listening sessions brought together producers and county, state, and federal-level government regulators to discuss the changes needed in county health codes to allow meat sales at farmers' markets and on farms, the changes needed in state regulations to facilitate on-farm poultry processing, and the changes needed in federal regulations to allow co-packing by state certified poultry processors. The ensuing dialogue has resulted in changes to county health codes to permit meat sales at the major urban markets in Washington and new state legislation facilitating on-farm poultry processing on farms with 1,000 birds or less. Recommendations for addressing the additional barriers identified in the listening sessions have

been formulated.

The Economic Impacts of Local and Direct Marketing

Using an input/output modeling system based on IMPLAN data, we investigated the contribution of the local food supply to total food consumption in three Northwest states and in three county case studies. The model tested possible scenarios for job and income generation through enhanced local marketing networks. In addition, surveys, interviews, and agricultural census data were used to examine the potential social, environmental, and economic benefits of community based efforts to source more food locally. In one urban county, only two percent of current crop production was marketed directly to consumers. Estimates based on IMPLAN modeling showed that if farmers here sold as much as ten percent of their crops directly to the public, it could mean an additional \$6 million annually for the county's farms.

Additional information, reports, and research findings from this project can be obtained from the project website at: www.nwdirect.wsu.edu

What Does it Take to be Successful at Marketing?

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How do producers go about finding markets for their products? This age old question often defines the difference between producers that are successful and those who fail.

To be successful in marketing and business there are a few tenets that producers should consider:

- Do you have a unique selling proposition? Is this market underserved? Do you have a competitive or comparative advantage? Which of these things can your product be: Better than; Cheaper than; or Different than?
- Know the territory is a standard adage in marketing. Many farmers make the assumption “the market is there—and I have the best product and everyone will want to buy my product.” You owe it to yourself and many times to your banker to prove that statement. The trap in that statement is the assumption that marketing is all about the product. Everyone should recognize that many of the most successful marketing businesses succeed with inferior product. How? The possibilities for being better include: competitive positioning, packaging, pricing, delivery, margins, service, labeling, customer relations, organization/management, ease of transaction, brand, market share, availability. These are just a few of the other marketing aspects you “win with.” Product is only a small portion of the value proposition in a competitive marketplace.
- Some times we hear producers make the assumption that the food industry is an \$800 billion dollar business, and it certainly is possible that their product is so wonderful that it can capture a small percentage of that market. We have heard producers make the assumption that they can earn 1/1000 percent of the food market, so therefore they can easily be an \$8 million dollar company. While the arithmetic is sound, it is intellectually offensive. You will likely have to elbow someone out of that 1/1000 percent. You’ve got to earn whatever share you will get, so don’t assume it is there just for the taking.
- Isolate your specific opportunity and anchor your claims with solid, third party observations. Letter of interest from customers can be validation. Successful test marketing is always good. Actual transactions trump surveys every time in validating your idea. Go sell something and see how that works.
- Can you make a business case for your product or idea? Ask yourself if this is a: Fad market? Growth market? Is there extraordinary competition? Will you have any revenue diversity? Can you execute a good business model? Will your actual business structure make sense? Test this out on people as if you were asking them to invest in you and your idea. Learn from this so that your explanation of the business case makes sense, not only to you, but to anyone.
- Good marketers have a sound knowledge of their competition.

Producers who say "I have no competition," are a disaster waiting to happen. Most customer needs are already being met by someone and some product. Therefore, your product must replace the other firm's product. What are you going to replace in the marketplace? In his Website, Paul Lopez says "We insist that the business plans we seriously review feature a competitive matrix, i.e., a comparison by relevant features of their product vs. all other logical purchase alternatives. If it isn't as clear as a bell that any fully informed prospective purchaser would be crazy not to seriously consider purchasing the product in question, one knows, at least, that he is looking at a me-too offering with all of the risks that that entails." <http://www.nationalconsortium.org/story5.html>

