

# Direct Answers for Direct Marketing



A resource to answer questions  
about direct marketing

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Direct Marketing for Agricultural Professionals

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# Foreword

*Vegetable Gardening* author, Ralph Watts, encourages farmers to study and master marketing as zealously as they learn to farm. He says, “[C]ities don’t need more vegetables, they need better vegetables.” This book was written in 1911 and is just as valid today as it was over 90 years ago.

Agriculture in the southern U. S. is presently experiencing dramatic changes. These changes in the traditional crops lead farmers to explore new and alternatives sources of income. With the wane of profitability of commodity crops, especially tobacco, peanuts, and cotton, Southern agriculture has become more diverse. Growers plant new crops that do not have well-established market outlets. This trend toward experimentation with new crops and enterprises is expected to continue and to create both opportunities and challenges. One challenge facing agricultural professionals is to help mainstream farmers explore and develop new market outlets.

Eric Gibson’s *Sell What You Sow* advises new producers not plant seed before they know who their customers will be. Astute marketers can turn fashionable trends into financial gain. Today, customers expect and insist on fresh, blemish-free, healthy, nutritious products. Land grant universities have done an excellent job training farmers to grow these products. However, marketing remains one of the biggest challenges farmers face as they search for new income sources. John Ikerd’s article *The Role of Marketing in Sustainable Agriculture* states, “Relatively little attention has been given to marketing as a means of enhancing overall all agricultural sustainability.”

Understanding direct marketing methods is vitally important to farmers exploring alternative enterprises. Some growers have succeeded in growing alternative crops and marketing them without much training, learning by trial and error. However, such an approach can be costly. Moreover, the lack of an established market can make direct marketing more difficult. Direct marketing requires not only researching your market but also developing skills in entrepreneurship. Direct marketing a new or unique crop is challenging and difficult. Howard Kerr, past director of the USDA office of Small Scale Agriculture in *The Future of Agriculture Near Cities: New Direction for Research* (1988) wrote, “Farms in metropolitan areas which comprise only 16 percent of U.S. land areas, account for more than two-thirds of the fruit and vegetables sales. . . . In the past it was sufficient to be a good producer, but today this is no longer enough. Marketing is the keystone of any successful agricultural business.”

*Direct Answers for Direct Marketing* provides you with tools to assist your clientele in making decisions that will allow them to turn their ideas into fruitful enterprises.

Gary Bullen  
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# About "Direct Answers for Direct Marketers"

The purpose of this manual is to provide agricultural professionals with a hands-on way to help their clients answer the questions that other direct marketing manuals say must be answered before entering the direct market. While the manual focuses on fruit and vegetables, many of the principles apply to any agricultural product, whether fresh or processed.

Chapter 1 "What is 'Direct Answers for Direct Marketing'?" provides an overview of direct marketing. It provides keys to success and an overview of business, marketing, and financial plans.

Chapter 2 "What should you produce?" walks you through setting goals, determining resources, considering if a market exists for a product, and finding out if customers exist for that product.

Chapter 3 "Which direct marketing outlet is right for you?" covers the characteristics of different direct market outlets, criteria impacting your success, resources needed for the market, and tax, liability, and other legal issues.

Chapter 4 "Who will be your customers?" walks you through selecting a target market, obtaining demographic and lifestyle data, and how to use this information.

Chapter 5 "What do your customers want?" addresses trends in foods, food safety, packaging, convenience, quality, and so forth.

Chapter 6 "How will you reach your customers?" covers farm image, promotion, merchandising, advertising, and evaluating what you've done.

Chapter 7 "How do you plan for profits?" talks about fixed and variable costs, start-up costs, different types of budgets, and how to use them

Chapter 8 "How do you set your price?" is about break-even pricing and cost plus pricing as well as a some do's and don'ts for pricing

Chapter 9 "Directory of marketing regulations, licenses, permits, taxes, and insurance" provides contact information, by state, for various agencies your clients will need to contact as they establish or expand their direct marketing operations.

The remaining sections of the manual include farmer profile case studies, feasibility case studies, tools, and supplemental readings.





# Chapter 1

## What Is "Direct Answers for Direct Marketing"?

### Considerations for your clients

- What should you produce?
- Which direct marketing is right for you?
- Who will be your customers?
- What do your customers want?
- How will you reach your customers?
- How do you plan for profit?
- How do you set your price?
- What regulatory issues do you need to address?

These questions are addressed in subsequent chapters.

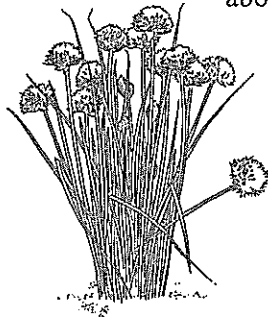
Marketing is one of the most important factors determining the success of any farming enterprise. Marketing encompasses all parts of your operation and the decisions you make. These decisions range from identifying the most profitable crops or livestock/poultry for production to deciding how you should deliver products to buyers efficiently and economically while maintaining product quality and service. Contrary to popular belief, you do not begin marketing after you produce a crop or livestock. Instead, you evaluate your marketing alternatives well before production takes place and use the results of this evaluation to guide your production decisions.

*Direct farmer-to-consumer marketing includes any method by which you sell your products directly to consumers.* A direct farmer-to-consumer marketing outlet provides an opportunity for increased returns. Consumers' want to buy and are often willing to pay a premium for riper, fresher, higher-quality fruits, vegetables, meat, poultry, or other farm products. These factors generally combine to generate substantially higher net returns for you than selling through wholesale or auction markets.

Data on direct marketing from the 2002 U. S. Census of Agriculture show some interesting trends in the U. S. The value of directly marketed agricultural products increased from \$592 million to \$812 million between 1997 and 2002, an increase of 37.0 percent compared to a slight decline in



total revenues sold through all marketing channels. The number of farms using direct marketing also increased 5.5 percent while at the same time total farm numbers declined by 5.0 percent.

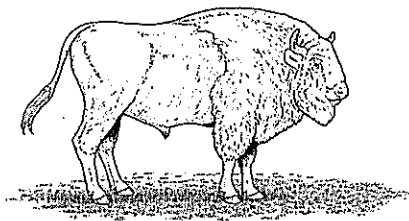


When you become the “retailer,” you have the opportunity to sell at or slightly above retail supermarket prices. However, if you expect to receive prices similar to those at retail outlets, you must provide the same value and services consumers have come to expect from other retailers. At a retail store, the price consumers pay for produce generally covers the costs of producing, grading, packing, transporting, wholesaling, and retail merchandising. To receive higher net returns, you must either provide customers with marketing services at a lower cost, provide services not available through other markets, and/or eliminate unnecessary services.

Direct marketing may provide outlets for producers who produce small volumes, different products, or product specialities other than those required by large, commercial buyers. Sometimes direct marketing consumers actually desire products that vary from commercial standards in size, maturity, appearance, volume, or grade. For example, a tomato that is fully ripe might not be appealing to supermarket buyers who are concerned with shelf life, but it may be just the tomato the direct marketing consumer wants for canning purposes or fresh consumption that day.

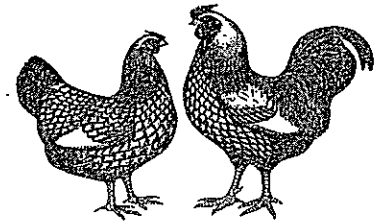
You may find that direct marketing translates into additional income when insufficient volume or product selection is available to attract buyers for large processors or retail outlets. If your operation is small, direct marketing may be the only viable marketing alternative for you. To reduce the risk of relying on a single market outlet, you might choose direct marketing to supplement or replace sales to wholesalers, retailers, and processors .

Although additional income is often the primary motivation for direct marketing, several other factors may influence the producer’s decision. Flexibility and the ease of market entry associated with direct marketing operations enable almost anyone with the desire and a few acres to become an agricultural producer. Many producers favor direct marketing, especially pick-your-own operations because of the reduced labor requirements associated with not having to harvest, grade, sort, and pack produce. However, the most attractive aspect of direct marketing to some farmers is the opportunity to own their own businesses, be their own bosses, and do their own things. This flexibility allows them to determine their own product mix and to balance this production between consumer demand and their own talents for selling and marketing. Producers raising specialty crops, such as flowers, herbs, or organic products have successfully used direct farm-to-consumer marketing to provide seasonal products or to market to nontraditional consumers like ethnic groups. Direct marketing allows many producers to capitalize on individual comparative advantages, such as good locations for roadside stands or available help from retired people, to achieve increased income or to supplement retirement incomes.



The other side of direct marketing relates to consumer demand. The primary attraction of direct marketing outlets for consumers is the opportunity to purchase fresh, wholesome, flavorful products at their source. Surveys indicate that consumers like being able to buy in larger volumes and in a relaxed, friendly atmosphere. Recent consumer interest in purchasing produce directly from farmers also seems to be coupled with increasing concerns regarding food safety. Another appealing aspect about buying directly from farmers, especially pick-your-own operations, is that it offers an opportunity for consumers to enjoy outdoor family recreation.

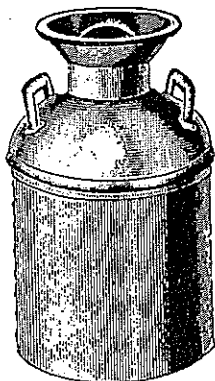
Broader community policy, especially agricultural issues, relate to farmers' markets and direct marketing as well. Farmers' markets enhance producers' business opportunities, foster business skills, and have positive effects on producer-vendor families. For the broader community, farmers' markets may have spillover effects to other adjacent businesses on market day; support entrepreneurial start-ups in farm and food related industries; and support food nutrition, security, and educational goals.



Because of the broader economic and social benefits, some people believe that public support for farmers' markets should grow. The USDA found that 82.0 percent of the farmers' markets are already self-sustaining and market income is sufficient to pay for all costs associated with the operation of the market (excluding grant or in-kind support). But this study may be misleading, as it focused on existing markets. And no information indicates what other markets might exist if public support were available.

Farmers markets appear to play a significant role in food security and assistance. According to the USDA, 58.0 percent of markets participate in WIC coupon, food stamps, local and/or state nutrition programs. To support more localized assistance efforts, 25 percent of markets participate in gleaning programs that assist food recovery organizations in the distribution of food and food products to needy families in local communities. Current trends suggest that farmers' markets will continue to grow in popularity as producers seek to personally connect with consumers. Yet, some markets are already experiencing difficulties in attracting producer-vendors who must balance marketing activities with their production obligations. Still, this growth does highlight the need to further explore the relationship between direct marketing, local economic development, farm financial performance, and producers' ability to differentiate their products.

