

Selling Your Farm Products

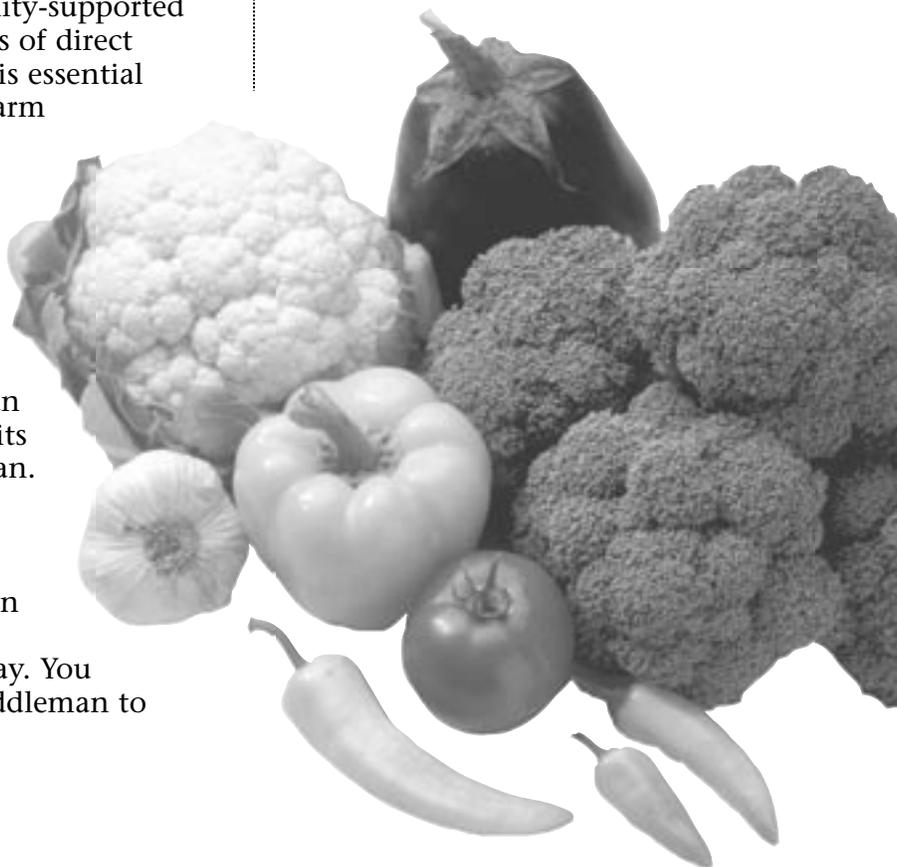
Direct Marketing of Agricultural Products

Direct marketing is a strategy farmers can use to sell their products directly to the end customer. Farmers' markets, roadside markets, subscription marketing, pick-your-own, and community-supported agriculture are common types of direct marketing. Direct marketing is essential to the profitability of small-farm business ventures.

Advantages of Direct Marketing

Direct marketing has several benefits over selling through a wholesale market. Farmers can potentially make higher profits because there is no middleman. Direct marketing saves costs in packaging, handling, and transportation. Because the transaction is directly between you and the customer, you receive your money right away. You do not have to wait for a middleman to send you a check.

Direct marketing works well for owners of small farms because it promotes a diversity of production and reduces the pressure to produce in high volumes. You are free to grow what you want and to decide on quantity. You have the opportunity to set your price within a marketable range.



Disadvantages of Direct Marketing

Direct marketing has a downside. The volume of product you sell through direct marketing is often lower than what you would sell through other marketing methods. However, the higher prices you typically receive should compensate for the reduced volume. In some cases, direct marketing requires more of your time than other methods do: you need to be present at the market selling your product.

Required Skills

Respect for customers, imagination and creativity, and attention to product quality control are three essential elements of successful marketing. If you want to succeed at selling your product, you will need “people skills”—you’ll be dealing directly with your customers. While people are not always pleasant, you are always expected to be courteous.

As a salesperson your challenge is persuading customers to buy your product rather than a competitor’s. Put yourself in the position of the customer and ask: “Why should I buy your product over someone else’s?” Differentiate your product from the competition’s. Develop your own logo; offer recipes; use attractive, eye-catching displays; develop an inventory of unique or specialty products; or grow your produce in a unique way, such as “certified organic,” “all natural,” or “grown the old-fashioned

way with no genetically modified seed or chemicals.” Or go retro or “back to the future” by raising all heirloom produce (varieties from the past)—anything that will make people want to visit your market site.

