

Overview of Direct Marketing Methods for Produce

Urban Agriculture



Farmers sell their products directly to consumers by several means. The commonly used methods are sales from the farmhouse (or other farm building); pick-your-own operations; roadside stands and markets; public farmers' markets located in or near urban areas; house-to-house delivery and sales from a truck or other vehicle parked along roadsides, parking lots or similar places with potential consumer traffic (sometimes referred to as "tailgating").

Pick-Your-Own

While pick-your-own marketing (referred to as PYO) offers the greatest potential savings to both farmers and consumers, there are some disadvantages to PYO marketing. Since most consumers are not experienced with harvesting agricultural produce, they often can require close supervision for their own protection (and the protection of the farmer's surrounding crops and property) and to ensure that they pay for everything they harvest. Most farmers tend to establish relatively rigid rules regarding minimum volumes, parking, inspection of containers and minimum age for children accompanying adults into the fields or orchards. Some farmers may even facilitate supervision and crowd control through check-in stations, designated parking areas, checkout areas between fields and vehicles, supervised play areas for children and transportation from check-in or parking areas to fields. While such measures may mitigate logistical headaches, they add to farmers' costs of operation and these added costs must be recovered through higher product prices.

Even so, consumer prices for pick-your-own produce are usually the lowest among all direct-marketing methods. Consumers also benefit in being able to select produce that is, in their judgment, the "freshest" and "best quality" in the fields. However, since consumers harvest the produce, they bear much of the harvesting and marketing cost. Economically, they should consider their added "costs" in terms of time and transportation, as well as the inconvenience involved in this method. Realistically though, they tend to overlook these "costs" in the name of entertainment.

A few products do not lend themselves to the pick-your-own method because some experience, skill or strength is required to determine optimum maturity and harvest the produce. Picking out ripe watermelon or mature



There are many ways producers can direct market their products.

sweet corn, for example, requires a fair amount of expertise; harvesting apples and peaches from fully mature, non-dwarf trees requires both strength and skill to move and climb ladders.

Roadside Stands and Markets

Roadside stands are on-farm retail outlets for farm produce that contain facilities to display and protect farm produce. Some roadside markets have very elaborate facilities, including refrigerated coolers for storing produce as well as refrigerated display cases. Others are simpler and are more often referred to as "stands." Roadside markets generally stay open longer seasons than stands and offer a wider array of products, including nonfood items, for consumer convenience. These features help spread the facility's overhead costs. To ensure a consistent supply of produce, operators of such markets frequently purchase some of their products from other farmers (local or regional), as well as from conventional wholesale outlets.

Roadside stands are generally located next to a public road to maximize the exposure from drive-by traffic. Signage on the roadside frequently emphasizes favorable prices or specials. Farmer-operators can charge less to consumers while enhancing their own income because they often eliminate or reduce conventional marketing costs of intermediary firms. These costs may include transportation from the farm to shipping points, shipping containers, and assembler and wholesaler handling charges. They may also save by using family labor, even if they also use hired labor.

Operators of retail farm outlets do have additional operating costs not incurred by farmers selling to conventional wholesale buyers. Such costs include the fixed and variable costs of their physical facilities (such as interest, taxes, depreciation, repairs, parking lots, utilities and insurance), labor for operating the stand, consumer-friendly packaging materials, advertising and promotion expenses and other items that may be required to satisfy consumer demand. The extent of such additional costs is

closely related to how large and elaborate the facilities are, the amount of customer traffic generated and the sales volume. However, larger, higher-volume markets may gain economies of scale that lead to lower per-unit costs for labor and other items.

Farmers' Markets

Farmers' markets are designated locations where farmers can sell their products directly to consumers. These markets are usually located within or near urban centers and may be owned and maintained by farmers' cooperative associations or by local or state governments. Facilities may range from an open lot (where farmers park their vehicles and display products) to enclosed buildings with display counters, lights and refrigeration. Regardless of the ownership structure, farmers usually pay a fee for the space occupied to cover maintenance and advertising costs. Some markets are open daily, but most are open only on specified days.

Prices for products at farmers' markets tend to be lower than prices for similar items in grocery stores. Consumers also have access to a wide selection, since they can look at produce from a number of growers. This concentration of farmer-marketers in proximity to urban areas can attract large numbers of customers. Some large, specialized farm operators who sell most of their production through conventional outlets use this method of direct marketing to dispose of produce that does not meet the requirements of conventional wholesale outlets. Such products include

undersized or oversized fruit and fruit too ripe to withstand the rigors of the conventional marketing system.

House-to-House Delivery

This is the most expensive (and least used) method of direct marketing for farmers. Farmers using this method perform all the marketing services of the conventional marketing system plus delivering items to the consumer's door. This method was relatively important in years past, especially for products such as milk, butter and eggs, which were purchased regularly and could be delivered on a consistent schedule. Today, this method should be attempted with caution and probably only in high-income areas.

Peddling

This is a direct marketing option in which producers sell and deliver to retail stores, institutions, restaurants, etc. Operators might also sell from the backs of their trucks, take orders and deliver or sell door-to-door where permissible. Advantages of peddling include low overhead cost, easy entry into the peddling business when a product surplus exists and easy exit from the business when product supply is short. Disadvantages might include legal restrictions and required licensing, as well as the possible conveyance of a "fly-by-night" image.

Rent-a-Tree

Also called plot arrangements, this option allows the consumer to make a contract with a grower for the yield of a certain tree or row in the field. Generally, the growers do all the cultural operations to produce the product and supply the equipment for harvesting. The renters have the use of the tree or plot for the duration of the

contract and do the harvesting. This is relatively new in the United States, but has been successful for many years in some European countries. The primary advantage of the rent-a-tree arrangement is reduced harvest labor expense. However, increased effort in identifying individual trees or areas and in modifying cultural practices to satisfy customers may prove to be the disadvantages.

Self-Serve Selling

This method has proved successful for some small operators when sales volume does not warrant full-time sales personnel. With self-serve selling, operators stock the sales outlets with available products and consumers serve themselves and leave payment in a cash box. Self-serve selling results in reduced labor requirements but increases the risk of pilferage and theft. Gift baskets and mail-order gift baskets and mail order are popular options for products that can be packaged attractively and have limited perishability. Such products might include citrus fruits, herbs, holly and flowers. Gift baskets and mail order products offer opportunities to increase sales, but success is limited to specialty products and is usually seasonal.

Community-Supported Agriculture

In the last decade or so, direct marketing in agriculture has evolved and grown dramatically. The growth of community-supported agriculture (CSA) is one of the newest innovations. Members of a CSA enterprise buy a share of the farm's produce, paying in advance for delivery of fresh, usually organic, produce during the growing season. At some CSA's, members donate time and sweat to the enterprise as well, pitching in to help with planting, weeding and harvesting. (DJ)

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