## Keys to success



The Southern Sustainable Agriculture Working Group and The National Center for Appropriate Technology (ATTRA) interviewed successful farmers to determine what they learned in marketing directly to consumers. A few general practices emerged that could be considered "keys to success" including

### *Keys to success*

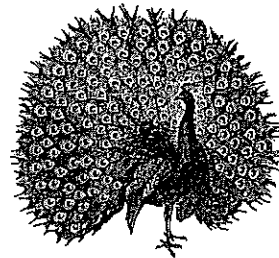
- ☞ Choose something you love to do
- ☞ Provide quality
- ☞ Start small and grow naturally
- ☞ Keep good records
- ☞ Provide what consumers want
- ☞ Maintain a loyal (preferably local) customer base
- ☞ Provide more than just a product
- ☞ Involve others
- ☞ Keep informed
- ☞ Plan for the future
- ☞ Evaluate continually
- ☞ Persevere
- ☞ Secure adequate capitalization

### *Choose something you like (love) to do*

Most people start direct marketing activities to make more money. Your sincere enthusiasm and belief in your product are part of what make you unique. Without doing something you love to do, you will have difficulty finding the energy and motivation to stick to it.

### *Provide quality*

Offer a high-quality product or service. High quality with some unique trait is an avenue that you can pursue to differentiate your product. Quality is made up of many dimensions (fresher, better tasting, healthier, more consistent or cleaner product, thoughtful presentation, and packaging/labeling). You may be tempted to use substandard inputs or service, but you will find that a great experience or quality product is more important for attracting consumers than a low price. Consumers know value. If you're shooting for low quality and price, you can seldom compete with large wholesale and retail outlets.

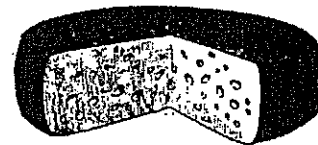


### *Start small and grow naturally*

Starting small usually means investing less money and borrowing less. Starting small also means mistakes are less costly; remember, managing a small operation is easier, too.

### *Keep good records for all aspects of your operation*

Trying to manage without good information is like having a state map when you're looking for a street address in a small town. Good information and records are necessary for knowing whether you meet your goals and for understanding why your goals are or are not being met.



### ***Provide what customers want***

The two approaches to agricultural marketing are “push” and “pull.” The push approach implies that you produce a product and then push it onto consumers for the going market price—the traditional way of marketing many agricultural products. With the pull strategy, however, you target specific products and desired product attributes using consumer preferences so that you are not entirely a price taker in the market place.

### ***Maintain a loyal (preferably local) customer base***

An important way to capitalize on your uniqueness is through relationship marketing. You are unique and no one can do exactly what you can do. These personal relationships and the trust they engender over time are effective marketing strategies. Local customers are generally the easiest to develop into a solid, loyal customer base.



### ***Provide more than just a product***

Most successful value-added businesses provide more than just a product or service. They provide an experience that can be in the form of pleasant social interactions, a chance to experience the rural way of life, education, services, tours.

### ***Involve others***

Get the whole family, partners, and/or community involved. Take advantage of their unique skills and talents.

### ***Keep informed***

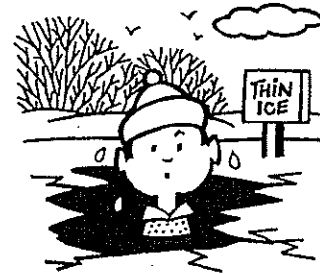
You must keep informed on every aspect concerning your business: marketing, finances, production, and regulations. You also need to keep informed about changes in your market area, such as changing demographics, festivals, new businesses or lost employers.

### ***Plan for the future***

Fail to plan and you plan to fail. Planning is essential to success. When you plan, be realistic about goals, pricing, costs, time commitments, etc.

### ***Evaluate continually***

Things are always changing. You need to constantly monitor and evaluate what is going on in both your business and outside your business. You cannot reach your goals without taking the time to evaluate what you have accomplished. Be flexible and realize that the best-laid plans, both internal and external to your operation, can go wrong. Change is inevitable.



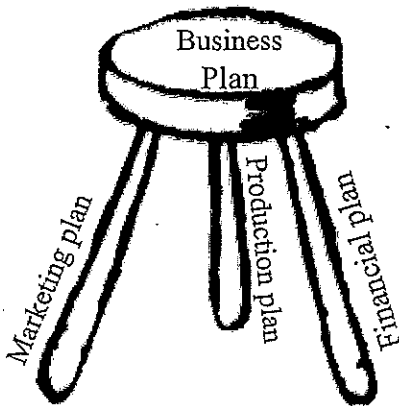
### ***Persevere***

You need a good deal of perseverance just to figure out how to produce the products, much less how to market them. Identifying your niche and building a customer base takes time.

## *Secure adequate capitalization*

A direct-marketing or agritourism business is likely to operate at a loss for at least the first year or more of operation. Make sure you have adequate liquid financial reserves to meet start-up costs and cash flow requirements. Many businesses fail because the managers/owners did not secure enough capital to see their venture through to profitability.

## **Business plan**



A business plan allows you to identify potential business problems and plan solutions before problems occur. Business plans include long-term production plans that help you focus on goals you hope to achieve. An important benefit of a business plan is the knowledge you gain from the homework involved in putting the plan together. If the venture does not seem feasible on paper, it will probably not benefit your current operation. Generally, the survival rate for new enterprises is greater if you have done some business planning.

In addition to assisting with day-to-day managerial planning, business plans are used to support requests for capital from outside sources. Business plans help financial institutions better understand what you are attempting to achieve. A well prepared business plan can show financial institutions that you are serious and have devoted considerable time and effort to making your decision. The basic business plan is composed of six parts:

1. mission statement and long-term goals,
2. production plans,
3. marketing plans,
4. financial plans,
5. staffing and organization plans, and
6. management and contingency plans.

### *Mission statement and goals*

#### **Mission statement**

A mission statement is a brief statement of the role of a business relative to your life. The statement sets your business apart from other businesses of the same type. Mission statements help you direct your operation and are valuable to its survival and prosperity. Mission statements are usually one to two sentences long and very general.

#### **Three mission statements**

Our mission is to provide high-quality fruits and vegetables.

Our mission is to provide a base for other business endeavors in the local agricultural economy.

Our mission is to provide vegetables for the county area.

## Goals

Goals are activities that must be completed to achieve the mission statement. Goals are planning statements written in specific, concrete terms against which actual events can be measured.

Questions you need to ask when evaluating your goals are

- ☒ Are the goals stated clearly and concisely?
- ☒ Are they measurable?
- ☒ Do they have deadlines?
- ☒ Are the goals consistent with the mission statement?
- ☒ Are the goals specific enough to develop objectives and strategies?

### Four goals

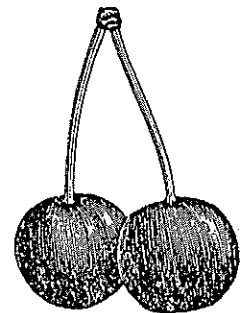
Provide after school employment for 10 seniors needing jobs in 20\*\*.  
Increase herb wreath sales by 10% in the next fiscal year.  
Purchase an additional 15 acres by 20\*\*.  
Build new housing for 6 migrant workers within the next 3 years.

The mission statement and goals are the base for the other sections of your business plan. Therefore, you must carefully consider these pieces so that the other areas of your business plan can provide the needed directional information.

## *Production plan*

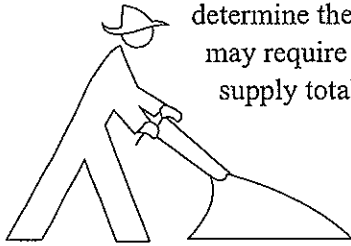
A production plan describes, in detail, the entire production process for an operation, including input quantities and prices, labor, facilities, and equipment requirements. Your production plans also should identify potential production problems (insects, weeds, and constraints caused by soil, water, or crop variety) and management solutions for these problems. Your production plans should be consistent with the timing, cropping, and special market considerations described by the marketing plan.

To complete your production plan, you should collect information for input levels, crop yields, and corresponding prices. You also should check with local sources about needed inputs, including labor and equipment. You need to compare the prices charged and the services provided by suppliers. Yield information can be obtained from various sources including seed dealers, other farmers, local Extension Agents, and trade publications.



Specialty crop production generally requires some irrigation. Even in areas where annual rainfall exceeds 40 to 50 inches, rain may not fall at just the right time to yield timely production of appropriate quantities and qualities of horticultural crops to fit the crop needs of a marketing plan. Careful management of irrigation can help increase yields and quality.

Labor in fruit, vegetable, and specialty crop operations can be costly, depending on local sources and types of labor. Although the quantities of labor required vary for every enterprise, most horticultural crops require large amounts of harvest labor. Crops and acreage



determine the total quantity of labor required. Small fruit or vegetable plots may require a minimal amount and skill of hired labor. Family members could supply total labor for small operations. If the plot is larger or the crop requires more labor at certain times in the production cycle, you may need to hire temporary labor. If the crop is to be a permanent part of production and returns are high or large acreage is involved, you might find migrant labor to be an appropriate alternative and a justifiable expense. Keep in mind

that migrant labor may involve many government requirements and regulations, depending on the nature of the labor contract, the number of people employed, the area of the country, and the length of employment.

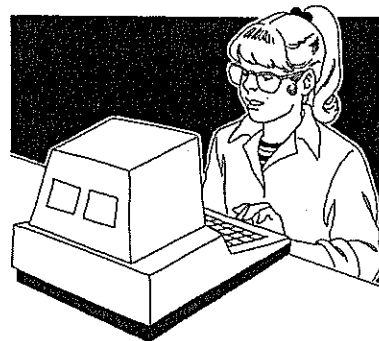
With operations, labor, and equipment usage information, you can form weekly timelines. A timeline is a schedule that shows when certain production and marketing activities will take place. Timelines provide a visual aide for allocating production time and resources

## *Marketing plan*

Marketing plans describe your strategies for achieving the specified mission and goals of your operation. The marketing plan is influenced by your understanding of industry and economic conditions, current market competition, your market location, target markets, and marketing mix (product packaging, advertising, promotion, and pricing). Industry and economic conditions usually are best described by preparing a general overview of current production and market levels. A description of industry and economic conditions can help you determine if you have enough demand to support the increased production you and other new producers will create. When evaluating market conditions, you consider

1. additional market competition,
2. the length of time required to become established in a market, and
3. the vulnerability of other producers.

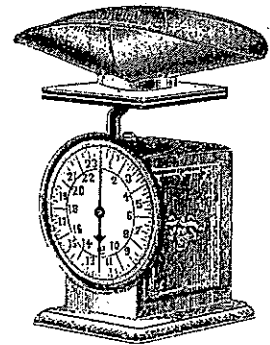
As a direct marketer, you would focus on a certain town, county, or area of the state and the current levels of production and consumer demand. However, *the location of the market you choose will impact all your decisions and your potential profitability.*



When developing a marketing plan, you must consider the competition. You identify the competition's strengths and weaknesses and use that information to develop your market strategies. Your marketing strategies should take advantage of the competition's weaknesses and differentiate your operation from everyone else. You might find it advantageous to develop strategies where you cooperate with other producers and use each other's strengths to attract customers to your markets. Some things you should consider when developing marketing strategies include current levels of production, barriers to entering the market, length of time to become established in the market, and services that might prove valuable.