Convincing people that they should buy your product is only a part of the challenge, however. You need to keep your buyers as customers. Repeat customers are essential to the long-term success of your business. The reality is that not everyone has the skills to be a direct marketer.

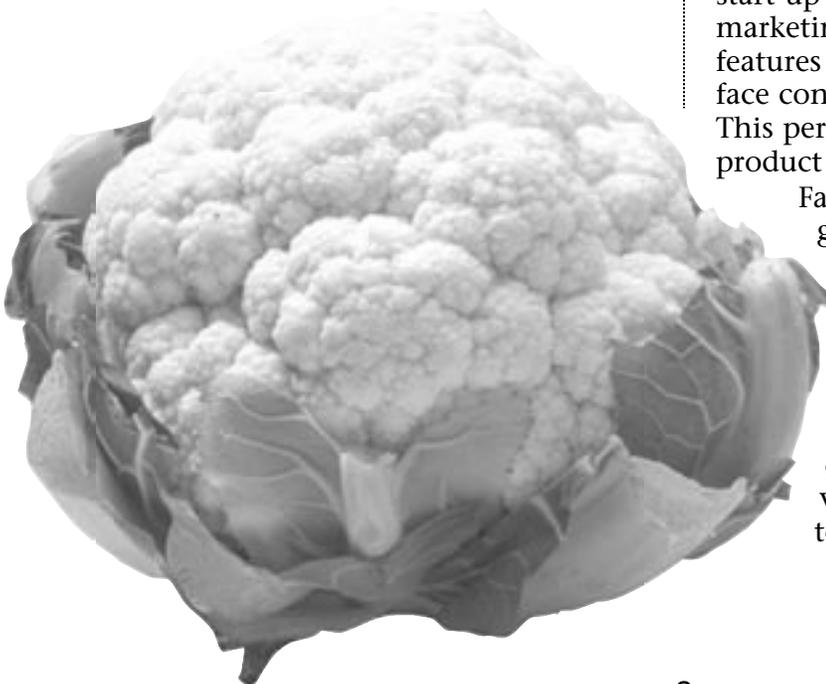
Types of Direct Marketing

Farmers’ Markets

One of the fastest growing methods of direct marketing agricultural produce are farmers’ markets. They are located within a short drive of most locations in Maryland. They are popular with both the producer and the public. Preparation for the producer can be as simple as picking the produce in the morning, loading it into the pickup truck, and driving to your assigned spot at the farmers’ market. The produce is sold out of the back of your truck. Many direct marketers in farmers’ markets spruce up their spot with signs, displays, and decorative touches designed to attract customers. These additional touches don’t have to be time-consuming or elaborate to be effective.

Farmers’ markets have several benefits. They are ideal for new producers because start-up costs are low and only simple marketing skills are needed. One of the best features about farmers’ markets is the face-to-face contact between producer and customer. This permits the producer to promote the product and to receive customer feedback.

Farmers’ markets have all the general drawbacks associated with direct marketing. In addition, bad weather can be a problem. Producers can waste time sitting at a farmers’ market in the rain, waiting for customers who never show up. The producer’s level of comfort with being outside in various types of weather is a factor to consider.



Other factors to consider are your time and your marketing skills. A producer may spend much time sitting at the market at the expense of performing other farm duties. Producers at the market are in direct competition with each other. Marketing skills are needed to sell items common to other sellers in the marketplace, such as tomatoes and sweet corn, and to receive a good price for them. For example, to differentiate your produce from others' you may want to produce tomatoes that you can market as "the best-tasting tomatoes in the county because of a unique, secret-formula fertilizer and pesticide-free growing environment."

Introducing new or specialty products and persuading customers not only to buy them but also to pay high prices for them can be a challenge. The primary goal of marketers in a farmers' market is to develop successful strategies to attract customers.

Another challenge of farmers' markets is their regulations and policies. One of the most common policies is that you can sell only what you produce. If you cannot accept this rule or other rules set by market management, a farmers' market is not for you.

Roadside Markets

Roadside markets are fixtures of the summer landscape along many highways. On tourist routes, roadside markets flourish. For instance, roadside markets appear almost every quarter of a mile along Route 50 as you leave Ocean City, Md. They can be successful places for large and small producers to market their products. As with farmers' markets, roadside stands are a convenient place for the public to buy locally grown produce. The key to successful roadside marketing is attracting repeat customers. They in turn will spread the word about your wonderful stand.

