

Direct Answers for Direct Marketing



A resource to answer questions
about direct marketing

Funded by
Southern Sustainable Agriculture Research and Education
Grant ES05-079
Direct Marketing for Agricultural Professionals

Gary Bullen and Ed Estes, Co-Coordiators
North Carolina State University
Campus Box 8109
Raleigh, NC 27695

Gary Bullen
Phone: (919) 515-6096
Fax: (919) 515-6268
E-mail: Gary_Bullen@ncsu.edu

Ed Estes
919/515-4553
(919) 515-6268
Ed_Estes@ncsu.edu



Funding provided by
Southern Sustainable Agriculture
Research and Education Grant

Cover picture used with permission of parents

Planning Committee

Edoe Agbodjan	South Carolina State University
Carl Cantaluppi	North Carolina State University
Tom Campbell	North Carolina State University
Ed Estes	North Carolina State University
Charlie Jackson	Appalachian Sustainable Agriculture Project
David Kendall	North Carolina State University
Jack Loudermilk	North Carolina State University
Kenner Love	Virginia Polytechnic Institute and State University
Denise Mainville	Virginia Polytechnic Institute and State University
Karen Mundy	Virginia Polytechnic Institute and State University
Theresa Nartea	North Carolina State University
John O'Sullivan	North Carolina A & T
Bob Usury	North Carolina State University
Ross Williams	North Carolina Department of Agriculture and Consumer Services
Geoffrey Zehnder	Clemson University

Project Coordinators

S. Gary Bullen, Extension Specialist in Farm Management at North Carolina State University. He has worked with direct marketing and business development issues for 13 years. Gary designed and taught marketing and business development classes in Eastern Europe and Africa. He is currently working on a Golden Leaf grant developing a train-the-trainer business development curriculum for North Carolina.

Dr. Ed Estes, Professor and Vegetable Farm Management and Marketing Specialist, North Carolina State University. Ed received the NCSU Alumni Distinguished Extension Service Award, the Outstanding Extension Program Service Award given by the Southern Agricultural

Economics Association Extension, and has been recognized as an outstanding investigator by the American Society for Horticultural Science. In the 1988, Ed was appointed by Governor Martin and the State Legislature to serve on the Governor's Direct Marketing Task Force that developed a long-run policy for state involvement in direct marketing to growers.

Manual Reviewers

Bob Usry, Extension Specialist and Lecturer at North Carolina State University. He is chair of the National FFA Farm Business Management Career Development Event and has written marketing chapters for high school agribusiness textbooks. Bob teaches agribusiness marketing, market analysis, and marketing plans classes.

Carl Cantaluppi is an area Horticulture Agent in Granvil and Person counties. His areas of expertise include fruit and vegetable production and is currently focusing on applied research with asparagus and seedless American table grapes. He is also a proponent of direct marketing and is currently developing a farmers' market in Creedmoor, North Carolina, scheduled to open in the spring of 2007.

Charlie Jackson, Director of the Local Campaign Director for Application Sustainable Agricultural Project. Charlie is a nationally recognized expert on local food guides and local food campaigns. Jackson is President of the Mountain Tailgate Market Association (an association of 9 markets representing over 200 vendors), presenter at national sustainable agriculture conferences, community organizer, and former farmer.

David Kendall is an Extension Agent in Madison County, North Carolina. He has a degree in Agriculture from the University of Tennessee and in Horticulture and Landscape Architecture from Louisiana State University. David has worked overseas with Community Supported Agriculture and organic farmers. He helped establish The Preserve at Elk Knob and Elk Knob Farm and Gardens in Madison County as an education-demonstration farm-centered conservation community. Currently, he works with agriculture and rural economic development /Madison County, North Carolina where he focuses on rural entrepreneurship, alternative crops and enterprises for experienced and entry-level farmers and rural entrepreneurs.

Denise Mainville is Assistant Professor at Virginia Polytechnic Institute and State University. She has worked with direct marketing in South America and presented papers at both national and international conferences. She teaches marketing and price analysis to undergraduates.

Ross Williams serves as assistant director, division of marketing, for the North Carolina Dept. of Agriculture and Consumer Services where he has worked for 22 years. He is responsible for marketing programs for horticultural crops, field crops, and seafood/aquaculture. Prior to working with the NCDA&CS, he worked for five years as extension agent for the Cooperative Extension Service in North Carolina and Virginia. He has BS and MS degrees in Horticultural Science from NCSU.

Theresa Nartea is an Agribusiness and Marketing Specialist with NC A&T State University Cooperative Extension Program. Her work focus is to develop socio-economically sustainable marketing strategies to connect small farms with urban communities, such as Community Supported Agriculture, Subscription Based Systems, Workplace Farmers' Markets, and E-commerce. She provides leadership and expertise to Extension personnel to help farm families to resourcefully reinvent their marketing approach.

Manual Contributors

Chapters by Charles Hall and Karen Mundy

Case Studies by Megan Bane, Denise Mainville, and Kent Wolfe

Business Tools by S. Gary Bullen, Charles Hall, and Kent Wolfe



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
Extension Specialist
North Carolina State University



Table of Contents

About "Direct Answers for Direct Marketing"	A-1
Chapter 1. What is "Direct Answers for Direct Marketing"?	1-1
Considerations for your clients	1-1
Keys to success	1-3
Choose something you like (love) to do	1-4
Provide quality	1-4
Start small and grow naturally	1-4
Keep good records	1-4
Provide what the consumers want	1-5
Maintain a loyal (preferably local) customer base	1-5
Involve others	1-5
Keep informed	1-5
Plan for the future	1-5
Evaluate continually	1-5
Perserve	1-5
Secure adequate capitalization	1-6
Business plan	1-6
Mission statement and goals	1-6
Mission statement	1-6
Goals	1-7
Production plan	1-7
Marketing plan	1-8
Financial plan	1-9
Staffing plan	1-10
Management controls and contingency plans	1-10
Resources	1-11
Business plan components	1-13
Business plan checklist	1-14
Chapter 2. What should you produce?	2-1
Considerations for your clients	2-1
What are your family's goals for your operation?	2-1
Have you clearly defined what you want to do?	2-2
What resources do you have?	2-3
Time	2-3
Land	2-4
Labor	2-4
Knowledge/experience	2-4
Capital	2-5
Does a market exist? Where?	2-5
Do potential customers in your market area want what you plan to produce?	2-6
Resources	2-6
Worksheet	2-8