A target market is the group of consumers to whom you are considering marketing a product. A target market may be a certain type of consumer or a geographic area. As a fruit and vegetable producer, you might consider targeting the typical consumers in a geographic area such as married families with school age children. You must bear in mind that today's consumer generally does less canning and freezing than their parents or grandparents. The societal shift towards two-income families means that time is a critical factor for most consumers. Therefore, you must ensure that consumers view the experience as worthy of their limited time by providing the appropriate levels of quality, value, service, convenience, and selection.

The marketing mix is a key part of the marketing plan. Marketing mix deals with product offering, price, promotion, and packaging. Local newspapers and radio stations can be a source of promotion and advertising that can potentially provide profitable results. Product packaging and display are critical if you sell at farmers' markets or roadside stands. The eye-appeal and neatness of a produce display or package can often increase sales and product preference.



You can use the information contained in a marketing plan to prepare sales projections. You should also use this information to prepare contingency plans, which anticipate possible marketing problems. Some possible problems that you should consider are not being able to produce the desired quality or quantity, loss of contractual agreements, distance to markets, or decrease in customers. You need to make marketing plans that cover at least three years. The first year's plan should be prepared on a monthly basis, and the plans for the remaining years on a quarterly or annual basis depending on your needs. For some crops where the season is relatively short, you should develop weekly production and marketing plans as well as contingency plans for the anticipated yield fluctuations that can occur under varying weather conditions.

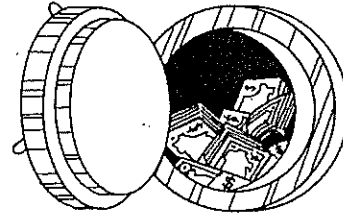
### *Financial plans*

You use financial plans to estimate capital needs, to project future financial circumstances, and to make decisions about financial actions necessary to carry out a business plan. Financial plans have three parts:

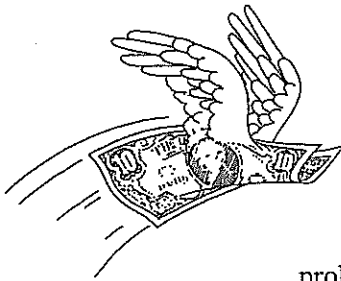
1. balance sheets,
2. income statements, and
3. cash flow statements.



A balance sheet shows the assets and liabilities of your operation at a point in time. An income statement records revenue/receipts and expenses/costs. The purpose of the income statement is to help you evaluate the profitability of your operation. A cash flow statement is a summary of cash inflows and outflows for a given time period. You use it to project amounts and timings of borrowing and loan payments. By developing projected (pro forma) versions of these three financial statements, you can evaluate production and marketing plans to determine whether you will need outside capital sources to finance your operation.



You can develop projected financial statements by starting with current financial statements and adjusting them for future plans based on conservative estimates from your marketing and production plans. A reasonable first step in this process is to estimate short and long term borrowing needs and develop a projected balance sheet. From the projected balance sheet, you can develop projected income and cash flow statements for your operation.



Preparing projected financial statements for short intervals in the future can provide good planning information. You should probably project cash flow statements for monthly intervals for the first year. You will find that developing projected income statements and balance sheets for at least 3 to 12 months is helpful.

You can use projected financial statements as an integral part of contingency plans to address possible problems. Examples of problems that you can evaluate are the unexpected end of operating financing, unexpected cash flow shortfalls, rapidly increasing costs for certain inputs, or reduced revenues as customers react to quality concerns like *e coli* in spinach. Having contingency financial plans makes it easier to evaluate the possible solutions to problems.

### ***Staffing and organizational plans***

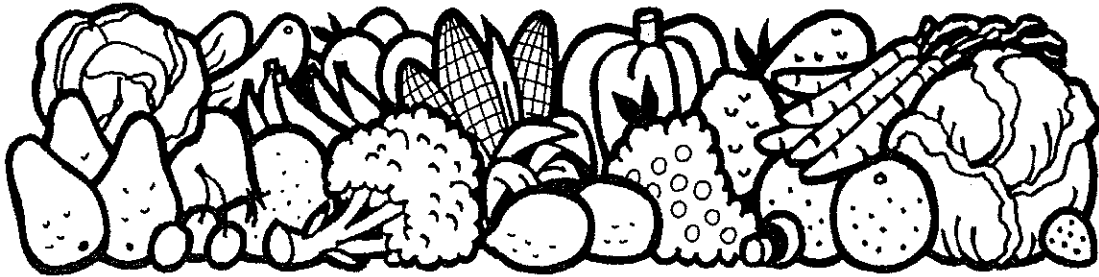
A staffing and organizational plan describes the personnel and organizational structure needed to support a projected operation. You consider personnel duties and responsibilities, accountability, recruiting, and training in a staffing plan. The staffing and organizational sections of business plans will usually be relatively brief if you use mostly family labor. However, if you need large numbers of seasonal employees, you should develop plans for obtaining, supervising, and supporting them as part of a staffing and organizational plan. You must know when and where seasonal labor can be found; how to arrange for such labor; expected labor costs; and what food, lodging, medical, and other services you must provide based on federal or state labor regulations.

### ***Management controls and contingency plans***

Management control is the process of assuring that you can accomplish your mission and objectives effectively and efficiently. Management control involves monitoring the business plan

to ensure that everyone properly carries out his/her assigned tasks. You should develop the management plan with the idea that it is the driving force to see that the other areas of the business plan are properly completed. The management system should provide information useful in monitoring marketing, production, and finance.

You should develop contingency plans to deal with economic or industry changes that affect the operation of your business. General contingency plans help make your operation flexible, since you use them to deal with situations that are not completely unforeseen but you thought not very likely to occur. Examples of problems are government intervention, death of a business partner, price changes, changes in consumers' wants and needs, development of new produce varieties, new technology, or changes in marketing practices.



## Resources

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Brown, A. 2002. Farmers' market research 1940 to 2000: An inventory and review. *American Journal of Alternative Agriculture* 17(4).

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- Lloyd, Renee, J. Nelson, and D. Tilley. *Should I Grow Fruits and Vegetables? Direct Marketing for Fruit and Vegetable Crops*. Oklahoma Cooperative Extension Service Fact Sheet F-183, <http://agweb.okstate.edu/pearl/agecon/farm/f-183.pdf>.
- \_\_\_\_\_. *Should I Grow Fruits and Vegetables? Pick-Your-Own Markets*. Oklahoma Cooperative Extension Service Fact Sheet F-184, <http://agweb.okstate.edu/pearl/agecon/farm/f-184.pdf>.
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## Business plan components

### Section 1. Executive summary

- ☒ Summarizes information about ownership, products and services, market, and management
- ☒ Summarizes any financial requests

### Section 2. Company summary

- ☒ Mission and goals
- ☒ Ownership and organization
- ☒ Location and facilities
- ☒ Operations

### Section 3. Products and/or services

- ☒ Description of each product and/or service
- ☒ Source and cost of products
- ☒ Shows how products meet specific market demand

### Section 4. Market analysis

- ☒ Target markets described in detail, including trends, growth, and numbers
- ☒ Demographics relative to markets
- ☒ Size of market estimates
- ☒ Competitive Analysis

### Section 5. Market strategy

- ☒ Descriptions of how product or service is positioned, priced, promoted, and sold
- ☒ Description of how customers are served, including any unique services provided either free or for an additional cost

### Section 6. Management summary

- ☒ Names and summary of experience, education, and qualifications of each key manager
- ☒ Organization chart or description of how each management function is accomplished (marketing, production, accounting, administrative, human resources, legal, etc.)

### Section 7. Financial

- ☒ Financial and sales assumptions
- ☒ Profit and loss statements and balance sheets from past years
- ☒ Projected profit and loss statements
- ☒ Personal income statements and balance sheet

### Section 8. Appendix

- ☒ Photos of existing or proposed property/facility
- ☒ Equipment lists, leases, or any data supporting any section of plan

# Business plan checklist

Most successful business plans contain the information outlined below, although not necessarily in this order. If box is checked, information was found and is adequate. If box is not checked an explanation given.

## *Overall plan*

### Readability

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Language is concise (does not read like novel or term paper).              |
| <input type="checkbox"/> | <input type="checkbox"/> | Section stands on its own and clearly defines and satisfies its objective. |
| <input type="checkbox"/> | <input type="checkbox"/> | Facts are supported with sufficient documentation.                         |
| <input type="checkbox"/> | <input type="checkbox"/> | Conclusions drawn from facts are reasonable.                               |
| <input type="checkbox"/> | <input type="checkbox"/> | Facts are supported with sufficient charts and graphs.                     |
| <input type="checkbox"/> | <input type="checkbox"/> | Spelling and grammar are correct.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Math is correct.   |

### Formatting

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Font choice is readable.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Type size and spacing between lines are sufficient for readability. |
| <input type="checkbox"/> | <input type="checkbox"/> | Plan contains subheadings.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Formatting on headings and subheadings is consistent.               |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains page numbers.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Formatting on page numbers is consistent.                           |

### Cover page/table of contents

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Cover page contains exact, legal name of business.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Cover page contains chief executive's name.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Cover page contains appropriate address, telephone and fax numbers, e-mail, and web address. |
| <input type="checkbox"/> | <input type="checkbox"/> | Cover page contains company logo.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Page numbers in table of contents correspond to headings and subheadings.                    |
| <input type="checkbox"/> | <input type="checkbox"/> | Table of contents includes any appendices  |

### Executive summary

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Length of summary is appropriate (does not exceed three pages and wholly describes the operation). |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies farm's unique features.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Specifies what the management team hopes to accomplish.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Specifies how much money the company needs and how funds will be obtained.                         |

### **Business history**

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Describes when and why the company was formed.                                |
| <input type="checkbox"/> | <input type="checkbox"/> | Describes the marketing history of existing products and services.            |
| <input type="checkbox"/> | <input type="checkbox"/> | Outlines the farmer's annual sales, profits, and overall performance to date. |

### **Management and organization**

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Lists key management positions.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Outlines primary job duties and responsibilities assigned to each position. |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies the individuals who fill each position.                          |
| <input type="checkbox"/> | <input type="checkbox"/> | Summarizes each person's prior business experience.                         |
| <input type="checkbox"/> | <input type="checkbox"/> | Establishes credibility of the management team.                             |
| <input type="checkbox"/> | <input type="checkbox"/> | Provides explanation of how deficiencies will be overcome.                  |

### **Products and service**

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Product /service description not too technical.                             |
| <input type="checkbox"/> | <input type="checkbox"/> | Product/service description not too broad.                                  |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies unique features and benefits.                                    |
| <input type="checkbox"/> | <input type="checkbox"/> | Wholly explains liability limitations.                                      |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies all fixed, variable, and indirect product and service costs.     |
| <input type="checkbox"/> | <input type="checkbox"/> | Anticipates future development plans.                                       |
| <input type="checkbox"/> | <input type="checkbox"/> | Lists requirements from regulatory agencies.                                |
| <input type="checkbox"/> | <input type="checkbox"/> | Provides evidence that the product and service is technologically feasible. |
| <input type="checkbox"/> | <input type="checkbox"/> | Provides backup suppliers and subcontractors (if building new facilities).  |

### ***Operating and production plans***

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Demonstrates understanding and importance of production systems.    |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains a contingency plan if schedule cannot be met.              |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies key goals and allows sufficient time to accomplish them. |
| <input type="checkbox"/> | <input type="checkbox"/> | Provides honest assessment of the downside risks involved.          |

### ***Marketing plan***

#### **Industry Profile**

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses current market size.            |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses growth potential of the market. |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses geographic locations.           |

- Addresses industry trends.
- Addresses seasonal factors.
- Addresses profit characteristics.
- Addresses existing distribution networks.
- Addresses basis of industry competition.