As you do with a farmers' market, you need to attract people to your site. Road signs and catchy displays are needed to get people to stop. Customers could be traveling 60 mph down the road.

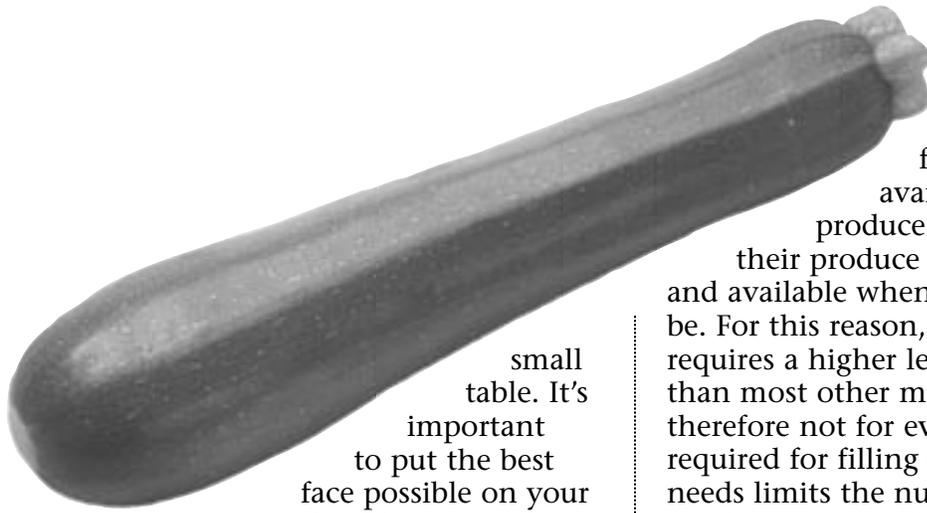
The benefits of roadside markets are: producers can save costs associated with



transportation, packaging, and middlemen; the produce is marketed near where it is produced and displayed in bulk or with minimal packaging; and usually no direct competitor is sitting beside you.

Roadside markets have disadvantages compared to farmers' markets. In order to be successful, you must be available to your customers on a regular basis. You need to pay the overhead costs of buildings, utilities, repairs, parking, and taxes. There are zoning issues to consider and more planning is involved. You will also need to maintain a parking area for your customers. Because of all of these factors, selling at a roadside market requires more planning ahead than selling at a farmers' market.

Location is the key to successful roadside marketing. The stand needs to be convenient and easy to find. It should be located near well-traveled roads so that repeat customers stop by regularly and new customers can easily find you. You'll need enough parking to have room for the heaviest likely crowd, with easy and safe access between the parking area and the highway. The facilities and buildings are one of the first things people notice, so their appearance is important. Falling-down sheds and barns, rusted and abandoned equipment, poorly maintained fences covered by scrub trees, and weed-infested crop fields don't present a good first impression to your customers. Stands can be pole buildings, renovated barns, tents, pickup trucks, or a



small table. It's important to put the best face possible on your stand. Make it attractive,

keep it neat and clean, and display your products creatively.

Subscription Marketing

Some producers use subscription marketing, a relatively little known method of selling products that has become popular with some producers. Under this system, customers meet with the producer before the growing season to prepay for a specified assortment of produce. At harvest, the producer packages up the customer's order and delivers it to a drop site or customers may pick their own products at the farm. The farmer keeps a record of the products purchased, but money is not exchanged during the season. At the end of the season the producer and customer settle up any balance that may exist.

The advantage of subscription marketing is that before the season the producer knows what to produce and how much. The crop is sold before it is put in the ground. Pre-payment supplies the producer with funds in advance to grow the crops and operate the farm business.

The drawbacks, however, can be major. This system requires that the subscription marketer have strong people skills because interaction with customers has potential for conflict. For example, in farmers' markets and roadside markets, if there is a dispute over product quality, availability, or selection, an unsatisfied customer will simply leave and go to another farmer. However, in

a subscription market, the customer has already paid in advance for a specific quality, availability, and selection of produce. Customers will expect their produce to be of good quality and available when you told them it would be. For this reason, subscription marketing requires a higher level of customer service than most other marketing options and is therefore not for everyone. Also, the time required for filling customer orders and needs limits the number of customers you can have in your "club." This limits your production and income.

Pick-Your-Own Marketing (PYO)

In pick-your-own marketing, customers come to the farm and harvest their own produce. PYO has been a successful method of marketing for both large and small farmers.