- One trap is assuming you have a comparative advantage and no one knows you are there. The marketplace is more transparent than ever before in terms of costs, pricing and even production methods. Competitors know more about the margins in other segments, the price they pay for their inputs and the prices they receive for their product than ever before. The real problem is that most people do not know enough about the value of the product they are producing to know whether their product is under priced or over priced relative to others. Producers have to be learning more and more about the comparative advantage of their products all the time.
- Just don't let the ego get in the way. Let the market tell you what it wants to do. Listen carefully to the market signals. Great marketers are great listeners...to their customers and to the market in general. If you become arrogant and believe you know more than the market itself, you will get your head handed to

you. Never become convinced that you know it all or even enough. Maintain a healthy paranoia because it is extremely likely that you should be afraid of the competition, even when you aren't.

- Successful marketers are tenacious. "One of our favorite motivational speakers says that "It's a dog-eat-dog world out there...for forty hours a week. But when you get out to fifty, there aren't as many dogs. And when you get out to sixty or more, it's downright lonely!" There is no attack more likely to succeed than one executed when the enemy is asleep, or having his second drink. Almost everything is stacked against entrepreneurs. They even the odds with, among other things, sustained, superior effort. <http://www.nationalconsortium.org/story5.html>
- What is your business model? How will you actually make money in this business? You have to explain this carefully to yourself, your banker and your accountant. This will define the measures you manage to. Small businesses can differentiate themselves at the business model level. Do you make money on buying inputs very cheap? Do you make money by being the most efficient producer? Do you make money by being able to deliver cheaper than the competition? How do you make money compared to the competition? Remember that perception is reality, and value is created in distribution and via marketing, not in production.
- Have a sound knowledge of the financial dynamics of your business. Farmers don't need an accounting degree, but they need to focus on key results areas, such as: gross margins, return on investment, monthly fixed costs, sales/employee. Get help in setting up your cost accounting. You have to plan which

business measures you will be managing. Without these measures, you cannot know if you are succeeding. Cash flow and new customers are not sufficient measures of short or long term success.

- Have a true understanding of your cash flow. Ask any gathering of entrepreneurs whether they understand that cash is life and there will be nods all around. Then ask them whether they also understand that lack of cash is DEATH and the blood drains out of their faces. The best entrepreneurs equate cash with blood, and part with it only when it stands to directly further their objectives.
<http://www.nationalconsortium.org/story5.html>
- Emphasize working capital. Put together enough working capital to sustain this business through the thin, early days and beyond. Put the business on an accrual accounting basis so you are constantly measuring your financial ratios. These are the true measures of growth in a business. Don't do this for the bank or for the IRS...do it for yourself.
- Your business is a reflection of you. True entrepreneurs take things personally. When they succeed, they know that they deserved to. When they fail, they know that it was their fault. They don't make excuses for past shortcomings. They describe them as lessons learned. They don't look for places to pin blame. When they first smell failure, they fight like alley cats to turn things around, because they see their performance, however good or bad, as a reflection of themselves.
- Execute. It has been said that if you don't know where you're going, any road will get you there. Entrepreneurs don't love planning.

Nobody loves planning! Planning is a powerful tool, however, and the best entrepreneurs reduce their pursuit of their strategic objectives down to action plans with detailed budgets, people responsibilities and deadlines, and they monitor the assault on a real-time basis.

<http://www.nationalconsortium.org/story5.html>

- Anticipate what will happen. It will. Although you can't see the future and anticipate everything that will happen, you need to have a fallback plan. By far, the majority of small business startups fail and do so in the first three years. This cold fact could be a good reminder on your office wall right next to the frame with your first dollar earned.
- Get your mental focus right. Peter Drucker is the dean of all business guru's and his suggestion is to replace the word achievement with the word contribution. His reasoning is simply by focusing on contribution rather than achievement you keep your focus on where it should be...your customers, family, employees, shareholders and industry.
- Passion. If you don't have fire in your belly—you will not be successful in your company. If passion is not there, it is not possible for firms to survive the hard times that will happen.