### Competition

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Contains chart to illustrate competitive position in marketplace. |
| <input type="checkbox"/> | <input type="checkbox"/> | Describes competitive advantage.                                  |
| <input type="checkbox"/> | <input type="checkbox"/> | Summarizes nature of competition.                                 |

### Pricing

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Contains price sheet.                            |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains volume and special pricing information. |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains pricing procedures for industry.        |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses gross margin potential.                |

### Other marketing issues

- | Yes                      | No                       |   |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Contains customer profile.                |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains target markets and size of each. |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses market penetration.             |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses advertising and promotion.      |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses packaging and labeling.         |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses customer reaction.              |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses warranties and guarantees.      |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses trade shows.                    |
| <input type="checkbox"/> | <input type="checkbox"/> | Discusses future markets.                 |

### *Financial plan*

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Sales and profit projections appear to be reasonable.      |
| <input type="checkbox"/> | <input type="checkbox"/> | Wholly supported by realistic assumptions/projections.     |
| <input type="checkbox"/> | <input type="checkbox"/> | All operating expenses have been included.                 |
| <input type="checkbox"/> | <input type="checkbox"/> | Hidden costs have been identified.                         |
| <input type="checkbox"/> | <input type="checkbox"/> | Salaries and other benefits are in line.                   |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses contingency plan if sales forecasts are not met. |
| <input type="checkbox"/> | <input type="checkbox"/> | Financial documents are mathematically correct.            |

- Figures on various financial documents are consistent.
- Addresses legal liability issues.

***Growth plans***

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies the significant new products and services planned for continued growth. |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies the market place for new products and services.                         |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains five-year projection for growth that agrees with financial section.       |
| <input type="checkbox"/> | <input type="checkbox"/> | Identifies the financial requirements for the new products and services.           |

***Appendix***

- | Yes                      | No                       |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Contains resumes of management team/key personnel.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains all employee contracts, stock option plans, retirement plans.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains personal financial statements for each of the principals liable for financial obligations.              |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains copies of patent and copyright approvals.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains all of the following agreements: partnerships, sales, distributor contracts, and other legal documents. |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains copies of product and service brochures or other advertising samples.                                   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains copies of all logos and product labels developed.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contain copies recent reference letters, recommendations, and endorsements.                                      |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains copies of market studies or articles from trade journals or other media.                                |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains detailed outlines of the operating/production systems.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains customer signed orders or letters of intent.  |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains documents which support the industry study.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains detailed description of high tech products.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains a map showing location of business.   |
| <input type="checkbox"/> | <input type="checkbox"/> | Contains a copy of credit reports.   |





## Chapter 1 References: What is “Direct Answers for Direct Marketing”?

Direct Marketing Business Management Series

[http://attra.ncat.org/new\\_pubs/attra-pub/PDF/directmkt.pdf?id=NorthCarolina](http://attra.ncat.org/new_pubs/attra-pub/PDF/directmkt.pdf?id=NorthCarolina)

Direct Marketing Guide for Producers of Fruit, Vegetables, and Other Specialty Products

<http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>

To Market, To Market;

<http://www.cook.rutgers.edu/~farmmgmt/marketing/tomarket.pdf>

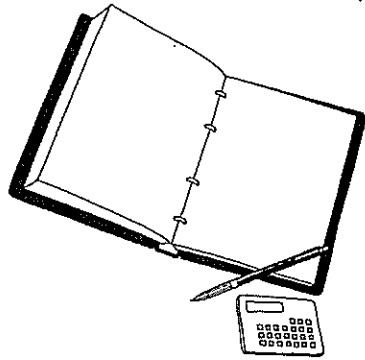
Direct Marketing for Farm Produce and Home Goods (File Protected, available to view online)

[http://www.savorwisconsin.com/\\_datamaint/uploads/educinfo/a3602.pdf](http://www.savorwisconsin.com/_datamaint/uploads/educinfo/a3602.pdf)



# Chapter 2

## What Should You Produce?



### Considerations for your client

What are your family's goals for your operation?

Have you clearly defined what you want to do?

What resources do you have i.e. time, land, labor, equipment, knowledge/experience, capital?

Does a market exist? Where?

How are you going to find out if customers in your market area want what you plan to produce?

### What are your family's goals for your operation?

Goals are written statements describing what you want to achieve through your personal actions. Writing goals down is crucial! Goals need to be something you are committed to achieving. They provide you with a way to measure what you achieve. They provide a way for you to act, rather than react, in a situation. Goals need to include input from those most directly affected by them, especially your family members. Goals will help not only you but your family and your employees know where you want to go so that everyone can pull in the same direction. Goals will help improve communication and reduce stress because you are all working for the same thing.

#### Goals

**Long term goal:** make enough money in the next 15 years to send my three children to college.

**Shorter term goal:** in the next 5 years eliminate all the Canada thistle and multiflora roses from fields.

**Daily goal:** recycle all cardboard, bottles, and cans generated in the course of business.

Goals can be long term—10 years or more. They can be shorter term—2 to 10 years. They can be short term—daily to a year.

Always set a time limit for the goals (except the quality of life ones); otherwise, you will have no way to measure whether you have accomplished what you want within a reasonable

## ***SMART goals***

Specific, significant: well defined

Measurable, meaningful: know it's obtainable and when it's been achieved

Agreed upon, attainable, action-oriented: everyone involved knows what the goals are

Realistic, relevant, reasonable: can be reached given available resources, knowledge, and time

Time-based, tangible, trackable: enough time to reach goal, but not so much that project performance is affected.

Source: Projectsmart

amount of time. Keep in mind when you set time frames that situations can arise that change that time frame. To be a useful tool, goals must be flexible and constantly revised to meet changing circumstances.

Make sure that your goals are measurable—making enough money to send your three kids to college when they are ready to go or within 15 years.

You will need to be flexible enough to evaluate your goals and the time frames for those goals. Your goals may change over time. Changing your goals does not make you a “quitter.” What

you are doing is acknowledging that life brings changes and that you are capable of adjusting to those changes. For a more in-depth discussion of goals see Mundy and Mundy at <http://www.ext.vt.edu/news/periodicals/fmu/1997-06/goalsbus.html> (Va. Coop. Ext. Farm Management Update, June 1997) and Mundy, Coale, and Sterrett at <http://www.reap.vt.edu/> then go to publications and REAP Report number 29.

Goals should be written down.

Goals should be action

statements: “To complete...” “To replace...”

Source: Gessman

## **Have you clearly defined what you want to do?**

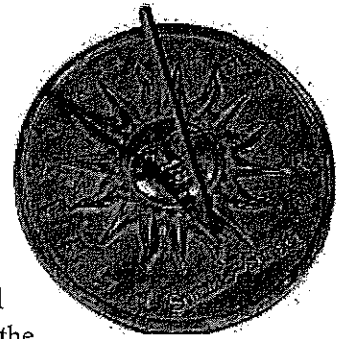
In your own mind, have you clearly defined what you want to do? For example, you decide you want to create wreaths using herbs. What will these wreaths look like? Will they be circular or sprays? What size will they be? Will they hang or sit on a table? Will the herbs be decorative or edible? How many can you realistically make, given your access to inputs and your time? Will the content vary, for example will some use bay leaves as the base and rosemary, thyme, and sage for decoration while others use garlic as a base and lavender, stevia, and rose petals as decoration?

## What resources do you have i.e. time, land, labor, equipment, knowledge/experience (production, marketing), and capital?

List the resources you have—time, land, labor and when they are available, equipment, knowledge/experience about what you want to produce, and capital (money, debt). Once you put on paper what your resources are, you will have a better idea of whether what you want to produce is feasible. If it isn't feasible given your resources, don't bother to pursue it. Look for something else that will fit with your current resources and goals.

### *Time*

You need to think carefully about the amount of time you have to invest in the operation: time for production, financial management, and marketing. Do not underestimate the amount of time required for any of these, especially marketing. They are all vital to your success. You may grow the most beautiful, delicious strawberries this side of the Mississippi, but if you don't spend the time necessary to market them, it makes no difference how wonderful they are. If you don't take time for the financial management part of the business, you'll never know if you are making or losing money.



If you are only working on your farm part time, how much time do you have after your off-farm job—is it an hour each night and all weekend? Is it only weekends? Do you plan to use your vacation time to farm? Is someone else in the family available on a full-time basis and willing to invest his/her time in the operation?

You need to estimate how long various tasks will take (Table 1). You're better off overestimating rather than underestimating the required time. The first time for everything is always the longest.

**Table 1. Time resource calendar**

Month	June				July				August				September			
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Activity																
<b>Finance</b>																
Hours per week																
<b>Marketing</b>																
Hours per week																
<b>Production</b>																
Hours per week																

For finance, you need to think about the time required for a visit to the bank and completing loan papers, keeping records, filing, ordering inputs, and paying bills. For production, you can get some idea from crop budgets by looking at the hours of labor required per acre for various crops. Marketing usually requires a huge amount of time. Do you have the time for these activities

when it is needed? Developing the time resource calendar with your best estimates is a good way to evaluate your time requirements.

### Land

How much land do you have available? Is it sufficient for what you are planning? Is the soil and topography suitable for what you are planning? You will need to know how many acres are required for the livestock or poultry or crops and crop rotations you are planning. You will need to know if your weather and soil types are suitable for the crops you want to produce. You will need to know about slopes for erosion control and planting purposes. You will need to know about the availability of water for animals and irrigation. Most of this information you can obtain from soil maps of your county and Extension publications on the particular animals or crops you plan to raise.



### Labor

Under labor, you need to ask yourself the questions, “Do we have sufficient people to handle the tasks?” “Do we have any idea how much labor is required for those tasks?” “Do we have sufficient labor to handle these tasks as they come along?” You need to learn how much and when labor is required for the tasks of planting, harvesting, and marketing crops and moving, medicating, culling, and marketing animals. If you create a resource calendar (Table 2), you can see when labor, equipment, and irrigation requirements overlap. You can then determine how to handle these potential overlaps.