Chapter 3. Which direct marketing outlet is right for you?	3-1
Considerations for your clients	3-1
Considerations in establishing a direct market	3-1
Keys to success at any direct market outlet	3-2
Pick-Your-Own	3-3
What are the characteristics of a pick-your-own market	3-3
What leads to the success of your PYO operation?	3-3
What resources do you need to be able to sell PYO produce?	3-4
Moving people around	3-4
Supervising fields	3-5
Checkout	3-5
Informing customers	3-6
What are the liability and legal issues for PYO?	3-6
Roadside stands/markets	3-7
What are the characteristics of roadside stands/markets?	3-7
What leads to the success of your roadside stand/market	3-6
What resources do you need to sell at your roadside stand/market?	3-9
What are the liability and legal issues for roadside stand/market?	3-9
Farmers' market	3-10
What are the characteristics of a farmers' market?	3-10
What leads to success at a farmers' market	3-11
What resources do you need to sell at a farmers' market?	3-11
What are the liability and legal issues?	3-12
Community Supported Agriculture	3-12
What are the characteristics of Community Supported Agriculture?	3-12
What leads to the success of your CSA?	3-13
What resources do you need to sell as a CSA?	3-14
What are the liability and legal issues for CSAs?	3-14
Directly to restaurants	3-14
What are the characteristics of selling directly to restaurants?	3-14
What leads to successful selling to restaurants?	3-15
What resources do you need to sell to restaurants?	3-16
What are the liability and legal issues of selling to restaurants?	3-16
Internet marketing	3-16
What are the characteristics of internet marketing?	3-16
What leads to successful internet marketing?	3-17
What resources do you need for internet marketing?	3-17
What are the liability and legal issues for internet marketing?	3-11
Other less frequently used methods	3-17
Self-service	3-17
Gift baskets and mail order	3-17
Rent-a-tree	3-18
House-to-house delivery	3-18
Resources	3-18
Worksheet	3-19

Chapter 4. Who will be your customers?	4-1
Considerations for your clients	4-1
What is your target market and market area?	4-1
Target market	4-1
Market area	4-1
How will you use your definition?	4-2
Who are the people in your area	4-3
Demographic characteristics	4-3
Lifestyle characteristics	4-4
How will you use this information?	4-6
Who is your competition? What are they doing?	4-6
How will you use this information?	4-8
Resources	4-9
Worksheet	4-11
Chapter 5. What do your customers want?	5-1
Considerations for your clients	5-1
What trends do you see in packaging size, convenience, quality, freshness, and value?	5-1
How can you use this information?	5-2
How can you find information on food trends and consumption ?	5-3
Food trends	5-3
Consumption	5-4
How can you use this information?	5-5
What information do you customers want?	5-6
Food safety	5-6
Nutritional value	5-6
Treatment of animals	5-7
Environmental impact and locally grown	5-7
Resources	5-8
Worksheet	5-10
Chapter 6. How will you reach your customers?	6-1
Considerations for your clients	6-1
Part 1. Developing an image	6-1
What is the image you want for your product?	6-2
Example of benefits	6-3
Using the image	6-4
Image and logo	6-4
Logo and business cards	6-4
Logo and brochures	6-5
Summary	6-6
Resources	6-6
Sample brochures	6-8
Part 2. Customer service and community service	6-14
How do you make the most of public relations and promotion?	6-14
Customer service	6-14
Community service	6-18
Summary	6-20

Resources	6-20
Part 3. Merchandising	6-21
How can you most effectively display your product?	6-21
Resources	6-24
Part 4. Advertising	6-25
What advertising will target the customers you want to attract?	6-25
Advertising options	6-25
Word of mouth	6-25
Yellow pages	6-26
Open house	6-26
Internet	6-26
Newspaper, radio, television	6-27
Newspaper	6-27
Radio	6-29
Television	6-30
Other options	6-30
Resources	6-32
Part 5. Evaluation	6-33
How do you evaluate the effectiveness of your efforts?	6-33
Resource	6-35
Sample survey	6-36
Market plan checklist	6-37
Chapter 7. How do you plan for profit?	7-1
Considerations for your clients	7-1
Tools to analyze profit	7-1
Have you considered start-up costs?	7-2
What are your variable and fixed costs?	7-4
Variable costs	7-4
Fixed costs	7-5
What will an enterprise budget tell you?	7-5
How do you use an enterprise budget?	7-8
What will a partial budget tell you?	7-8
What will a cash flow statement tell you?	7-9
Example: How to use a cash flow statement for profit	7-12
Resources	7-12
Chapter 8. How do you set your price?	8-1
Considerations for your clients	8-1
What is the perception of consumers toward your products?	8-1
How do you find the break-even price and quantity for your products?	8-4
Example of how to calculate break-even price and quantity	8-5
How do you calculate a cost-plus price?	8-6
Pricing checklist of do's and don'ts	8-8
Checklist of key pricing success factors	8-9
How do you combine all these pricing strategies to come up with a selling price?	8-10
Resources	8-11

Chapter 9. Directory of marketing regulations, licenses, permits, taxes, and insurance	9-1
Considerations for your clients	9-1
Who do you call before you start direct marketing?	9-1
North Carolina	9-6
South Carolina	9-14
Virginia	9-23
Resources	9-31
Farmer profile case studies	CS-1
Appalachian Sustainable Development	CS-1
Ayrshire Farm	CS-6
Barefoot Farms	CS-11
Bettini	CS-15
Vollmer Farm	CS-20
Waterpenny Farm	CS-27
The Angels Nest Farm and Bakery	CS-28
Feasibility case studies	FCS-1
Hector's Creek Farm	FSC-1
Mt. Vernon Farm	FSC-24
Tools	T-1
Screening a new business idea	T-1
Evaluating market potential	T-9
Developing a marketing plan	T-21
Legal and regulatory issues for North Carolina	T-42
Tools for evaluating profitability	T-48
Suggested resources	SR-1
Chapter 1	SR-1
To Market, To Market:	
Direct marketing guide for producers of fruits, vegetables, and other specialty products	
Direct marketing	
Chapter 2	SR-1
To Market . to market . . Seven steps to a marketing plan for horticultural products	
What do goals mean to a business?	
A PRIMER for selecting new enterprises for your farm	
Chapter 3	SR-1
Choosing your market	
Farmers' markets	
Chapter 4	SR-1
Conducting market research	
Where to find information for doing marketing and business studies	
Chapter 5	SR-1
Food and agriculture: Consumer trends and opportunities	
Consumer demand for fruit and vegetables: The U.S. example	
From supply push to demand pull: Agri strategies for today's consumers	
Chapter 6	SR-1
Promoting your business	
Advertising: An investment in your business's future	

Creating a winning display for your farm products	
Direct marketing of fresh produce: Understanding consumer interest in product and processed based attributes	
Chapter 7	SR-2
Using enterprise budgets to make decisions about your farm	
Twelve steps to cash flow budgeting	
Financial record keeping for farmers and ranchers	
Chapter 8	SR-2
Pricing horticulture products	
Selecting an appropriate pricing strategy	
Estimating breakeven sales for you small business	
Break-even pricing, revenue and units	
Chapter 9	SR-2
Startin a small business: Licenses and regulations	
Recreational use of private lands: Associated legal issues and concerns	
Zoning limitations and opportunities for farm enterprise diversification	

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 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?

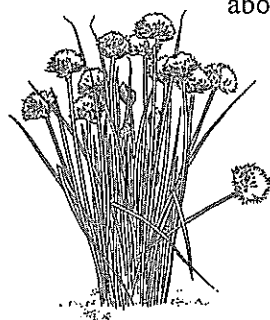
These questions are addressed in subsequent chapters.

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.

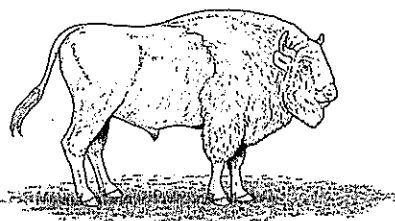


When you become the “retailer,” you have the opportunity to sell at or slightly above retail supermarket prices. However, if you expect to receive prices similar to those at retail outlets, you must provide the same value and services consumers have come to expect from other retailers. At a retail store, 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 specialties 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.