The biggest advantage of PYO marketing is the reduction in harvesting costs. Transportation, packaging, handling, and storage are other areas where costs are saved. PYOs, therefore, are less expensive to get started than other types of direct marketing operations. Typically, customers buy more produce at a PYO than they do when shopping at roadside or farmers' markets or through subscription.

Although it appears easy to plant your crop and have people come and pay to harvest it, if it were so easy, as the saying goes, everyone would be doing it. Actually, PYO marketing has a number of disadvantages. By the very nature of PYO, the producer allows the public to come onto the farm and roam around. Some producers are uncomfortable with this, so PYO marketing is not a good method for them. The producer has to accept the fact that customers will damage plants and produce and selectively pick the crop. Bad weather discourages customers, which poses a problem in areas with limited harvest periods such as Maryland. People do not like

to pick crops when it is too cold, too hot, or too rainy.

During the season PYO operations require long hours: you need to meet the schedules of a wide range of customers. Besides offering adequate parking, you need to provide lanes into the farm and onto field sites. There are labor costs for hiring cashiers and the “people movers” needed for directing or leading customers to picking fields and keeping customers out of other areas. The prices you receive at PYO operations are often less than prices received under other marketing methods. In addition, insurance companies often increase their liability premiums for farms that become PYOs.

Community Supported Agriculture (CSA)

CSA marketing is a relatively new and fast-growing direct marketing venture. In this system, members buy shares of the farm’s harvest and also accept some of the risks. As the crop matures, it is harvested and divided up among the shareholders. Shareholders get a fresh supply of produce and support local agriculture. This is known as urban-rural linkage.

Shareholders have input into what is grown and pay fees in advance. This guarantees the producer a market for everything grown; the crop is sold before it is planted. The advanced payment creates working capital for the farm operation.

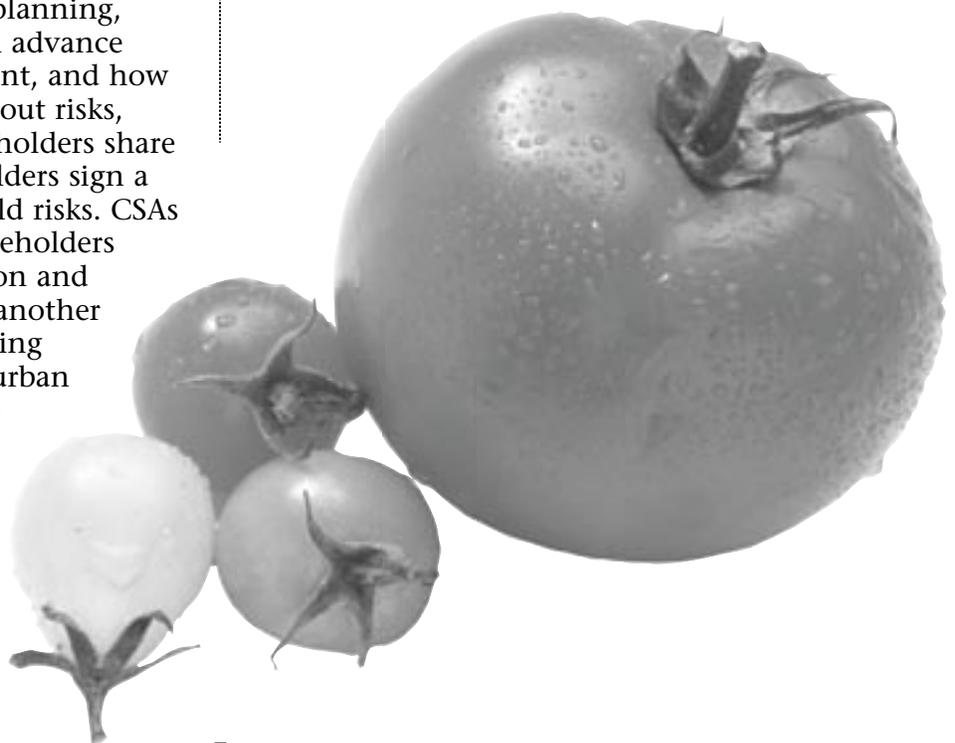
CSAs allow better preseason planning, since the producer will know in advance what to grow, how much to plant, and how to grow it. CSAs help to spread out risks, since both producers and shareholders share the good or bad crops. Shareholders sign a contract acknowledging the yield risks. CSAs reduce labor costs, because shareholders (customers) help with production and harvest. Customer help can be another attractive feature of this marketing system; many people living in urban areas find working on a farm to be a fun family activity. Many customers enjoy hoeing weeds and picking ripe produce.