Table 2. Labor and equipment resource calendar

Month	June				July				August				September			
Week	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Activity																
Labor																
Existing enterprise																
New enterprise																
Tractor																
Existing enterprise																
New enterprise																
Irrigation																
Existing enterprise																
New enterprise																

Source: Sterrett, et al.

### Knowledge/experience

Do you have any marketing knowledge or experience? If the answer to the question is, “No,” you need to decide if you can afford to hire someone to do the marketing for you or if you want to learn how to do it yourself. Keep in mind that learning curves can be steep. The learning curve

is probably less steep for someone who likes to work with people and has patience. The biggest asset the marketer can have is the ability to get along with others and listen to what they have to say. Much of marketing is about building relationships with your customers and employees. Does anyone in your operation have knowledge of or experience with growing/raising what you propose to sell. When no knowledge or experience is available from within, you need to look outside. Other growers and Extension are good sources of information. But they can't keep you from making mistakes. Starting small on any crop/livestock/poultry you don't have experience with may save you from losing the farm—figuratively or literally.

## Capital

How much money will you need to start and maintain this new enterprise until it becomes profitable? For some enterprises, like Christmas trees, blueberries, and apples, you will not have any crop to sell for several years. Do you have the money in the bank or will you need to borrow it (Table 3)? Can you afford to lose the money you've saved or must borrow? You need to discuss what you want to do, your current financial situation, and projected financial position and cash flow with your banker or any potential investors. When you go to him/her, go with you plans carefully thought through and prepared in writing so that he/she knows that you've done the planning and understand what you are risking.

Table 3. Sources of capital: complete with appropriate amounts

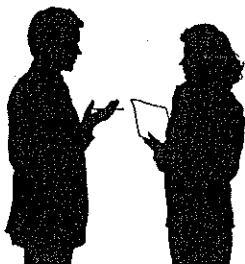
Identify enterprise	Startup cost	Money available	Difference	Amount needed from			Interest rate
				Bank	Credit card	Family	

## Does a market exist? Where?

A market exists when someone wants to buy what you produce, has access to what you are selling, and has the money to buy. Your job is to find out what customers want but can't get elsewhere. You can find out by talking to people, by surveying them, or just by listening to what they ask for that they are not finding.

Would customers come to your farm or do they prefer shopping at the local farmers' market? What are they looking for when they visit your farm or the farmers' market? Do they want a recreational experience when they visit your farm or to simply get the freshest produce possible?

Do they go to the farmers' market just for fresh produce or for some other reason? You can learn the answers by asking people and by listening to what they say.



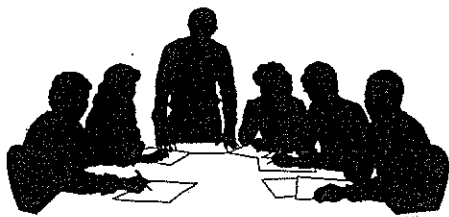


## How do you find out if customers in your market area want what you plan to produce?

You can observe what people buying and asking for at local farmers' markets, produce stands, and grocery stores. You can talk to the marketing people in your state department of agriculture or to Extension Agents.

You can find out what your customers want by surveying them. Surveys can be handed out at existing farmers' markets. Other producers generally will have no problem with adding more participants—the more participants, the more customers tend to come. Put your surveys where potential customers are likely to shop, such as gourmet food supply places; specialty, high-end kids stores; or local health food stores. Where you put them will depend on your target customers. When you leave surveys at another business, be sure you have made arrangements with the managers so that their sales people will ask customers to fill out the questionnaire. Some managers will cooperate; some won't be willing to.

You can use focus groups. A focus group is a way to interview a small number of people (usually 6 to 10) at one time. You want their opinions on what you are planning to market. You want to select your focus group participants from those you have identified as potential customers, and



you need to select from similar demographic groups. If you select from different demographic groups, like teens and retired, their needs and wants will quite likely be very different. You can ask some of your contacts to help you find participants. If you advertise for group participants in the newspaper or with fliers, you will probably have to offer some sort of reward for participation.

You can also ask friends and neighbors what they think of your ideas for what you will produce. You'll need to be careful, though, because they may say that whatever you are doing is great, even though they wouldn't be interested in the products themselves. Ask for honest answers.

You need to look at local, regional, and national trends that you can find in magazines and newspapers. You need to be careful about national trends. Remember they are national and may not be applicable to your local markets. However, a national trend may help you identify what is coming to your locality but has not yet arrived. You look at what your potential competition is doing and how well they are doing it.

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- Woods, Tim and S. Isaacs. A primer for selecting new enterprises for your farm. U. of Kentucky, Extension no. 00-13, Aug. 2000.

# Worksheet

List the family's goals.

Short term

Long term

Does everyone in the family agree to these goals? \_\_\_\_\_

Describe in some detail what you want to do.

What kind of time do you have to invest?

Full time \_\_\_\_\_

Weekends only \_\_\_\_\_

Part time after working full day \_\_\_\_\_

Other (explain)

Do you have the labor necessary? \_\_\_\_\_

If not, where will you find it? \_\_\_\_\_

Do you have equipment you need? \_\_\_\_\_ Could you borrow from a neighbor? \_\_\_\_\_

If not, what do you need to add?

Do you have the knowledge/experience for what you are planning? \_\_\_\_\_

If not, will you hire someone who does or learn how to do it yourself? \_\_\_\_\_

Do you have the financial resources for what you are planning? \_\_\_\_\_

If not, how much more do you need? \_\_\_\_\_

Where will you obtain it? \_\_\_\_\_

Resources available for new enterprise:

Land \_\_\_\_\_ acres

Labor \_\_\_\_\_ (family) \_\_\_\_\_ (hired)

Machinery and Equipment (list what will work for new enterprise that you already have).

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---

Knowledge/experience (production) \_\_\_\_\_

---

---

Knowledge/experience (marketing) \_\_\_\_\_

---

Capital needed \_\_\_\_\_ Available \_\_\_\_\_

Does a market exist? Where?

What did your friends and neighbors tell you?

What did you learn from looking at trends?



## Chapter 2 References: What Should You Produce?

A PRIMER for Selecting New Enterprises for Your Farm

<http://agmarketing.extension.psu.edu/Business/PDFs/HelpSelectingEnterprise.pdf>

Evaluating a Rural Enterprise

[http://attra.ncat.org/new\\_pubs/attra-pub/PDF/evalrural.pdf?id=NorthCarolina](http://attra.ncat.org/new_pubs/attra-pub/PDF/evalrural.pdf?id=NorthCarolina)

Identifying New Enterprise, A Checklist of Factors to Consider

<http://cals.arizona.edu/arec/wemc/papers/NewEnterprise.html>

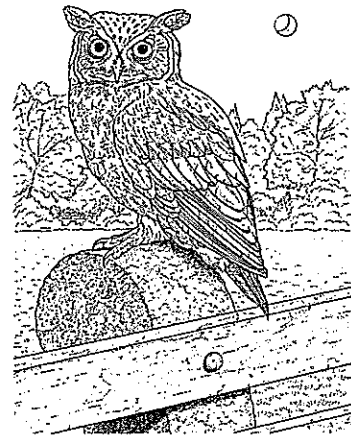


# Chapter 3

## Which Direct Marketing Outlet Is Right for You?

### Considerations for your client

- What are the direct market outlets?
- What leads to success of your direct marketing venture?
- What resources do you need to be able to sell directly to consumers?
- What are the liability or legal issues for your market?



### Considerations in establishing a direct market

With the recent upswing in direct marketing activity, more and more farmers are asking, “Is direct farm-to-consumer marketing right for my operation?” You can best answer this question by assessing your abilities, how much you want to sell directly to consumers, and how compatible your farming operation is with direct marketing. Part of the assessment should also include a review of direct marketing alternatives and their advantages and disadvantages. With a knowledge of these alternatives, you can evaluate your marketing needs and assess the likelihood that direct marketing will satisfy those needs.

Your marketing needs will vary depending on the variety of products grown, the volume of produce to be offered for direct sale, and the marketing channels available. If you are seeking outlets for small volumes of excess produce, you will require a substantially different marketing arrangement from someone who has a large volume of produce that must be harvested rapidly. By assessing your individual needs, you can compare these needs with direct marketing alternatives.

You can view the decision of which market outlet is appropriate as market driven, product driven, or matching your capabilities to the market. This last option is where you want to be. Your personality needs to fit the market opportunities open to you. If you have not interest in working directly with customers, you can ask someone else in the family to take on that role, hire someone, or not go into direct marketing at all.



- |   |
|---|
| <ul style="list-style-type: none"> <li>☞ Pick-your-own</li> <li>☞ Roadside stand/market</li> <li>☞ Farmers' market</li> <li>☞ CSA</li> <li>☞ Direct to restaurants</li> <li>☞ Internet</li> </ul> |
|---|

The top three direct marketing channels are traditionally pick-your-own (PYO), roadside stands, and farmers' markets. However, many other options are gaining popularity such as house-to-house delivery, internet, "tailgate marketing," (a vehicle parked along the roadside or similar place with potential consumer traffic), community supported agriculture (CSA), selling directly to restaurants, and rent-a-tree. No matter which market you select, you will need to consider the legal and liability issues associated with it.

## Keys to success at any direct market outlet

A direct marketer has no universal recipe for success. Farmers who excel have a passion for growing and marketing. They also often have a certain amount of business and marketing savvy.

- ☞ *Focus on value and set your prices accordingly.* Value includes quality, freshness, variety, shelf-life. The smaller grower's advantage over larger growers is offering premium quality crops using limited land and equipment.
- ☞ *Know what customers in your area want.*
- ☞ *Seek unique varieties of standard crops.*
- ☞ *Develop a marketing plan.* You may prefer to focus on one market or you may feel that a diversified marketing strategy ensures stability and flexibility. With most direct marketing, your personality is what most often sells the product. You are marketing yourself and your farm as much your products.
- ☞ *Communication is critical.* Spend time developing your employee management style and training workers. When interviewing potential employees, make sure their goals and expectations mesh with yours. You should carefully consider whether you have the desire, temperament, and skills to be an effective manager. Do not underestimate the value of building up your management skills through workshops, books and magazine articles, or talking with more experienced farmers.
- ☞ *Learn from others.* Network with other growers and visit as many farms as you can to discover new ways to grow, market, and manage your business. Many growers are willing to share information and strategies.

## Pick-Your-Own

### *What are the characteristics of a pick-your-own market?*

Pick-your-own (PYO) or U-pick is an on-farm retailing method where customers harvest their own fruit and/or vegetables. Most PYO operations also have already picked produce available for sale. People shop at PYO operations for freshness, taste, firmness, color, and price of the produce offered. Typically, middle age, middle income customers living within 10 miles of the operation make up the largest percentage of customers (Safley, et al., p, 16).