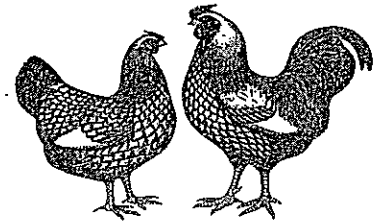
You may find that direct marketing translates into additional income when insufficient volume or product selection is available to attract buyers for large processors or retail outlets. If your operation is small, direct marketing may be the only viable marketing alternative for you. To reduce the risk 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.

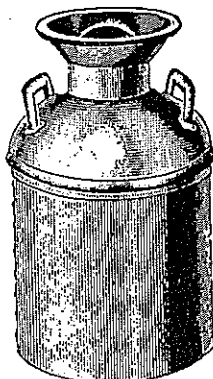
Broader community policy, especially agricultural issues, relate to farmers' markets and direct marketing as well. Farmers' markets enhance producers' business opportunities, foster business skills, and have positive effects on producer-vendor families. For the broader community, farmers' markets may 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

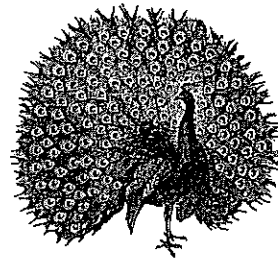
- ✧ Choose something you love to do
- ✧ Provide quality
- ✧ Start small and grow naturally
- ✧ Keep good records
- ✧ Provide what consumers want
- ✧ Maintain a loyal (preferably local) customer base
- ✧ Provide more than just a product
- ✧ Involve others
- ✧ Keep informed
- ✧ Plan for the future
- ✧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

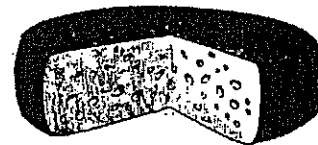


Start small and grow naturally

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

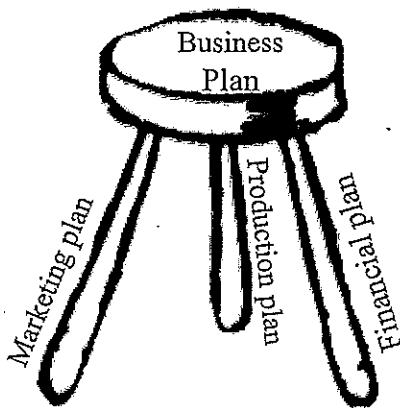
You need a good deal of perseverance just to figure out how to produce the products, much less how to market them. Identifying your niche and building a customer base takes time.



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

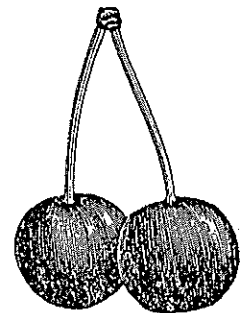
Provide after school employment for 10 seniors needing jobs in 20**.
Increase herb wreath sales by 10% in the next fiscal year.
Purchase an additional 15 acres by 20**.
Build new housing for 6 migrant workers within the next 3 years.

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.

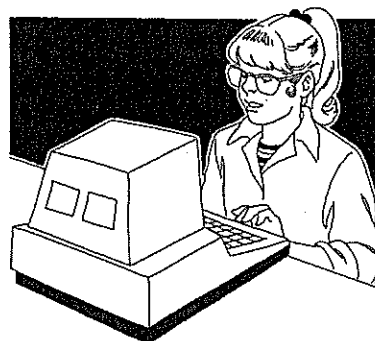
With operations, labor, and equipment usage information, you can form weekly timelines. A timeline is a schedule that shows when certain production and marketing activities will take place. Timelines provide a visual aide for allocating production time and resources

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.

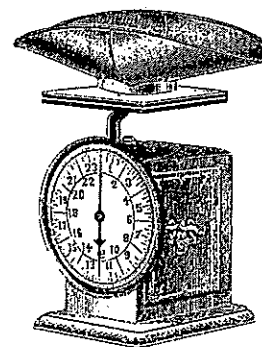
As a direct marketer, you would focus on a certain town, county, or area of the state and the current levels of production and consumer demand. However, *the location of the market you choose will impact all your decisions and your potential profitability.*



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.



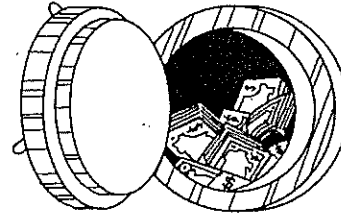
You can use the information contained in a marketing plan to prepare sales projections. You should also use this information to prepare contingency plans, which anticipate possible marketing problems. Some possible problems that you should consider are not being able to produce the desired quality or 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

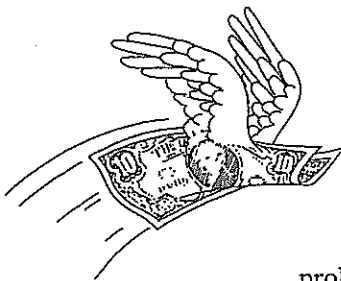
You use financial plans to estimate capital needs, to project future financial circumstances, and to make decisions about financial actions necessary to carry out a business plan. Financial plans have three parts:

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

- Barefield, A., G. Smith, and E.M. Westbrook. *Exploring Entrepreneurship*. Tennessee Agricultural Extension Service PB 1630, <http://economics.ag.utk.edu/pubs/business/pb1630.pdf>.
- Brown, A. 2002. Farmers' market research 1940 to 2000: An inventory and review. *American Journal of Alternative Agriculture* 17(4).
- Farmer-to-Consumer Marketing: An Overview*. Pacific Northwest Extension Publication No. 201. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.
- Farmer-to-Consumer Marketing: Production and Marketing Costs*. Pacific Northwest Extension Publication No. 202. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.
- Farmer-to-Consumer Marketing: Merchandising, Pricing, and Promotional Strategies*. Pacific Northwest Extension Publication No. 203. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.
- Farmer-to-Consumer Marketing: Place of Business and Product Quality*. Pacific Northwest Extension Publication No. 204. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, the University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.