Producers needing advice on successful marketing do have resources to turn to. The Agricultural Marketing Resource Center (AgMRC) is a national virtual resource center for value-added agricultural groups, located at www.AgMRC.org. The purpose and mission of the AgMRC is to provide independent producers and processors with critical information to build successful value-added agricultural enterprises.

The Center combines expertise at Iowa State University, Kansas State University and the University of California to assist clients locate the resources helpful to them as they proceed with a value-added agricultural business. The center works with other leading land grant universities on value-added projects. Partial support is derived from the USDA Rural Business-Cooperative Service.

Content

The content portion of the AgMRC Web site is divided into four main sections:

- 1) Commodities and Products
- 2) Markets and Industries
- 3) Business Development
- 4) Directories and State Resources

The **Commodities and Products** section provides information from the perspective of adding value to the commodities and products traditionally produced on the farm. Examples are corn, beef, fruits, etc. Information is provided along the supply chain from production, processing and marketing for each commodity/product, focusing on marketing. More than 175 commodities are profiled.

The **Markets and Industries** section provides information on the major markets and industries (food, energy, etc.) that producers may enter during the process of adding value to their commodities.

The **Business Development** section focuses on information needed to create and operate a viable value-added business. The information is provided sequentially for use during the business analysis, creation, development and operation process.

The final main area of content is the **Directories & State Resources** section. Several directories were created for the Web site by AgMRC staff, including consultants and service providers, value-added agricultural businesses and specific contacts in each state.

Contact Us

Producers, extension personnel and rural development specialists contact the resource center either via toll free phone at 866-277-5567, e-mail at agmrc@iastate.edu or the Web site, www.agmrc.org.

Profit-Directed Marketing Strategies for Small Farmers through Group Action

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Introduction

Profit-directed marketing is the organizing and implementing of marketing activities efficiently in order to minimize associated costs, obtain the optimal price for the commodity or service, and maximize returns from marketing.

Marketing of agricultural products is essential for small farm viability since it is the revenue generating apparatus or life-line for an enterprise. It has been a challenging activity for most producers who tend to invest more time and effort on actual physical production. As a result, their agricultural enterprises often do not perform well.

Marketing involves several physical and coordinating functions: assembly; sorting, grading, and packing; transportation; storage; processing; wholesaling; retailing; and negotiating terms of trade -- i.e., price, quality, quantity, time and place of delivery, and assumption of marketing risks. Before a producer plants crops or invests in a livestock operation, he should ascertain the strength of demand for his product. Strong demand usually translates into higher prices, farm incomes and profits.

The Agricultural Environment

Small farmers and their business organizations have faced many challenges over the last several decades. Several *major trends* have posed problems for small farmers: substitution of capital for labor, economies of scale in production and marketing, fewer but larger farms, cost-price squeeze, prevalence of pure competition in production agriculture,

greater competition from foreign producers, and shrinking share of the marketing bill. These trends have contributed greatly to the decline in the number of farms in the U.S. over most of the last half of the twentieth century. In 1973, there were 2.8 million farms; but today, there are only 2.1 million farms. Less than one percent of the population works full time to grow crops, livestock and fiber. The real prices they get for their products are about the same as those their fathers received forty years ago. This has resulted in small family farms exiting agriculture at an unusually high rate over time.

More recent major trends involve biotechnology and genetically modified crops, food security, food safety and information technology explosion. Additional trends that pose challenges and provide opportunities include growing consumer desire for organically produced foods, exotic crops, functional foods, wholesome foods, higher quality products, niche markets and more.

Small-scale producers have found it increasingly difficult to farm fulltime and generate farm income high enough to a decent standard of living. If the imputed cost of the owner-manager were to be applied against farm revenue received, most producers would realize negative profits or losses. A key reason for this situation is the suboptimal performance in marketing their products. Most do not develop marketing plans in advance. As a result, when they harvest their crops and sell, their take from the market seldom

covers the true cost of production and marketing combined. Most subsidize the operation with their time and effort without explicit awareness that they are doing so.