Selling to the Retail Market (Wholesaling)

Wholesale marketing is a marketing strategy that can be profitable for both large and small farms. Producers sell their products directly to retailers rather than to middlemen. Retail markets that buy produce directly from the farm include supermarkets and restaurants.

The Advantages

Producers can usually keep more of the profits if they sell directly to a retailer rather than going through a broker/middleman. Producers have the potential to sell large volumes of produce depending on the size of the retailer and whether the retailer has an independent store or a chain of stores. Producers also have the opportunity to develop and use their own packaging logo or product identity. This helps customers to recognize your product over your competitors’ and solidifies your relationship with the retailer. Wholesaling offers good opportunities for selling specialty crops to supermarkets and other retail outlets. Specialty crops, which are crops not generally produced by large farms, therefore represent a market opportunity for producers on small farms.



The Disadvantages

Supplying retailers has its disadvantages, such as transportation costs, grading standards, and, usually, some special handling requirements. Some special packaging may even be necessary. To please retailers, the product must look uniformly good. In selling wholesale, the producer depends on the retailer's ability to sell the product. Small farms may have to pool production to fill the large orders of some retail outlets. The prices you can charge are typically 50 percent or lower than the prices you might charge if you direct-marketed your products. When large quantities of a product are needed to meet the retailer's demand, producers usually only grow one or two crops. Such limited diversity creates both production and marketing risks.

Producer's Responsibility to Retailer

A producer should always strive to consistently produce a high-quality product. With most other marketing methods, usually just the producer's reputation is on the line. However, in selling to a retailer, the producer puts the retailer's reputation on the line. Retailers expect you to be reliable and on time. If you cannot comply with their needs, they will find someone else who can. This market is highly competitive.



Selling to Restaurants

Selling directly to a restaurant can be a good place to market your product. The result can be a reliable, consistent income for the season. Try forging a pleasant relationship with the chef or others who do the purchasing.

Storing your product and making frequent deliveries, if required, are two problems that selling to restaurants can pose. Be cautious: restaurants often start up and then fail. Request payment on delivery or within 10 days after delivery. This is not unreasonable and should help you to get paid in a timely fashion and to avoid absorbing a big loss if the restaurant closes down. Some form of product liability insurance may be a good idea in case a restaurant patron becomes ill and you get caught up in the lawsuit as the supplier.

Other Important Marketing Considerations

Successful marketing requires more than just taking your products to the marketplace. You have to attract customers first and then persuade them to make a purchase. Successful marketing depends a lot on how you present and price what you're selling.

Product Presentation

Packaging

Packaging is not practical or necessary in every marketing situation. At roadside stands packaging can be very basic. However, in markets where you are in direct competition with other producers, you will want to be more elaborate or creative with your packaging. The package should reflect the market for your product. If it is going to be sold in an upscale store or specialty shop or as a gourmet item, the package should show that this product is worth paying a higher price for. Product sold to restaurants usually doesn't need fancy packaging.

Packaging can do a lot for a product. It can extend the shelf life, protect during handling, provide the customer information about the product, and attract attention. At direct markets, produce is usually displayed

in wooden baskets and transferred to paper bags/boxes at sale. This allows the producer to display the product in a rustic manner and to save in the cost of the packaging.

Try to have the farm logo or other identifying feature printed on all packaging materials leaving the farm (bags, boxes, labels, packages, etc.). This is a great way to advertise your product. Also, offering recipes and information tags with the package can help to sell it.