- Farmer-to-Consumer Marketing: Personnel Management*. Pacific Northwest Extension Publication No. 205. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.
- Farmer-to-Consumer Marketing: Financial Management*. Pacific Northwest Extension Publication No. 206. Washington State University Cooperative Extension Service, Oregon State University Cooperative Extension Service, the University of Idaho Cooperative Extension Service and the U.S. Department of Agriculture.
- Green, Judy. *Doing Your Own Market Research—Tips on Evaluating the Market for New Farm-Based Enterprises*. Resource Sheet #6, Farming Alternatives. Farming Alternatives Program, Cornell University, Ithaca, New York, http://www.cals.cornell.edu/agfoodcommunity/afs_ld.cfm.
- Gibson, Eric. *Sell What You Sow! The Grower's Guide to Successful Produce Marketing*. New World Publishing, Carmichael, CA, 1994.
- Hilchey, D., T. Lyson and G. Gillespie. 2004. "Farmers Markets and Rural Economic Development." Community and Economic Development Toolbox. http://www.cdtoolbox.org/agriculture_economic_development/. (Accessed December 2004).
- Ishee, Jeff. *Dynamic Farmers' Marketing: A Guide to Successfully Selling Your Farmers' Market Products*. Bittersweet Farmstead, Middlebrook, VA.
- Kenkel, Phil. *Tennessee Farm Labor Regulations and Legal Issues*. AE & RD #75, Department of Agricultural Economics, University of Tennessee, <http://economics.ag.utk.edu/pubs/resource/ae&rd75.pdf>.
- Lloyd, Renee, J. Nelson, R. Schatzer, D. Tilley, and R. Jobs. *Should I Grow Fruits and Vegetables? Identifying and Evaluating the Possibilities*. Oklahoma Cooperative Extension Service Fact Sheet F-180, <http://agweb.okstate.edu/pearl/agecon/farm/f-180.pdf>.
- _____. *Should I Grow Fruits and Vegetables? Basic Business Development Plan for Horticultural Producers*. Oklahoma Cooperative Extension Service Fact Sheet F-181, <http://agweb.okstate.edu/pearl/agecon/farm/f-181.pdf>.
- 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>.
- _____. *Should I Grow Fruits and Vegetables? Farmers Markets*. Oklahoma Cooperative Extension Service Fact Sheet F-185, <http://agweb.okstate.edu/pearl/agecon/farm/f-185.pdf>.
- _____. *Should I Grow Fruits and Vegetables? Roadside Stands*. Oklahoma Cooperative Extension Service Fact Sheet F-186, <http://agweb.okstate.edu/pearl/agecon/farm/f-186.pdf>.
- Payne, T. 2002. US Farmers Markets—2000: A Study of Emerging Trend. Agricultural Marketing Service, USDA, Washington, DC. <http://www.ams.usda.gov/directmarketing/>
- Sullivan, G., V. Kulp, R. Treadway and P. Kirschling. *Direct Farm to Consumer Marketing—A Profitable Alternative for Family Farm Operations*. HO-160. Indiana Cooperative Extension Service.
- USDA Agricultural Census. County Level Data. Volume 1. <http://www.nass.usda.gov/census/census02/volume1/index2.htm>
- USDA Agricultural Marketing Service. Farmers Market Directory. <http://www.ams.usda.gov/farmersmarkets/map.htm> (Accessed August 2004)

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. |

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses industry trends. |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses seasonal factors. |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses profit characteristics. |
| <input type="checkbox"/> | <input type="checkbox"/> | Addresses existing distribution networks. |
| <input type="checkbox"/> | <input type="checkbox"/> | 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. |

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Figures on various financial documents are consistent. |
| <input type="checkbox"/> | <input type="checkbox"/> | 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

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

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

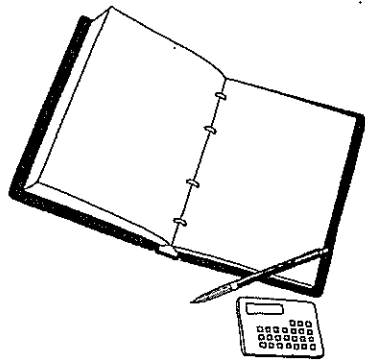
To Market, To Market;

<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





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?

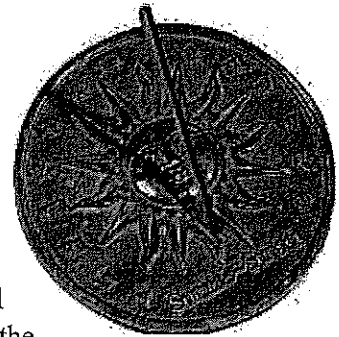
In your own mind, have you clearly defined what you want to do? For example, you decide you want to create wreaths using herbs. What will these wreaths look like? Will they be circular or sprays? What size will they be? Will they hang or sit on a table? Will the herbs be decorative or edible? How many 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																
Finance																
Hours per week																
Marketing																
Hours per week																
Production																
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

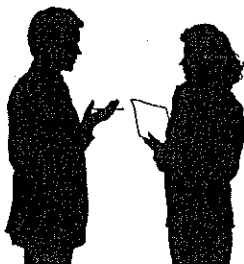
Identify enterprise	Startup cost	Money available	Difference	Amount needed from			Interest rate
				Bank	Credit card	Family	

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.



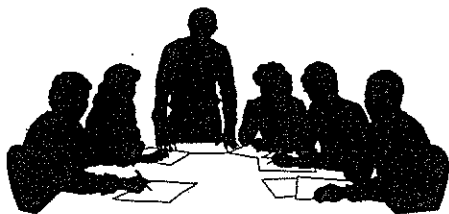
How do you find out if customers in your market area want what you plan to produce?

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.

Resources

Advani, Asheesh. Should you turn your hobby into a business? Entrepreneur.com. May 2004.

Found at <http://www.entrepreneur.com/columnists/asheeshadvani/archive65020.html>.

Berry, Tim. How to start a retail business. Excerpted from How to start a retail store. Found at

<http://www.entrepreneur.com/article/print/0,2361,319780,00.html>. Accessed 26 July 2006.

- Career Service. SMART Goals. U. of Wisconsin, Eau Claire. Found at http://www.uwec.edu/career/Students/Explore/Smart_Goals.htm. Accessed 15 September 2006.
- Cothran, Henry M. and A. F. Wysocki. Developing SMART goals for you organization. U. of Florida: IFAS Extension. FE577. Found at <http://edis.ifas.ufl.edu/FE577>. Accessed 15 September 2006.
- Gessaman, Paul H. Goals for family and business financial management, part II. U. of Nebraska, Lincoln: CC313. July 1985.
- Sterrett, Susan B., S. D. Thronsbury, C. W. Coale, D. B. Taylor, S. G. Sturt, and J. W. Mapp. The process for evaluating agricultural alternatives: an Eastern Shore Virginia example. VCE Pub. 448/220 Reap R022. Feb. 1996. Found at <http://www.reap.vt.edu>.
- Mundy, Victoria and K. Mundy. "What do goals mean to a business?" Farm management Update, June 1997. VCE Pub. Found at <http://www.ext.et.edu/news/periodicals/fmu/1997-06/goalsbus.html>. Accessed 26 July 2006
- Mundy, Karen, C. W. Coale, and S. B. Sterrett. To market. . . to market. . . seven steps to a marketing plan for horticultural products. VCE Pub 448-227 REAP R029. July 1997. Found at <http://www.reap.vt.edu>.
- Project Smart. SMART Goals. Found at <http://www.projectsmart.co.uk>. Accessed 15 September 2006.
- Sullivan, Preston and L. Greer. Evaluating a rural enterprise. ATTRA. May 2002. Found at <http://www.attra.ncat.org/attrapub/PDF/evalrural.pdf>.
- 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).

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

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.

- ☞ Pick-your-own
- ☞ Roadside stand/market
- ☞ Farmers' market
- ☞ CSA
- ☞ Direct to restaurants
- ☞ Internet

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.