The farmer, cooperative or other type of business organization is a part of a food system with major sub-systems that involve a great deal of coordination in order to function efficiently and successfully. **Figure 1** depicts a common construct of this system and its key components. It begins with identifying *demand* for a product that one decides to produce. Then, the farmer *procures* the relevant resources required to produce the product. Next, he combines the resources by applying processes that have yielded consistently good results over time in the

production of the crop. When the crop is ripe or ready, *harvesting* occurs, employing proper harvesting methods. *Post-harvest handling* then follows and typically involves gathering, transporting, storing, washing, sorting, grading, packing and shipping. The primary product enters either the *wholesale* or *retail market*. Of course, final sale occurs at the retail level where consumers purchase the product for *consumption*. If the primary product was *value-enhanced* through processing, then the processed products would flow to the consumer through the wholesale and retail levels. How well does the producer perform in this system?

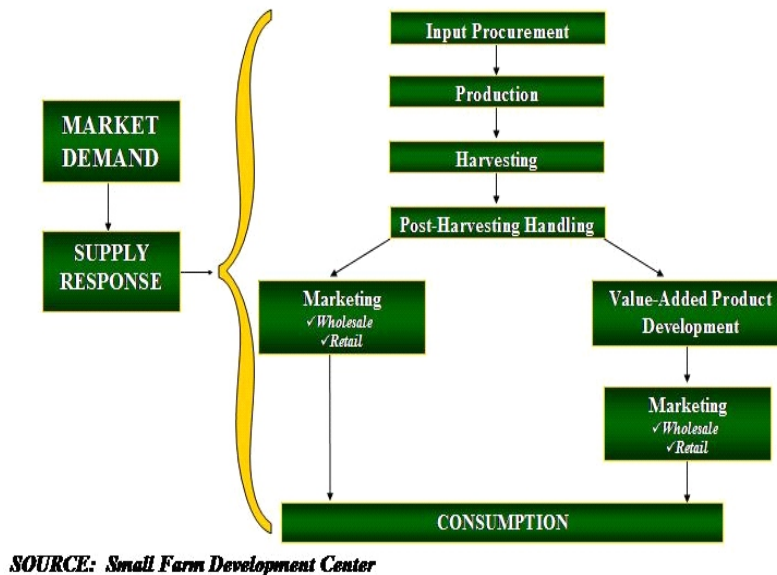


Figure 1. Food Delivery System. Source: Mississippi Small Farm Development Center, Alcorn State University

Understanding Markets and Marketing

A **market** is a place or environment in which producers and consumers meet or interact to negotiate the terms of trade, followed by the transfer of ownership of the product to the consumer and cash to the producer. In a nutshell, both the producer and the consumer influence the level of prices. They do so in a free market where the forces of demand and supply work to determine prices that will entice the producer to sell and the consumer to buy.

It is important for the producer to understand the **fundamentals** of how markets work. This knowledge positions the producer advantageously to exploit the opportunities available to him. The fundamentals are embedded in the *laws of demand and supply*. Understanding the key factors that influence demand and supply enhances the producer's knowledge so that he designs the strategy that will yield the best return.

Marketing activities are many, can be complex and require resources, both physical and human, which are costly and, therefore, should be planned and implemented efficiently. The more efficient the marketing operation, the more competitive is the marketer or supplier. **Marketing efficiency** is achieved by cutting cost per unit of product to its lowest level. In fact, if all costs of production and marketing can be kept at their lowest levels, then the producer stands an excellent chance of achieving the highest profit level possible. Alternatively, if his operation is not profitable, then he minimizes his loss.

Most primary agricultural products are sold in a market environment characterized by *pure competition*. In this type of environment, there are many producers supplying the same product and there are also many consumers buying the same product. Prices, then, tend to be close to the true cost of production and marketing activities. Profit margins tend to

be low. Of course, covering all costs is also desirable, even if the net income or profit is zero.