The level of competition in the area can dictate what crops and services you will need to provide. Many PYO operations combine special events or tours to increase sales and customer base.

#### **Good PYO crops**

- ☒ Strawberries
- ☒ Blueberries
- ☒ Tomatoes
- ☒ Fresh flowers
- ☒ Pumpkins

#### **Not good PYO crops**

- ☒ Apples from standard size trees
- ☒ Watermelon
- ☒ Honey dew melon

### *What leads to the success of your PYO operation?*

#### ***Keys to Success: PYO***

- ☒ Have a marketing plan that promotes your farm
- ☒ Have desire and ability to work with people.
- ☒ Be willing to work from dawn to dusk.
- ☒ Grow top quality produce; sell it at competitive prices.
- ☒ Have a good location, be easy to get to with plenty of parking.
- ☒ Be known for a specialty.
- ☒ Promote health aspects, especially the recreational value of the farm.
- ☒ Have good risk prevention and adequate insurance.
- ☒ Have backup marketing channels.

Since most customers have no experience harvesting agricultural produce, they often can require close supervision for their own protection, the protection of your property, and to ensure that they pay for everything they harvest. You will need to establish rules regarding minimum volumes, parking, inspection of containers, and minimum age for children accompanying adults into the fields or orchards. You may find it easier to facilitate supervision and crowd control through a combination of methods. You can use check-in stations, designated parking areas, checkout areas between fields and vehicles, supervised play areas for children, transportation from check-in or

parking areas to fields, as well as any other methods you might come up with. While such measures may mitigate logistical headaches, they add to your costs of operation and you must recover these added costs through pricing.

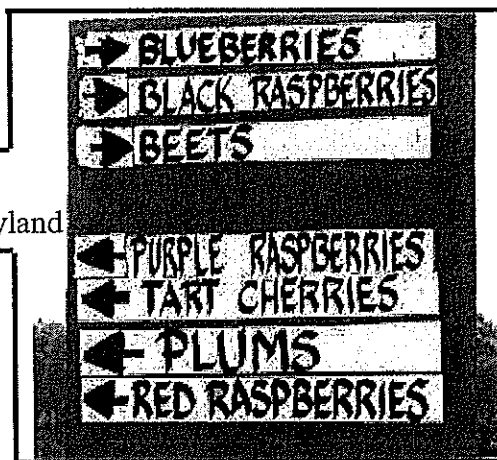
Even so, prices for PYO produce are usually the lowest among all direct marketing methods. Consumers also benefit in being able to select produce that is, in their judgment, the freshest and highest quality in the fields.

### *What resources do you need to be able to sell PYO?*

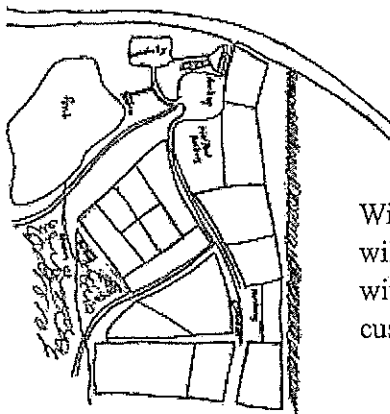
#### **Moving people around**

The logistics of moving people around a PYO operation can be challenging. You will need resources like signs, parking, roads, traffic directors, and checkout staff to prevent major problems. You basically have three options for moving people: let them park anywhere and worry about traffic jams, stuck cars, lost cars, and lost people; provide parking with directions to areas closest to the fields they want; or park cars in one large, convenient parking area, direct the customers to a loading area, and use tractors and wagons or other vehicle to take them to and from the field where they are going to pick. Parking is easier and quicker when someone directs cars in the parking area.

Larriland Farm  
Woodbine, Maryland



The question is how many vehicles can you reasonably move around your farm? Much of the answer depends on how your farm is laid out and how accessible your fields are. Are they only accessible by tractor or foot or do you have roads where cars could either pass each other or pull off to let someone going the other way pass?

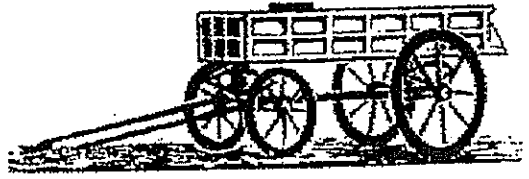


Highway traffic to pick-your-own farms can be heavy, especially on weekends. Some growers hire uniformed, off-duty policemen to direct the cars at the entrance to the farm. Separate entrances and exits to the highway are desirable to help eliminate confusion and congestion.

Good farm roads are important as are good signs. Without good signs directing people to the proper fields, chaos will result. You must clearly mark entrances and access roads with signs to point to the farm market if you are also offering customers ready-picked produce.

## Supervising fields

Customer supervision in the field varies greatly from farm to farm. Some have no field supervision at all, while others find it best to employ several helpers. Field supervisors direct customers to the proper row, tree, variety, checkouts, restrooms, other fields, and exits; instruct customers in proper picking for ripeness; and supervise customers so that they don't go where they don't belong. Supervisors also furnish baskets or other picking containers. The numbers of field supervisors on pick-your-own farms may range from one for every five acres up to two per acre, with an average being one for approximately each two acres. Small farms average closer to one for each acre. Some fields may have none.



Some growers keep their customers in groups as they enter the picking fields. Field supervisors give instructions and a demonstration on where to find the produce and how to pick.

Portable two-way radios can help field supervisors keep in contact with you so they can call for more containers or help. Labor can be one of the biggest costs for PYO operations. One kind of

labor (field supervisors) is often substituted for another (harvest labor). Regardless of the type of labor needed, one of the greatest challenges for you is finding, hiring, and retaining competent seasonal help.



Will you allow children to pick on farms with their parents? Some growers do not allow children to go to the fields and pick. They establish a minimum age of 12 or even 18. Growers may provide a shady play area for children. One grower has a few strawberries near the checkout point where a child can be taught how to pick. You must decide what your policy will be and make sure customers understand it. Women shopping with children are your second largest group of customers (Safley, et al, p. 11).

## Checkout

can be a simple operation when someone properly trained is in charge of counting or weighing the produce and collecting the money. Several kinds of checkout systems are possible, including combinations:

- ℘ drive-by checkout booth (or simply an attendant with a small table stand),
- ℘ drive-through shed to provide shade and protection from the weather, or
- ℘ portable building on wheels which you can move to a different field each day.

Whatever the procedure, it is helpful and wise to keep the checkout as orderly as possible. One grower holds cars back in the parking lot, permitting them to exit one at a time throughout the

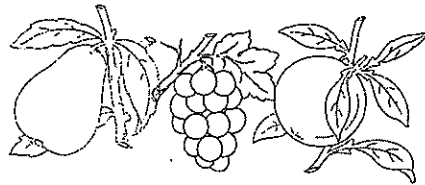
checkout lanes to avoid congestion and confusion. A wireless telephone (or portable radio) at the checkout point, especially when remote from other farm buildings, can be a vital communication link in a time of need.

## Informing customers

Customers expect to find produce ready to pick when they drive to the farm. They don't understand if the farm is closed and they can't pick. After all, the local grocery store is open every day. Many growers advise customers to phone ahead. They use answering machines with recorded messages to inform customers of what's available and field conditions. Several machines can be used in tandem so that a second one answers when the first is busy.

You can change the message several times a day. Your message might include

- ℳ greeting and name of farm;
- ℳ the date and the crops being picked today (maybe even a note about the price);
- ℳ picking conditions—good, fair, scattered;
- ℳ a reminder to bring your own container (unless you provide them);
- ℳ directions to the farm;
- ℳ another phone number for detailed inquiries. The second telephone number can be very important when a customer has a reason to talk personally with the grower. However, many customers will call the second line asking the questions that the recording has already answered.



## *What are the liability and legal issues for PYO?*

You increase your liability by inviting the public to come on your property. Generally, you should be concerned about the safety of children and older people who are more likely to be involved in an accident. North Carolina and Virginia have new laws that limit liability, but the signs you need to post are very specific in their wording as are your responsibilities to the customer. Adequate insurance is important to reduce these risks to a tolerable level. If you are considering a PYO operation, you should have your insurance policies appropriately adjusted. The liability policy should cover liability judgments; expenses in supplying relief at the time of an accident; costs of defending against lawsuits; the owner's expense in the investigation, defense, or settlements; and costs of court bonds or interest on judgments delayed by appeals. You can help ensure customer safety and reduce liability by fencing dangerous areas, keeping chemicals and machinery locked up away from public area, and keeping animals tied or penned away from production sites.

North Carolina General Statutes Section 1 Chapter 99 Article 4 Code of Virginia Title 3.1 Chapter 27.7
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## Roadside stands/markets

### *What are the characteristics of roadside stands/markets?*

Roadside stands/markets, are generally located on or near the farm or orchard and next to a public road to maximize the exposure from drive-by traffic. They vary from small stands selling one or two products on a seasonal basis to very elaborate facilities, which include refrigerated coolers and display cases for storing perishable products. The simpler ones are more often referred to as "roadside stands." Roadside markets generally have longer seasons than roadside stands and offer a wider array of products, including non-food items, for consumer convenience. These features help spread the overhead costs of the facility. To ensure a consistent supply of produce, you might purchase some of your products from other farmers (local or regional), as well as from conventional wholesale outlets.

Customers shop at roadside stands/markets to purchase fresh, flavorful, high quality produce in a convenient, friendly atmosphere and at a reasonable price. Besides quality and price, other factors that draw people to roadside stands/markets are convenience, advertising, and attractiveness. Some problems consumers experience shopping at roadside stands/markets are the distance to the market, heavy traffic, variable quality, and the inconvenience caused by out-of-stock produce. If you can solve or minimize these problems, you will gain repeat customers.

### *What leads to the success of your roadside stand/market?*

#### ***Keys to Success: Roadside stands/markets***

- ☒ Good visibility and accessibility from the road.
- ☒ Located on the farm or in a farm setting.
- ☒ Caters to local customers.
- ☒ Carries high quality produce.
- ☒ Attractive, clean, well-stocked displays.
- ☒ Well-informed and friendly employees.
- ☒ Clear pricing policies and prices clearly marked on all products.
- ☒ Steady business hours; open evenings and weekends.
- ☒ Alternate marketing channels.
- ☒ All produce sorted, graded, sized, and labeled.

When you consider the sales potential for your roadside stand/market, you should consider the number of potential customers, the competing businesses in the area, the location, and the traffic flow. Typically, you will need customers who live less than 15 miles away. Often several direct markets of any type can benefit from the competition and operate profitably in the same general area. But for several roadside stands/markets to operate in close proximity, you must have considerable traffic flow. As long as traffic moves slowly, sales may increase as the market

becomes more visible and access becomes easier. However, the faster the traffic moves, the fewer the customers. Roadside stands/markets are generally more successful when the average highway speed is 45 miles per hour or less. The speed is important because of the distance required to slow at various speeds (Table 1)

**Table 1. Distances needed to slow safely at various speeds**

Speed (mph)	Distance to slow safely (miles)
30	2/10
40	1/4
50	3/10

Availability of parking is another important factor that you should consider in selecting the roadside market location. Off-road parking is essential for the safety of both customers and highway users. A frontage road is not necessary, but the roadside stand/market should have a safe, easy entrance that is visible from the road. The parking lot should be a well drained, grassy, paved, or graveled area.