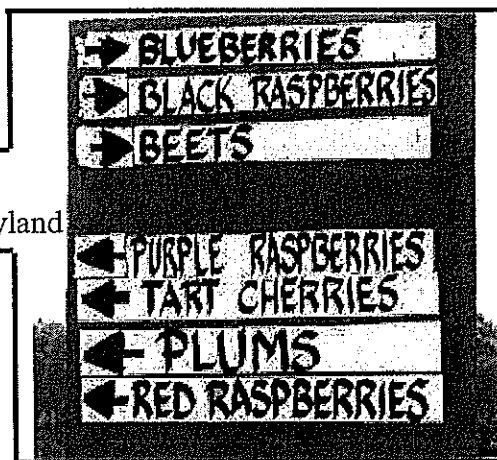
Even so, prices for PYO produce are usually the lowest among all direct marketing methods. Consumers also benefit in being able to select produce that is, in their judgment, the freshest and highest quality in the fields.

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

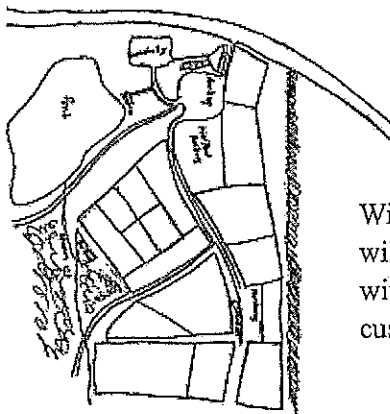
Moving people around

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?

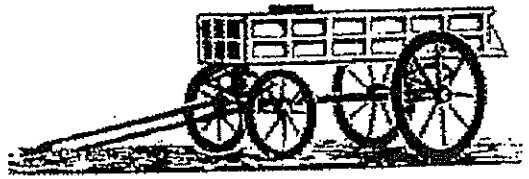


Highway traffic to pick-your-own farms can be heavy, especially on weekends. Some growers hire uniformed, off-duty policemen to direct the cars at the entrance to the farm. Separate entrances and exits to the highway are desirable to help eliminate confusion and congestion.

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

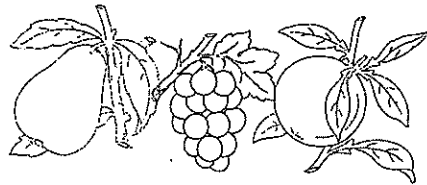
checkout lanes to avoid congestion and confusion. A wireless telephone (or portable radio) at the checkout point, especially when remote from other farm buildings, can be a vital communication link in a time of need.

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

- ☞ greeting and name of farm;
- ☞ the date and the crops being picked today (maybe even a note about the price);
- ☞ picking conditions—good, fair, scattered;
- ☞ a reminder to bring your own container (unless you provide them);
- ☞ directions to the farm;
- ☞ 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
--

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

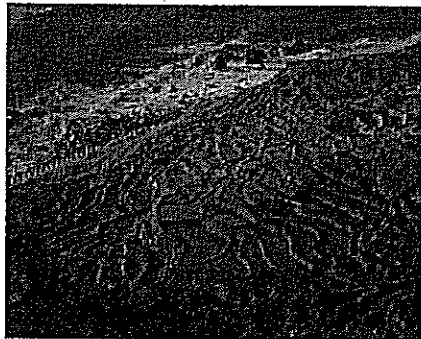
Distance (ft)	Letter width (inches)	Letter height (inches)	Number of words readable at			
			30	40	50	60
			mph			
50	?	1 ¾	4	2	1	0
100	¾	3 ½	8	5	4	3
200	1 ?	7	15	11	8	6
300	2 3/16	11	22	16	13	10
400	2 ?	14	30	22	17	14
500	3 ½	17 ½	38	28	22	18

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?

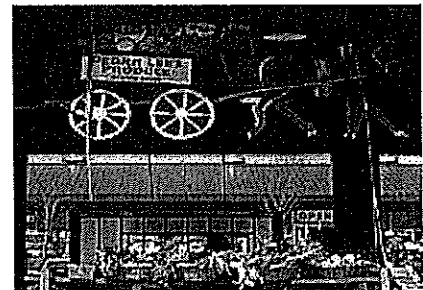
Keys to success: Farmers' Markets

- ✧ 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.

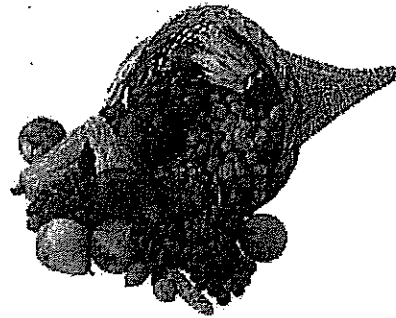
What are the liability and legal issues for farmers' markets?

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.

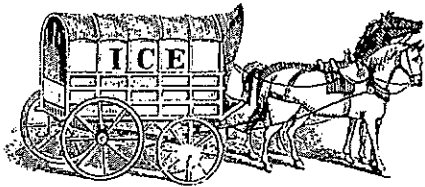
Having a thorough understanding of the restaurant's operating procedures will give you a greater ability to successfully serve the account and build a lasting relationship with the chef. The most important part of building any successful business relationship is to always deliver what you promise. That 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?

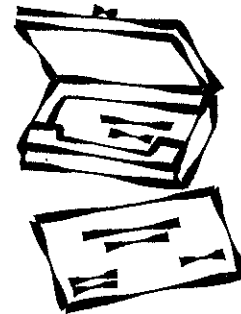
You should have product liability insurance. You need to consider harvesting, transportation, and storage damage. If someone other than you does the delivery, you will need to cover them on your vehicle insurance. You will need to check on the applicability of sales tax because you are not selling to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

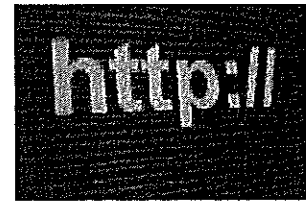


What leads to successful internet marketing?

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

- Farmer-to-Consumer Marketing: An Overview.* Pacific Northwest Extension Publication No. 201.
- Farmer-to-Consumer Marketing: Place of Business and Product Quality.* Pacific Northwest Extension Publication No. 204.
- Gibson, Eric. *Sell What You Sow! The Growers Guide to Successful Produce Marketing.* Carmichael, Calif.: New World Publishing, 1994.
- Lloyd, Renee, J. Nelson, and D. Tilley. *Should I Grow Fruits and Vegetables? Farmers Markets.* Oklahoma Cooperative Extension Service Fact Sheet F-185. Found at <http://agweb.okstate.edu/pearl/agecon/farm/f-185.pdf>.
- _____. *Should I Grow Fruits and Vegetables? Direct Marketing for Fruit and Vegetable Crops.* Oklahoma Cooperative Extension Service Fact Sheet F-183. Found at <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. Found at <http://agweb.okstate.edu/pearl/agecon/farm/f-184.pdf>.
- _____. *Should I Grow Fruits and Vegetables? Roadside Stands.* Oklahoma Cooperative Extension Service Fact Sheet F-186. Found at <http://agweb.okstate.edu/pearl/agecon/farm/f-186.pdf>.
- Lloyd, Renee, J. Nelson, R. Schatzer, D. Tilley, and Raleigh Jobes. *Should I Grow Fruits and Vegetables? Identifying and Evaluating the Possibilities.* Oklahoma Cooperative Extension Service Fact Sheet F-180. Found at <http://agweb.okstate.edu/pearl/agecon/farm/f-180.pdf>.
- Safley, Charles D., E. B. Poling, M. K. Wohlgenant, O. Sydorovych, and R. F. Williams. *What makes direct-marketing strawberries successful.* Ag. and Resource Econ Report No 22. NCSU. 2002.
- Sullivan, G., V. Kulp, R. Treadway, and P. Kirschling. *Direct Farm to Consumer Marketing—A Profitable Alternative for Family Farm Operations.* HO-160. Indiana Cooperative Extension Service.