Marketing in its simplest form is about relationships. Most people prefer to do business with people they know.

Profit-Directed Marketing Strategies

Profit-oriented marketing through group action enhances small farmers' capacity to compete for a greater share of the food marketing bill. [Figure 2](#) illustrates the marketing bill which consists of activities beyond the farm gate. These activities account for approximately 80 percent of each dollar spent on food by consumers. In order for farmers to obtain a greater share of consumers' expenditure on food, it is recommended that they actively participate in business forms other than sole proprietorships. These non-individual types of business include partnerships, cooperatives, marketing associations and corporations. They should explore options such as **s-**corporations and limited liability cooperatives.

Cooperatives play a major role in assisting small farmers with group-oriented involvement. Successful cooperatives do not rest on their laurels. They consistently market on a national and international level to find niches for their products and to establish and nurture relationships that will allow the organization to grow as the produce company, restaurant, hotel, or other client expands. Successful cooperatives consistently solicit new customers while maintaining relationships with existing clients. In the southern region, the level of farmer cooperative activity is high. Each state has several local cooperatives along with some state association of cooperatives. For example, Mississippi has the Mississippi Association of Cooperatives (MAC) and the relatively new Mississippi Center for Cooperative

Development (MCCD). Of course, most of us know of the Federation of Southern Cooperatives which has state associations as its members.

Today, there are many examples of farmer business organizations, mainly cooperatives, that have employed a vertically integrated or horizontally integrated model. They have structured their organizations in this manner in order to better generate product volume, control it, maintain quality and manage product flow from the farm to the consumer. Well integrated operations are able to access markets that the individual cannot.

Agricultural cooperatives become more profitable as they diversify to quickly respond to the demands a changing free market and become part of vertically integrated business plans. Vertical integration reduces risk associated with fluctuations in the free market, providing opportunities for forward contracting, hedging or spreading crop sales. Profit-centered marketing operates from plans which remove the questions: Will it sell? In what quantity? To which buyer? Because of well established and maintained relationships, no farmer or cooperative resources are wasted. Nothing is planted until it is already sold or its market is firmly identified.

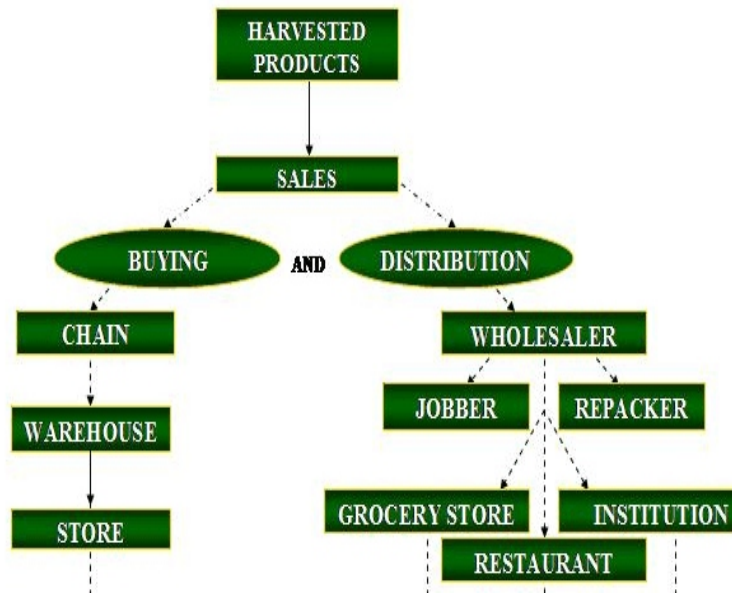


Figure 2. The Marketing System for Alternative Crops. SOURCE: Marketing Alternatives for Small Farmers: Fruits and Vegetables. National Fertilizer Development Center, Tennessee Valley Authority, Muscle Shoals, Alabama

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Maine Highlands Farmers Joining Together To Enhance Marketing Efforts

Donna Coffin Lamb
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Getting Started

Although there are some farm stands, in the fall of 2001 there were no established Farmers Markets or Cooperative Agriculture Markets in Piscataquis County. Farmers are unsure if there is an adequate population base to support these types of direct marketing venues in the area. Some farmers also want to explore value added product manufacturing.