Displays

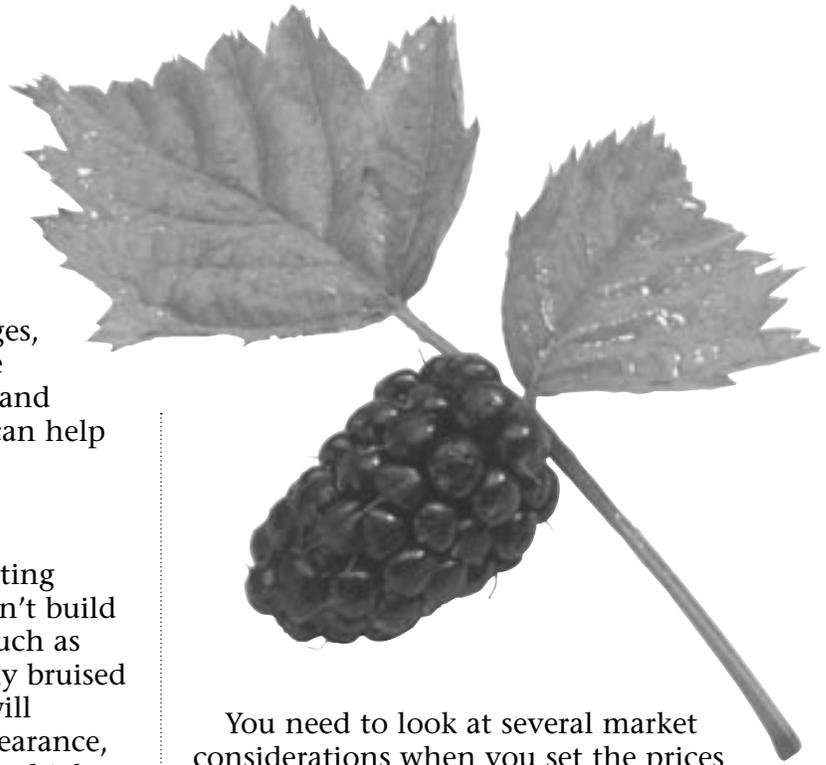
Bulk displays are useful for marketing some large types of produce. But don't build bulk displays of delicate products, such as tomatoes and peaches, that are easily bruised or otherwise damaged. Customers will mishandle the items. For visual appearance, do not pile bulk displays above 4 feet high. Keep displays consistent in height, overall size, and signage, and be sure your produce is free of rotten or insect-infested products. Some products can be prepackaged for the commuter who wants a quick stop and is not interested in picking through a bulk display.

In direct markets, attracting customers to your market is critical to the survival of your business. Creative signs and displays are proven methods of attracting customers. Unusual or specialty items as well as sales on items can attract customers. The only limit in this area is your imagination. Clearly mark or post the prices of your products; customers in a hurry are not going to bother to ask the cost of items.

Business Items

Pricing

Determining what to charge for your product is one of the most difficult and confusing tasks in a farm business. The price you receive not only has to cover the cost of producing and marketing the product but return a reasonable profit to you. A number of pricing formulas and strategies are available if you want to research the subject.



You need to look at several market considerations when you set the prices for your products. Competition is often the most important pricing consideration. While your competitors' prices should not dictate what you charge, unless you can convince customers that your product is worth more than others', you will have to price competitively.

Quality of product is an important factor in pricing. If you are going to charge a premium price for your product, its quality should justify the price. Specialty or unusual products offered where competition or quantity is limited can command higher prices. On the other hand, customers associate price with quality. If your prices are so low that customers perceive your farm business as producing inferior products, your business could suffer.

Sales and specials draw customers to shop at your business but do little to promote product quality.

The location of your business influences how you price. If you are convenient to your customers, you can charge more. If your location is inconvenient, customers will need to be rewarded with lower prices for the distance they must travel to you.

Supply and demand makes time of year a factor in pricing. Producers able to get the first sweet corn to the market are going to

command premium prices. These prices will be a good deal higher than prices later in the season when everybody has corn for sale.

Customer acceptance is the ultimate test of your pricing. If customers complain about your prices or simply don't buy your products, you must reevaluate your pricing. Remember that product sales generate cash flow to cover your farm business expenses and a profit for your labors.

Know what it costs to produce and market your product so you can figure out the product's break-even price. If your cost of production is higher than the price you can reasonably ask for the product, quit producing it unless you think that you need it and can recover the income loss through other products. You are in business to make money.

Rules and Regulations

It is unfortunate that operating a farm business is not always as simple as producing a product and selling it. Depending on the production and marketing system you use, you need to be aware of several other aspects of operating a business.

Check with the county planning and zoning department for zoning laws and local covenants that may affect your farm business, as well as for required permits or licenses. You will need to learn the laws governing weights and measures and have the state Department of Agriculture inspect

your scales for accuracy. The department can also inform you about labeling laws that may affect your products. Direct marketers need to be aware of limitations on putting up signs to advertise and to direct customers to their market. If you hire outside help, you need to know about relevant labor laws. If you sell prepared foods and valued-added products such as jellies or meats, you need to investigate county and state health department regulations that may apply.

Direct marketers are also expected to collect sales tax. The state will assist you in doing this. Your insurance company will also want to talk to you about liability insurance coverage for your business. If you intend to grow and market organic produce, you will have to obtain certification through the state if you want to market your produce as "Certified Organic." Maryland plans soon to have a Certified Organic program for livestock.

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