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 _____

Chapter 3 References: Which Direct Marketing Outlet is Right for You?

Choosing Your Market: A Direct Marketing Decision Tool for Small Farmers

<http://www.georgiaorganics.org/markettool/workbook.pdf>

Critique Checklist for Roadside Markets

<http://agmarketing.extension.psu.edu/Retail/chklistRdSideMkt.html>

Farmers' Markets: Marketing and Business Guide

http://attra.ncat.org/new_pubs/attra-pub/PDF/farmmarket.pdf?id=NorthCarolina



Chapter 4

Who Will Be Your Customers?

Considerations for your clients

What is your target market and market area?
Who are the people in your market area?
Who is your competition? What are they doing?



What is your target market and market area?

Target market

A target market contains the part of the population who are most likely to buy from you. It is generally described using demographic characteristics like age, gender, ethnicity/race, education, and income. It also uses lifestyle characteristics which describe people's activities (work and leisure), interests (family, animals, home, community, environment, and hobbies), and opinions. Lifestyle characteristics are described by terms like trend-follower, cutting-edge, environmentally conscious, fun-loving, family oriented. These characteristics help explain why people purchase what and where they do. They tell you the kind of experiences people want to have when they shop. These experiences may be more important than demographic information.

Niche marketing is targeting a product or service to a small portion of a market that is not being readily served by the mainstream product or service marketers. . . .
Source: Schwart, McCorkle, and Anderson

The purpose for gathering this information is to find who your potential customers are so that you can create your niche in the market.

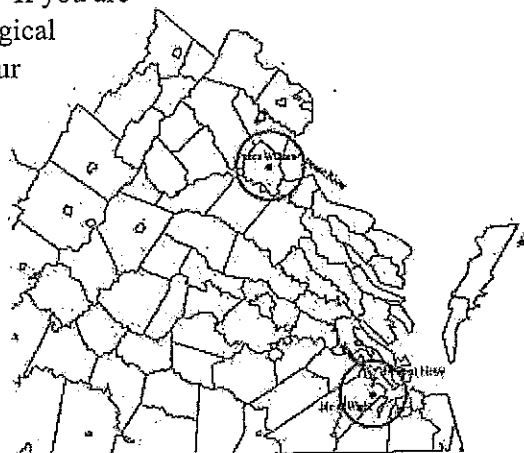
Market area

Your market area is the geographic area or cyberspace where you will operate. You can select your market area by zip codes, counties, mile radius, driving time, or drawing a circle on a map. Your market may cover more than one state. If you plan to market on the internet, your market is worldwide.

What is a reasonable area for you to market in? If you market on your farm or at a farmers' market or through a CSA, how far will your customers be willing to drive to reach your market? How far can you afford to drive to make deliveries? Research shows people will travel only about 15 miles to a farm market (Stieglend; Blackburn and Jack; Jack and Blackburn; Eastwood; Eastwood, Brooker, and Gray). Their research also shows that people are willing to travel further to certain types of markets. For example, people will travel farther to a pick-your-own operation than a roadside market or a farmers' market. Many producers will drive farther to sell at a vibrant market than customers will drive to that same market. If you are planning on becoming a CSA, you need to look for logical drop-off points because not everyone will come to your farm to pickup produce.

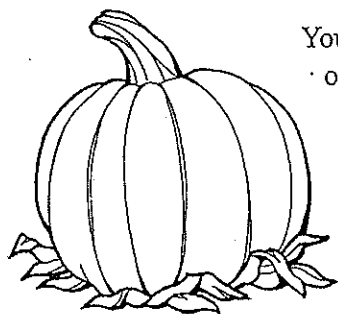
One of the more common ways to define your market area is geographically—zip codes, county borders, census blocks. Demographic information for these areas is relatively easy to find.

You can define your market area by using ring analysis. Ring analysis sets a distance around your market—be it 15 miles or 100 miles. Within that ring you find the demographic and lifestyle characteristics of the population. Keep in mind as you draw your ring that lakes or other obstacles may hinder people from getting to you easily.



You can use driving time to define your market. How long does it take customers to drive from where they live to where you are? The distance may only be 15 miles, but due to road conditions, congestion, or lack of a direct route, it may take them 45 minutes to drive the 15 miles. Driving time may be a better estimate of who will come to your market than ring analysis. If you live in Price William County, Virginia or Isle of Wight County, Virginia and use ring analysis, you are faced with part of your market area in either the Potomac River or James River and driving 15 miles may take you an hour or more because of congestion. From Isle of Wight, you probably would not draw customers from Newport News or Hampton, both of which are within your 15-mile radius, but the driving time, roads, and congestion make the drive difficult.

How will you use your definition?



You want to add pumpkin hayrides with pumpkin picking to your operation and target children ages 4 through 9, which corresponds to nursery school through third grade. Your market area is all the nursery and elementary schools within an hour's drive from your farm. You go to your map to find all the counties/cities within an hour's drive. Your next step is to identify all the elementary schools within that area. You go to the Department of Education website and search for those counties and make a list of the names, addresses, phone numbers, and principals of those schools. You

also check to see how many kindergarten through third grade students are in those schools. Your next task is to find all the preschool programs in the target area. You find a total of 101,768 children who fit your criteria.

Who are the people in your area?

Who is your target population? The characteristics of the people in your territory will, in part, determine what you can sell. For example, trying to sell hand knit, bulky, wool sweaters to people in a semi-tropical climate will not be very profitable. However, if you know that

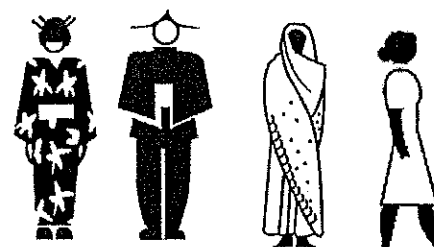


Hispanics buy twice as many tomatoes as other groups and that your target market population is comprised of 75 percent Hispanics, selling a variety of tomatoes would be more profitable. Depending on what you are offering, you will need different types of information. If you want to emphasize activities like hayrides and corn mazes for school age children, you'll need to know something about school enrollment. If you want to sell organically produced

produce and meat, you need to know something about income, age, and race/ethnicity. The number of people you might expect to attract will be some small portion of the population—either the entire population or a subgroup such as Hispanics or school children. Will the percentage you're able to attract be large enough to be profitable?

Demographic characteristics

Demographic characteristics affect the type market that people will visit and what they purchase. A survey of farmers' markets in New Jersey found the majority of respondents to be 51 years old, followed by 52 to 65, and over 65. Those over 65 are less likely to visit a roadside market than under 65. Nearly 83 percent were female. Household size averaged 2.7. Over 60 percent of the respondents graduated from college. Most respondents were Caucasian. Over a quarter of respondents had incomes over \$100,000, and another quarter had incomes between \$40,000 and \$50,000. Five percent had incomes of less than \$20,000. Most of the respondents considered their neighborhoods to be suburban. Only 3 percent classified their neighborhoods as rural (Govindasamy, Italia, and Adelaja). These researchers used surveys to obtain their information. Demographics for your target market will undoubtedly differ some from those of the New Jersey farmers' market. However, you can use the information from New Jersey to compare to the demographics in your target market area.