Grants were written to help determine if it is feasible to establish a marketing organization in Piscataquis County for farmers from Piscataquis, Penobscot and Somerset Counties (Maine Highlands Region). Also, these grants will determine the best organizational system and type of marketing method(s), such as farmers markets, selling to institutions (schools, hospitals, etc), suited to the mix of participating farmers. They want to enhance and expand the current marketing methods of farmers in the region without impinging on their current markets. Farmer surveys, consumer surveys and localized map of farms selling agriculture products will be developed.

Fruit, vegetable and livestock farmers from Piscataquis, Penobscot and Somerset Counties (Maine Highlands Region) Piscataquis County Economic Development Council, and University of Maine Cooperative Extension worked collaboratively to develop a new Local Agriculture Marketing group.

The group was successful in developing and getting funding for a \$7740 grant from the Sustainable Agriculture Research and Education (SARE) Farmer/Grower Grant program. They also developed Agriculture Development Grants that were

submitted to the Maine Department of Agriculture for a total request of \$8,500 to assist with joint marketing issues but this grant was not funded.

As a result of the initial meetings to write the grants, one farmer opened up their farm stand and invited other farmers to set up farm stands with their own products in a pilot farmers market venture. While this did not work it resulted in a number of farmers taking farm products from farmers without a farm stand. This increased the type and variety of agriculture products that customers have available to them as well as allow new farmers the opportunity to tap into an established farm stand clientele.

Another farmer is initiating the development of a cooperative agriculture market where farmers can bring their products to one location and have one person sell all the products to customers. This will relieve the farmers of staffing a farm stand during the busy part of summer. This project is still in development.

The group of fruit, vegetable and livestock farmers have formally organized into a local agriculture marketing named the Maine Highlands Farmers to implement the SARE grant and enhance their marketing efforts.

The Maine Highlands Farmers

Since becoming established as the Maine Highlands Farmers, the Piscataquis and Penobscot County farmers with the assistance of Extension Educator Donna Coffin Lamb have been able to enhance their farm marketing capacity, through a

variety of educational programs and projects in collaboration with other member farmers.

In the past two years, this 40-member organization met monthly to work on issues including direct and value-added marketing, signage, insurance, taxation, food stamps, and farmer participation in the Senior Farm Share, Food Stamp and WIC programs. During the summer months they meet at a member's farm and tour the farm to learn from each other.

Thanks to the Sustainable Agriculture Research Education (SARE) grant, a regional survey determined consumer preferences for local agricultural products and uncovered marketing opportunities for area farmers. There are now twenty-six paid members of the Maine Highlands Farm Products Promotion Group with a full slate of officers and board of directors.

Projects

1. Farm Map for Consumers

The initial farm map had 2,000 full color copies printed. Distribution was through the Chambers of Commerce, local businesses, town libraries and the farms themselves. The map was so well received that the group sought additional funding to print a larger map with more farms. A subsequent grant funded the printing of over 20,000 copies of this farm map in 2004.

2. Food Cupboard Grants

This farmers group also received two other grants from local foundations to purchase fresh vegetables, fresh fruits and local meats from member farmers for the local food cupboards (total \$8,000) It the Piscataquis Public Health Council a Healthy Maine Partnership Grant and the Maine Community Foundation Grant that funded this effort. Along with the food, clients received Extension publications on the care and use of the various food products that they received during the summer. The farmer group proved that they were able to jointly provide in-season products to a number of sites in the two county

area. They submitted a grant in 2005 for their food cupboard project to cover both Piscataquis and Penobscot Counties but this was not funded.