The location of a roadside stand/market can greatly influence its profitability. The more successful roadside stand/market sites are located near customers and are easily visible from the road. Normally, a level stretch on the right-hand side of the road heading toward town has the most promise as a market location. Many people stop and buy on impulse. The size of lettering on signs announcing the presence of your roadside stand/market depends on the distance from which potential customers need to view it (Table 2).

**Table 2. Example distances and words read at various speeds and recommended letter sizes**

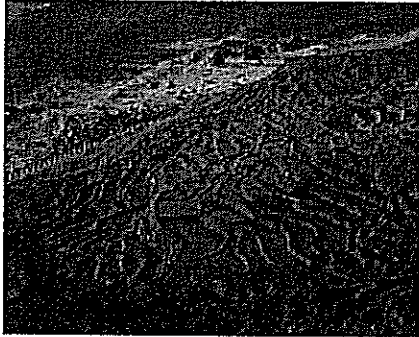
Distance (ft)	Letter width (inches)	Letter height (inches)	Number of words readable at			
			30	40	50	60
			mph			
50	?	1 ¾	4	2	1	0
100	¾	3 ½	8	5	4	3
200	1 ?	7	15	11	8	6
300	2 3/16	11	22	16	13	10
400	2 ?	14	30	22	17	14
500	3 ½	17 ½	38	28	22	18

Source: Lloyd and Tilley

Since the hours you operate will affect your profitability, you should depend on when customers prefer to shop rather than what is convenient for you. However, the hours you are open will also depend on the amount of produce you have to sell. The highest customer traffic generally occurs on weekends, Friday through Sunday.

## *What resources do you need to sell at your roadside stand/market?*

The facilities do not need to be elaborate, but they should serve operational needs. Essential facilities for the market are a sales area, adequate parking, and roadway access. Some optional facilities are a refrigerated storage area, restrooms, playground, and a picnic area. When planning a structure, you should consider the expected sales levels, the length of the season, and the products to be sold. Using these criteria, you can determine the size of the building, the appropriate building design, and the construction materials and equipment needed. You may find that a temporary stand is adequate, given what you have available to sell and the amount of sales you expect.



Location is everything.

Attractive displays give your market a good image and generate impulse purchases. The design and layout of the stand/market greatly influences display methods. Displays should also be planned so that the quality of fruits and vegetables is maintained. Some general practices which help maintain produce quality and create attractive displays are to

- ☞ Avoid direct sunlight and excess air movement;
- ☞ Rotate produce to keep it looking fresh;
- ☞ Keep leafy vegetables moist by spraying them or displaying them on a bed of ice;
- ☞ Use color in your displays; and
- ☞ Keep displays full.

### **What you need**

- ☞ Sales area
- ☞ Adequate parking
- ☞ Good road access
- ☞ Certified scale
- ☞ Bags
- ☞ Display containers

The principal labor sources for most roadside stands/markets are growers and their families. Additional labor may be needed for seasonal sales. Employees do not need to be professionally trained sales people, but they should be friendly, helpful, alert, and courteous. They should be able to distinguish the differences between the stand's various fruits and vegetables, intelligently discuss produce varieties and be honest about produce quality.

## *What are the liability and legal issues for roadside stands/markets?*

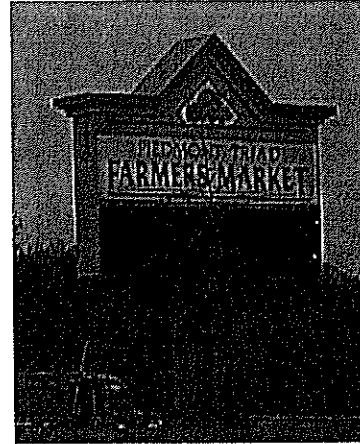
Many legal regulations and restrictions may apply to a roadside stand/market operator. At the state level, you have health permits, licenses, roadside sign regulations, sales taxes, weights and measures requirements, and sanitary requirements, and locally, zoning and right-of-way regulations. You will need to check many of these legal considerations at the local level as well. You also should consider insurance required to cover accidents and product liability.



## Farmers' markets

### *What are the characteristics of a farmers' market?*

Farmers' markets are designated locations where farmers can sell their products directly to consumers. Farmers' markets differ from other direct marketing operations in that growers share insurance, advertising, and other marketing costs. Participating farmers usually pay a fee for the space occupied. This fee covers the shared costs.



Farmers' markets are usually located within or near urban or suburban centers. They may be operated by a grower organization, by community development groups, or by state and local governments. Facilities range from an open lot where farmers park their vehicles and display products to enclosed buildings with display counters, lights, and refrigeration. Some markets are open daily, but most are open only on specified days. You need to be sure you select a farmers' market that meets your needs and that you have the resources to sell there.

Consumers have access to a wide selection, since they can look at produce from a number of growers. Consumers come to farmers' markets for a variety of reasons, which generally include



- ⌘ a preference for fresher, higher quality produce,
- ⌘ a wide variety of produce to choose from,
- ⌘ a wish to take advantage of lower prices,
- ⌘ produce available in large quantities for canning and preserving,
- ⌘ an enjoyment of the market atmosphere and conversing with produce growers, and
- ⌘ a desire to support local agriculture.

You should carefully plan production for crops that you sell at a farmers' market. You should try to have a wide variety of crops available as early in the season as possible. You also should try to have crops throughout the season that are normally found only at specific times, so more customers will be attracted to the market and to your stall. If you consistently supply desired produce before other growers, then consumers will more likely patronize your stall.

## *What leads to success at a farmers' market?*

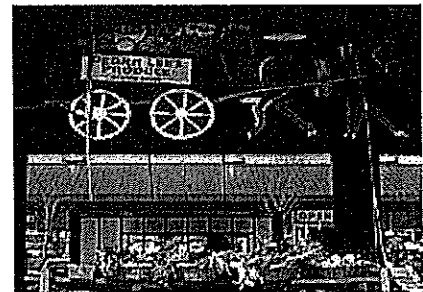
### *Keys to success: Farmers' Markets*

- ☞ Commitment and cooperation from producers and local businesses.
- ☞ Strong advertising and promotional efforts.
- ☞ Regular market hours and days.
- ☞ Attractive, colorful displays.
- ☞ Steady prices; avoid price wars.
- ☞ Strong market management and clear policies.
- ☞ A variety of fresh, high quality produce
- ☞ Easily read signs

Fresh, high quality produce is important to customers. Harvest timing and post-harvest handling are two important factors affecting the quality of the produce. You need to harvest crops at the optimum time. Some produce, like tomatoes, can be harvested before it has completely ripened since it may mature more at the market, and some customers prefer produce they can keep for several days. Some crops like peaches should be harvested when completely ripe but not soft so that they will not be bruised in transit. Unusual items you can offer include cut flowers and plants, herbs, ice water, and a t-shirt with your farmer logo. Customers always appreciate recipes.

Be careful about pricing your product. A price too low undermines the entire market while a price too high will result in your not selling enough to cover the costs of attending the market.

Attractive displays are a great aid in selling produce. Color contrast in the display attracts customers' attention. For example, displaying red apples beside golden apples, red peppers beside zucchini, unhusked corn beside carrots or bell peppers beside yellow squash sets off the variety of produce available. Your containers can enhance your display and should always be clean.



## *What resources do you need to sell at a farmers' market?*

Many farmers' markets provide shelter and tables or benches for vendors. Some farmers' markets require that you bring your own tables and umbrellas or other coverings to provide shade. Chairs might also be helpful, but you don't want to be caught sitting down for long—it gives the image of indifference to your customers. You will also need salespeople—whether you and your family or hired labor. Whoever attends needs to be knowledgeable about your operation because customers want to know about your farm. You'll need display containers, bags, and a scale, unless you prepackage produce. If you sell cheese or meat, you'll need a cooler and ice or ice packs.

## *What are the liability and legal issues for farmers' markets?*

The laws that apply to farmers' markets vary from state to state. Generally, they include weight and measure specifications, animal product regulations, labeling requirements, sales tax collection and reporting, vehicle permits, and provisions for the food stamp and Women, Infants and Children (WIC) programs. You need to check with the market management for information about regulations you will need to comply with. Liability insurance for accidents at the market may be covered by the market, but you need to check. You are responsible for product liability. You need to be concerned with transportation, packaging, and storage.

## **Community Supported Agriculture**

### *What are the characteristics of Community Supported Agriculture?*

Community Supported Agriculture (CSA) is one type of community-oriented agricultural enterprise that has grown rapidly in the U.S. during the last 15 years. In 1986, two known North American CSAs existed. According to ATTRA by 2000, over 1,000 were in existence. While CSAs vary slightly, all share a number of fundamental principles. You, as a CSA producer, agree to provide produce (vegetables, fruit, meat, flowers, fiber, etc.) to consumers who purchase a share in your CSA. The cost of a share is a portion of your cost of production plus a living wage. If you estimate your production cost at \$12,000 and your living wage is \$18,000, then a share in a CSA with 100 members would be \$300. In return, each CSA member receives 1/100 of the year's production.



A unique feature of this financial arrangement is a sharing of risk among farmers and members. In lean or disaster years, members may receive limited produce while you still manage a living wage; in good years, members share the bounty. In addition to the marketing feature of a CSA, this arrangement has a community-building dimension. Inherent in the direct economic relation between you and the consumer is an increased familiarity between you.

CSA members have direct knowledge of who produces the food, where it is produced, and how it is produced. You might ask them to provide input into farm decisions such as varieties and quantities produced. In some cases, members may even assist you on the farm. Ideally, members develop a connection to you, your family, and the farmland through direct interaction, while you acquire a greater social awareness of the local community and its concerns. The community building and increased social awareness among CSA participants are especially relevant to regions at the rural-urban interface.

## *What leads to the success of your CSA?*

### *Keys to success: CSA's*

- ☒ Good word-of-mouth advertising.
- ☒ Have alternative marketing outlets.
- ☒ Sell only top quality produce.
- ☒ Promote a variety of fresh, local produce and alternative growing methods.
- ☒ Have a contract clearly stating subscription terms.
- ☒ Good website with directions to pick-up point.
- ☒ Start small: 5 to 25 shareholders
- ☒ Diversify marketing, sell excess to farmers' markets, restaurants, or on-farm.
- ☒ Involve shareholders with farm events, field days, work-shares, etc. to increase shareholder retention.
- ☒ Publish a newsletter each week to put in the shareholders' box. Include what is happening on the farm, a list of what is in the box, recipes, etc.
- ☒ Educate shareholders to seasonal eating, sustainable principles, and unfamiliar produce.
- ☒ Don't underprice the shares; it causes farmer burnout
- ☒ Make modifications easily using internet and e-mail.