Several sources of data are available that provide information about the people in your area: U. S. Census Bureau, City-data.com, and the Bureau of Economic Analysis (BEA) are easily accessible and provide a great deal of information. No matter which source you use, you will need to do some data manipulation. The Census and City-data.com provide information on population, family make-up, educational attainment, race/ethnicity, and many other demographic characteristics. From the Census data, you have several hundred options to select from. The most useful data are identified in Box 1. You may decide you want additional tables as well;

Box 1. Census table numbers—from Summary File 1.

- ☒ P6 Race
- ☒ P7 Hispanic or Latino by Race: total is sufficient.
- ☒ P8 Sex by Age: every year to 21 then 2 to 4 years.
- ☒ P10 Household size by household type with own children under 18.
- ☒ P37 Sex by Educational Attainment for Population 25 and Over: to get those with no high school diploma, you need to sum no school completed through 12th grade, no diploma.

U.S. Census Bureau Summary File 3 is an excellent source of more detailed data. BEA provides information on income and population.

All these sources have limitations because the data are dated. The U. S. Census and City-data.com are from 2000. BEA estimates county-level population so that it is a bit more up-to-date, but its information is two years behind. For example, this year is 2006, the most current county level BEA data are for 2004. Current information on number of children in the area comes from the state Department of Education. You can get unemployment, an indication of economic viability of your market area, from the your state Employment Commission.

In North Carolina the easiest, most user friendly source of data is the North Carolina Rural Economic Development Center's Rural Data Bank (<http://www.ncruralcenter.org/databank/index.html>). Since they give sources, you can check for more current information than is posted. Many of these data are based on the sources mentioned so they have the same limitations, but they are easy to use. Unfortunately, neither South Carolina nor Virginia has a similar database.

Lifestyle characteristics

Lifestyle influences what people purchase as much as where they live, their age, family size, and income. Lifestyle data enables you to include people's interests, opinions, and activities and the effect these have on buying their behavior (U. Wisc. Coop. Ext).



Many of the surveys done by businesses gather data on demographics. What the results don't tell you is who the usual customers are for these businesses. For example, Whole Foods does annual surveys of their customers. These surveys ask for demographic information and buying habits. What is not said about the study is that Whole Foods is an upscale store that caters to people who probably tend to be environmentally and health conscious. These people also have the financial means to support these beliefs. Lifestyle may be a more important indicator of who your potential customers are than demographics. The drawback is that lifestyle information is costly to obtain.



Lifestyle of Health and Sustainability (LOHAS) is just one of many businesses collecting data for lifestyle analysis. LOHAS focuses on health, the environment, social justice, personal development, and sustainable living. The consumers attracted to this market have been collectively referred to as “Cultural Creatives” and represent approximately 30 percent of the adults in the U.S. (50 million people). These consumers look for authenticity in the company and the product. They are proactive in the market and consequently difficult to market to. You will have to show them that your beliefs are inherent in your product. They want environmentally friendly products, produced in an environmentally friendly fashion. They want healthy products. These people are values-driven consumers (Table 1). You will need to educate them about the high standards you have set for yourself. You will need to “put your money where your mouth is” so to speak and act on what you say you believe (Carfi). To appreciate these concepts, think about the people who buy hybrid cars and organic food, replace regular light bulbs with fluorescent lights, and compost vegetable parings and yard waste.

Table 1. LOHAS market sectors

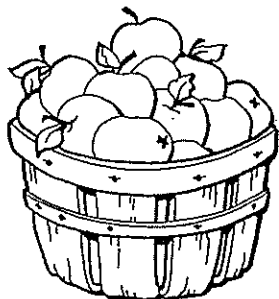
Market sector	Characteristic	Market sector	Characteristic
Sustainable Economy	Green building and industrial goods Renewable energy Resource-efficient products Socially responsible investing Alternative transportation Environmental management <i>US Market--\$76.5 billion</i>	Healthy Lifestyles	Natural, organics; nutritional products Food and beverage Dietary supplements Personal care <i>US Market--\$30 billion</i>
Alternative Healthcare	Health and wellness solutions Acupuncture, homeopathy, naturopathy, etc. Holistic disease prevention Complementary medicine <i>US Market--\$30.7 billion</i>	Personal Development	Mind, body and spirit products such as CDs, books, tapes, seminars Yoga, fitness, weight loss Spiritual products and services <i>US Market--\$10.6 billion</i>
Ecological Lifestyles	Ecological home and office products Organic / recycled fiber products Environmentally friendly appliances	Ecological Lifestyles (continued)	Eco-tourism and travel <i>US Market--\$81.2 billion</i>

Source: LOHAS found at <http://www.lohas.com/about.htm>, accessed 27 June 2006.

The information that you get from demographic and lifestyle data helps you match what you will offer with what the market wants. It helps you decide on the product mix and services you need to provide. And it helps you target your marketing strategy to different consumer groups. You want to compare the data you collect about gender, age, education, family size, and income with studies that show which groups tend to buy what products. For example, a North Carolina study of pick-your-own strawberry operations showed that the average age was 49.2 years, nearly 25.0

percent had incomes between \$30,000 and \$44,999, and most were female (Safley, et al.). How do your target customers compare with those in the study?

As you look at the LOHAS information, can you identify potential customers in your market area? For example, who drives the hybrid cars or uses the most fuel efficient vehicles on the market? These people are interested in sustainability—can you offer sustainable products or ones that you produced using sustainable practices? Do you have people in your market area that want alternative health-care products such as medicinal herbs? Can you target these people? You always have to keep in mind that while people wanting these products are a relatively significant portion of the U. S. population, they may not be in your market area.



Other sources of lifestyle information include your own observations of people in your target market. You observe the cars they drive, the way they dress, what the newspapers focus on for local stories, etc. If you do an internet search on “lifestyle analysis market characteristics,” you will find Claris (some free information); Advertising Age (interesting information, you need to register, but it’s free); and many companies that provide information on the relationship between lifestyle and health. Some trade associations and some electronic and print media keep subscriber profiles that they may share if you are considering advertising with them.

How will you use this information?

You have identified your target market and used Department of Education data to come up with the potential number of children in your area. You also need some idea of whether these children’s families could pay for the trip. Remember that whatever you charge they will probably have to add the cost of transportation to it. You use the BEA income data for the counties you identified. From the teachers, you learn that 68 percent of them are interested in some agriculturally related field trip. That piece of information tells you that about 69,202 students would potentially visit your farm. The teachers also say they have time for only one agriculturally based field trip a year. Based on parents’s interest in a sustainable environment, you estimate an additional 2 percent (about 2,000) might take advantage of your pumpkin hayride and pumpkin picking, especially if you offer some educational information along with it. You assume from the income and educational levels of the families in your market area, that they are aware of the value of education and would more likely support educational field trips rather than ones that are just entertainment.

“Look at what everyone else is doing and do something different.”
Source: Nathan Clark

Who is your competition? What they are doing?