3. Consumer Survey

The consumer survey was mailed to 2,000 rural homes and 2,000 urban homes to help farmers learn how to better serve these populations.

Preliminary results of the rural residents have found that 72% of consumers purchase apples from direct farm markets and 67.5% purchase sweet corn from these markets.

Also 56% of rural residents report that they process food products in bulk for the winter including 42.5% process berries, 36.5% process tomatoes and 21% process squash.

On the average consumers travel 11.7 miles to direct farm markets, while some will travel up to 50 miles to go to a farmers market.

About 10% of the consumers noticed either poor flavor in their vegetables, bruised fruit or tough vegetables from direct farm markets. Limited hours of farmers markets disappointed consumers. But the number one disappointment with farm stands was high prices.

Almost half of consumers spend less than \$10 at each farm stand visit.

These consumers reported that they purchase vegetables 80% of the time and fruits 65% of the time. A quarter of consumers spend between \$10 and \$20 at a pick your own farm and almost half the time they are purchasing fruits.

This survey has resulted in an Extension publication ***Why Consumers Buy---and Don't Buy---Your Farm Direct Products" Item #1160***, by Donna Coffin Lamb, Hsiang-Tai Cheng, and Lili Dang. University of Maine researchers surveyed consumers in the Maine Highlands region to assess marketing opportunities and barriers for local farmers. The findings from this watershed survey are presented and analyzed in this 12-page publication. Twenty-two charts provide visual

enhancement of data such as how rural and urban consumers find out about farm direct outlets, how far they are willing to travel, seasonal spending trends, and product preferences. Identifies customer complaints about types of outlets and highlights opportunities for farmers who want to increase their farm direct business.

<http://extensionpubs.umext.maine.edu/>

4. Other Collaborations

Members of the group coordinated a Maine Highlands Farm Products Booth at the recent Heritage Festival at the local fair grounds. Nine members provided products to decorate and sell at the booth as well as staffing the booth. Products included pumpkins, apples, maple syrup, vegetables, soap, sheep skins, jams, jellies, antlers, and baked goods.

While the weather for the first day was questionable and the crowd was small the second day was canceled due to the downpour of rain. But the members learned that it was possible to join together to offer event participants a cross section of products from local farmers.

5. Regular Meetings

The group continues to meet regularly on the fourth Wednesday of the month.

Topics have included:

- Food Stamps and WIC for Farmers
- Farm Marketing Studies
- Consumer Survey Preliminary Results
- Signage for farmers & Farm logo development
- Food safety of value added products
- Workers' compensation
- Types of Insurance
- Farm land taxation

2004 summer meetings have included farm visits to see other farms and members operations and focus on their marketing methods.

Farm Fresh Marketing Opportunity
Maine Revenue Service Department
Division of Property Tax on property tax alternatives for farmers learning about open space, farm use and forest use property tax designations.

Benefits to Members and Community

As a result of participating in monthly meetings and learning about new programs and grant opportunities:

six farms are now accepting WIC coupons

six farms have Senior Farm Share contracts (over 250 contracts @ \$100 each)

one farm received a grant to provide nutrition education programs at the farm during the summer of 2003 and 2004.

five farms with farm stands are carrying products produced by five farmers who do not have a permanent retail stand.

Ten to twelve farms are provided over \$8,000 worth of food to local food cupboards funded by local foundations.

Three farmers participated in the Phase I of Farms for the Future and two farmers were successful in applying for the Phase II of this program and they each qualified for up to \$25,000 grant to help with implementation of their farm plan. 2004 farm map was developed and 21,000 copies are being distributed throughout the two county area.

TEACH: Teaching Educators Agriculture and Conservation Holistically

Valentine A. Thompson

USDA-FAS
Washington, DC

Learning Objective

TEACH Participants increase their understanding of the opportunities and challenges for natural resource conservation and rural poverty reduction in tropical America

Specific Learning Themes

- What are the implications of a changing macro-environment on rural households and environmental conservation efforts?
- What are the strategies for small rural producers for increasing their competitiveness in increasingly globalized markets?
- What opportunities exist for reconciling the twin goal of environmental conservation and increased income generation?