The distribution site of the CSA must accommodate both you and the members. Most members come to the farm and pick up their shares of the harvest—a way for the members can actually see the farm on which their food is grown. If you live fairly far from the majority of the members, however, you may have to drive the shares to distribution sites, which are centrally located for members' convenience.

Members are able to talk to you at pick-up times. You should take this opportunity to inform them of the farm's progress. If you don't have time to talk to all of the members, provide a newsletter at the pick-up site. Your newsletter tells the members what crops will be coming into season, what is happening on the farm, how to preserve the foods provided in the week's pick-up, and recipes for foods in the pick-up. The recipes are especially useful for the more exotic crops provided since many people may have never cooked with them before.



You can divide the harvest in a variety of ways. You can bag the produce for the members or have posters describing how many of each item a member may take or how many pounds they are entitled to. One idea that is popular among CSAs is the a" take-it-or-leave-it" pile in which members may leave any produce they don't want for in exchange for something they prefer.

## *What resources do you need to be able to sell as a CSA?*

You need continuous, varied production so members may obtain produce on a weekly basis. Extensive planning is necessary for the continual variety you need. Typically, you would want to provide the basic produce such as tomatoes, green beans, peppers, lettuce, cabbage, squash, carrots, potatoes, and corn. In addition to these basic items, you may provide some non-conventional or ethnic produce and specialty items that reflect your personality. Such items include flowers, berries, nuts, honey, eggs, and cheeses that you offer as extras so that the member buys a share in one or more of them.

Even if you use member services to help pack and distribute produce, you will need someone to supervise the work and a place to pack the bags. Obviously, you will need a variety of bag sizes—plastic or paper or both. You will also need one or more scales, depending on how you are filling shares—by the pound or by number.



## *What are the liability and legal issues for CSAs?*

Any time you invite customers on your farm, you face increased liability in the event someone is injured. You need to be sure your insurance covers you. If you provide meat or prepared foods like cheese as extra shares, you will need to check with the health department for regulations. You may also want to talk to your insurance agent about product liability. Because you sell memberships, not goods, you will need to find out if sales and use taxes apply or if some other tax applies instead.

## **Directly to restaurants**

### *What are the characteristics of selling directly to restaurants?*

As competition increases among restaurants, chefs at many upscale restaurants are more interested in buying directly from farmers. This method allows them to cook with field-ripened vegetables and tree-ripened fruits difficult to find through food brokers. In addition, by purchasing directly from growers, they can often find specialty items. You have several advantages selling directly to restaurants. First, restaurants provide a steady market throughout the production season. If you are selling a quality product, restaurants are willing to pay top dollar, especially for those items that they cannot find elsewhere. Second, by selling directly to restaurants, you build personal relationships with owners, managers, and chefs. Working directly with them, you gain a marketing edge by becoming acquainted with the latest ideas and trends in the restaurant industry. You can tailor



your product to fit their needs. Third, restaurants offer the opportunity for you to create farm recognition. Many restaurants like to emphasize locally grown products and will often mention the name of your farm on their menus.

Most restaurants have limited cooler space and, therefore, may require deliveries several times a week. The result is that you spend more time away from the farm making deliveries and have more paperwork. Unlike many other direct markets where you leave each day with cash in hand, you may have to wait anywhere from 14 to 45 days or more before receiving payment.

### *What leads to successful selling to restaurants?*

You must make an appointment to meet the head chef. Just dropping by the restaurant is unprofessional and, more importantly, you may not be welcome if the staff is busy. Spend some time preparing for your meeting with the chef. He/she will want to see and taste samples of what you grow. He/she will want to know how it is grown, how much is available, and when. You CANNOT tell the chef you will have three boxes of a variety of bell peppers available next week then arrive with the delivery and say, "Gee, sorry, I only have one box and it's all green." Chefs plan their specials around what they can procure.

You want to become the chef's gardener. You want to grow what he/she wants. At the same time, you need some sort of arrangement that makes you feel comfortable that the chef will buy what he/she asks you to grow.

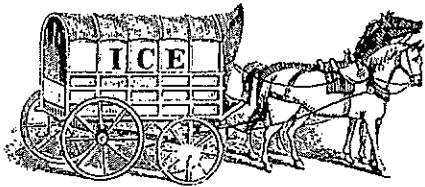
Having a thorough understanding of the restaurant's operating procedures will give you a greater ability to successfully serve the account and build a lasting relationship with the chef. The most important part of building any successful business relationship is to always deliver what you promise. That includes consistent quality, on-time deliveries and in the agreed-upon quantities. Always keep your customers advised of your production schedule. As a farmer, you have very little control over weather and produce maturity. Therefore, advising chefs as far in advance as possible of any factors that will alter agreed-upon deliveries is mandatory.

#### **From the chef you need to know**

- ☞ What is the ordering cycle?
- ☞ What are the receiving hours?
- ☞ What are the receiving days?
- ☞ What are the invoicing procedures?
- ☞ How must the product be packaged?
- ☞ What are the quality standards?
- ☞ Do they currently buy locally?
- ☞ What types of products would they be interested in purchasing?
- ☞ What are the quantities they use per week?

## *What resources do you need to sell to restaurants?*

You need a clear invoicing procedure. The invoices should show your complete contact information, date of delivery, products delivered, quantities delivered, unit prices, and total cost.



You will need a vehicle for delivery—you may even need a refrigerated one. You may just need to have large coolers to keep produce fresh. The need for refrigeration will be a function of how long the produce can be without refrigeration before it begins to deteriorate.

One of the biggest resources you will need is time. You will need time to build relationships, time to make deliveries, time to provide the highest quality product you can. As in any relationship, communication is the key to success. Talk to the chefs periodically to keep informed of the restaurant's needs, changes, problems, and opportunities. You may also consider inviting the chef and restaurant staff to your farm to see first-hand how you grow your produce. The extra effort taken to build a good relationship with your chefs will pay off in additional sales opportunities in the future.

## *What are the liability and legal issues?*

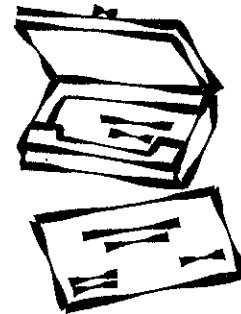
You should have product liability insurance. You need to consider harvesting, transportation, and storage damage. If someone other than you does the delivery, you will need to cover them on your vehicle insurance. You will need to check on the applicability of sales tax because you are not selling to the final consumer.

## **Internet marketing**

### *What are the characteristics internet marketing?*

Farm direct marketing on the internet can be either a mail order type operation or a marketing tool to help you advertise your operation and products. If you use it as a mail order outlet, you need to consider whether your product is compatible with shipping. You need to comply with mail order regulations.

Internet technology is similar to opening a branch store or having a billboard. You can use it to improve customer service, educate consumers, and save valuable resources such as time and money. You should consider the various ways in which you can adopt the Web and adapt it to the uniqueness of your farm. You can have a Web site to sell or promote your products or list it in on-line directories. You can use e-mail to communicate with customers and distribute newsletters. Before beginning direct marketing on the Internet, you should develop an Internet marketing plan with specific objectives that fit with the needs of your whole operation.

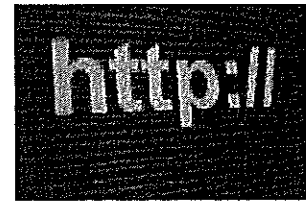


### *What leads to successful internet marketing?*

Probably the two most important things you can do to make your internet marketing successful are to have an attractive, easy to use current website and to acknowledge and fill orders promptly. If you think about how annoyed you become when a catalogue company is slow in filling an order or is out-of-stock for the item, you can appreciate the need for prompt service. If you've visited a website and the information is a year old and links don't work, you probably won't go back to it.

### *What resources do you need for internet marketing?*

The resources you need are a computer, a computer program for creating your web pages, the time and knowledge to put these to work for you, and access to a high speed internet connection. The most costly of those resources will be the time it takes you to develop and maintain your web pages.



If you are using internet sales you will also have to accept credit card payment—and you do have a charge associated with it. The smaller your business, the larger the credit card company charge for services.

### *What are the liability and legal issues for internet marketing?*

If you are selling on the internet, product liability is probably the biggest liability issue you face. You must comply with interstate trade requirements.

### **Other less frequently used methods**

*Self-service* has proven successful for some small operators when sales volume does not warrant full-time sales personnel. With self-service, you stock the sales outlet with available products, and customers serve themselves, and leave payment in a cash box. Self-service results in reduced sales labor requirements but increases the risk of pilferage and theft.

*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, processed foods, and flowers. Gift baskets and mail order products offer opportunities to increase sales, but success is limited to specialty products.





*Rent-a-tree*, also called plot arrangements, allows customers to make contracts with you for the yield of certain trees or rows in a field. Generally, you would do all the cultural operations to produce the product and supply the equipment for harvesting. The customers have the use of the tree or plot for the duration of the contract and do the harvesting. Rent-a-tree 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, the increased effort to identify individual trees or areas and modify cultural practices to satisfy customers may prove to be disadvantages.

*House-to-house delivery* is the most expensive (and least used) method of direct marketing. If you use this method, you perform all the marketing services of the conventional marketing system plus delivering items to the customer'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, you should attempt house-to-house delivery with caution and probably only in high-income areas.

## Resources

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## Worksheet

Because of the wide range of possibilities available, developing a tool that could be used in evaluating all potential enterprises is impossible. Therefore, the points included on the worksheet are only intended to assist in organizing an initial screening analysis of various enterprises.

### *Personal and family considerations*

Do you have the personality and desire to deal with customers? \_\_\_\_\_

If you don't, does someone in your family or will you have to hire someone to do your marketing? \_\_\_\_\_

Do you have the skills to develop a marketing plan to promote your farm and products?  
\_\_\_\_\_

If not, who will you get to perform this function for you? \_\_\_\_\_

Are you willing and able to make any required sacrifices or changes to make this enterprise profitable (time, changes in lifestyle, privacy, changes in personality, etc.)?  
\_\_\_\_\_

### *Market considerations*

What type of market outlets are you considering? \_\_\_\_\_  
\_\_\_\_\_

Geographic location of markets \_\_\_\_\_  
\_\_\_\_\_

What resources do you need for your market?

Sales people \_\_\_\_\_ Field supervisors \_\_\_\_\_ Road signs \_\_\_\_\_

Bags \_\_\_\_\_ Picking containers \_\_\_\_\_ Scales \_\_\_\_\_

Cash registers \_\_\_\_\_ Computer \_\_\_\_\_ Other \_\_\_\_\_  
\_\_\_\_\_

*Risk considerations*

What insurance options are available? \_\_\_\_\_

Any legal restrictions, regulations, or liability factors associated with the market

Legal \_\_\_\_\_

Regulatory \_\_\_\_\_

Liability \_\_\_\_\_