Aspects to be considered

- Large scale production of tropical fruits for export markets
- Organic production and marketing in local markets
- Development of agro-tourism
- Cooperative business development by (indigenous) women
- Opportunities for adding value to traditional tropical crops (e.g., sugarcane, coffee)
- Rainforest conservation
- Role of NGOs in promoting sustainable rural development

Why Costa Rica

- Uniqueness of Tropical Agriculture
- Safety Issue
- Friendly People
- Large Pool of Small Farmers
- Developed Agro-tourism Industry
- Cost – Benefit Ratio
- Diverse Terrain

Costa Rica – Essential Facts

- Area: 51,100 sq km
- Population: 4.1 million
- People: 96% Spanish descent, 2% African descent, 1% indigenous, 1% Chinese
- Language: Spanish, English
- GDP per capita 2003 US\$

02	U.S.	37,800
65	Uruguay	12,600
72	Argentina	11,200
82	Costa Rica	9,000
85	Mexico	9,000
95	Brazil	7,600

(Source: CIA Factbook 2003)

What is Sustainable Development?

“To ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations”

(UN Conference on Environment and Development (UNCED))

Development path along which the maximization of human well-being for today's generations does not lead to declines in future well-being.” Requires:

- 1) eliminating negative externalities responsible for natural resource depletion and environmental degradation
- 2) securing public goods essential for economic development to last, such well-functioning ecosystems, a healthy environment and a cohesive society.

(OECD)

What Local Resources are Needed for Sustainable Development?

- Financial capital: sources of income (on-farm and off-farm, including

- remittances), savings, access to loans, credit
- Physical capital: infrastructure (power and communications networks, roads, ports), machinery, tools for production
- Human capital: education, capacities, health, nutrition
- Social capital: integration in community and business organizations, access to services, political and social networks
- Natural capital: access to natural resources (land rights), land, water, genetic material

Challenges for Achieving Sustainable Rural Development – Point of Departure

- Central America: 60% "poor" and 40% "extremely poor" people è GDP per capita of Honduras (US\$ 2,600) and Nicaragua (US\$ 2,200) among the lowest in the world (157 and 167, respectively)
- Poverty is mainly rural è 52-70% of "extremely poor" in rural areas
- CAFTA: what will happen in Central America?
- High vulnerability to external shocks: Natural: Hurricane Mitch (1998) and droughts (2001) and Economic: "coffee crisis" (2000-2003)

Challenges for Achieving Sustainable Rural Development – the Agricultural Sector

- Traditional production systems that are not competitive in international markets (e.g., beans, rice and potatoes)
- Globalization of local markets è rise of supermarkets
- Watershed management is important concern (degraded hillsides, deforestation) è 150 million invested in projects in Central America
- Dependence on few large export sectors: coffee, banana, pineapple,

- tourism
- Agricultural sector with little alternatives for marginalized farming households: vicious circle of poverty and environmental degradation
- Soil erosion, loss of soil fertility and biodiversity, overuse of agrochemicals

The Most Important Advantage of AgriTourism

Strengthening the competitiveness of rural small and medium enterprises (SMEs) to increase their economic and social benefits without compromising the natural resource base

Conclusions

Globalizing environment implies opportunities and challenges for the development of rural small producers

- Opportunities for small-scale enterprises in market niches for organic, fair trade, certified wood, and other products with special attributes
- Challenges include:
 - raising competitiveness of rural SMEE through capacity building
 - strengthening BDS providers to deliver effective services
 - adopting market-based approaches for demand-driven BDS
 - developing integrated supply chains through demand orientation, market intelligence systems, business round tables, strategic alliances and networks, marketing campaigns, etc.

Bottom Line

Farmers can make money in agri-tourism with proper planning