Your competition is other farmers, grocery stores, health food stores, florists, bakeries—it all depends on what you are selling. By evaluating how competitors market their products, you can determine the markets they are targeting. For example, if competing businesses are advertising in

Southern Living, they are targeting affluent, middle age females. However, if they are advertising in the sports section of a metropolitan newspaper, they are most likely targeting males.

You need to know something about your competition so that you can differentiate your products and services. How many customers do they have? What quality is their merchandise? What are their prices for items similar to what you plan to market? What is their customer profile? You can get a list of many of these businesses from your yellow pages. For other producers in your market area, you can go to the state Departments of Agriculture for lists. However, these lists may not be up to date. In some cases, they will also list some of the products the farm sells. Some of the operations have websites; however, many do not. The following list gives the websites for the state Departments of Agriculture and what information relative to your competition you can expect to find when you get to their websites.

✂ In North Carolina: go to <http://www.ncfarmfresh.com/>

- You can find farmers' markets, their location, hours of operation, products sold (some of them just say farmers' market and identify product specification as locally grown).
- You can find "Goodness Grows in North Carolina," pick your own, Community Supported Agriculture (CSA), and roadside markets by county or commodity.



**North Carolina
Farm Fresh**

✂ In South Carolina: go to <http://www.scdas.state.sc.us/consumerinformation/scroadsidemarket/scroadsidemarket.htm>



- You can find roadside markets, what they sell, where they're located, and contact information.
- You can find the state farmers' markets. South Carolina has three: Columbia, Greenville, and Florence. You need to contact them directly for information about what's allowable for sale. They provide location, hours of operation, and size of the facility.

✂ In Virginia: go to <http://www.vdacs.virginia.gov/vagrown-july/index.html>

- Make your selection from the "Where to buy" menu.
- You can get information on what people are selling, where they are located, and contact information.



Cooperative Extension is another good source of who is doing what in your market area. They may have more current information than the state Departments of Agriculture since they rely on farmers to provide the necessary updates.

You can also learn about packaging preferences, pricing strategies, distribution channels, and marketing strategies by evaluating the products and services your competition is providing. Are they producing family packs or individual serving sizes of their processed food products? How

are they getting their products to their customers? Are they selling only at their own market or through the state tourism promotion programs like the Virginia wine tour? Are their products priced for value or for the high-end market? Are they focused on convenience, quality, or quantity? What type of packaging material are they using?



If you visit your competition, look for strengths and weaknesses in their products, services, packaging, and so forth. By focusing on their weaknesses, you can avoid the same mistakes. Their strengths can provide you with a role to copy and adapt to your operation.

You also want to know something about how much of the total market they sell to (called market share). Since this information isn't readily available, you can "guesstimate" market share by assuming the number of competitors hold 100 percent of the market share. If you have 20 competitors in the market, each has 5 percent of the market ($100\% / 20 = 5\%$). If one of those competitors is a large farm, you might assume it has 50 percent of the market and the other 19 have the remaining 50 percent. Then each of the smaller competitors has about 3 percent. If you join the competition, your share will be about 2.5 percent, assuming one large farm in the market.

Joining the Farm Bureau and associations like the Vegetable and Fruit Growers Association will provide you with the opportunity to network with others and find out who your competition is.

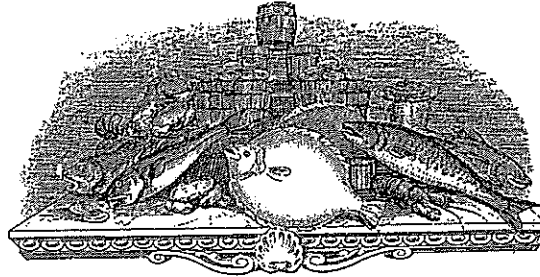
How will you use this information?

Based on knowledge of who your competition is, you will have some idea of what they sell. Can you offer something different? If you offer the same type of product, how will you offer it so that you are set apart from your competition? Use your imagination to find the unique products and services that set you apart from your competition. (In the Resources section, ethnic fruit and vegetable, heirloom varieties of fruit and vegetable, and value added provide websites for ideas.)



You know that four other farms in your market area offer pumpkin hayrides. These farms also have corn or hay mazes and spook houses. You are offering a pumpkin hayride where everyone gets one pumpkin and one extra for the class room, and you are providing educational materials in the form of pictures of pumpkins growing for the students to color and some additional information for the teachers to talk about after the field trip. You will charge \$5 per person compared to your competition who charge \$8 per person. You decide on the lower price because the cost of the educational materials is far less than the cost of building, maintaining, and supervising either mazes or spook houses. You also believe that the educational materials will have more appeal to both teachers and parents, to say nothing of the lower cost of the hayride. Given your estimates of the number of children in the market area, the educational and income levels, and your competition, you calculate that you will have about 1,800 students coming to

your farm from school. You will have an additional number of adults to chaperone the children. You request a minimum ration of 1 adult for each 8 children, which is 225 adults. At \$5 per person, you gross would \$10,125.



Resources

Many of the websites used in this section are very useful. The starred ones are particularly recommended.

Anonymous. Targeting your market. Found at http://www.va-interactive.com/inbusiness/editorial/sales/ibt/target_market.html. Accessed 15 September 2006. Interactive survey questions.

*Bachmann, Janet. Market Gardening: A Start-up Guide. ATTRA Publication #IP195/201. Found at <http://www.attra.org/attra-pub/marketgardening.html>. This publication has several different sections covering many aspects of marketing. You can download by section or the entire 16 pages.

Eastwood, David B. "Consumers' willingness to travel to farmers' markets: a case study of the trade-off among price, quality, and distance," *Journal of food products marketing*. 6(3) 2000: 31-44.

Eastwood, David B., J. R. Brooker, and Morgan D. Gray. "Location and other market attributes affecting farmer's market patronage: the case of Tennessee," *Journal of food distribution research*. 30(1) 1999:63-72.

*GardenGuides.com <http://www.gardenguides.com/TipsandTechniques/drying.htm>

Govindasamy, Ramu and Rodolfo Nayga, Jr. Determinants of farmer-to-consumer direct market visits by type of facility: a logit analysis," *Agricultural and resource economics review*. 26(1) 1997:31-38.

Govindasamy, Ramu, John Italia, and Adesoji Adelaja. "Farmers' markets: consumer trends, preferences, and characteristics," *Journal of extension*. 40(1) 2002.

*Growing and making Luffa sponges from the gourd, see <http://www.ces.ncsu.edu/depts/hort/hil/hil-120.html>.

Hall, Charles R. (2002) *Direct marketing guide for producers of fruits, vegetables and other specialty products*. Ag. Extension Service, The University of Tennessee, PB1711. Found at <http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>.

Hartman, Harvey and D. Wright. Marketing to the new natural consumer: understand trends in wellness. Bellevue, Washington: The Hartman Group, Inc., 1999.

- Jack, Robert L. and Kitty Lou Blackburn. Effect of place of residence on consumer attitudes concerning fresh produce marketed through direct farm markets in West Virginia. Ag. and Forestry Experiment Stat. Bulletin 685. March 1984.
- _____. Consumers' opinions, attitudes and use of direct markets in West Virginia. Ag. and Forestry Experiment Stat. Bulletin 686. March 1984.
- Hitti, Miranda. "Food shoppers seek healthy fare, with some indulgences;" WebMD Medical Reference. 17 April 2005. Found at <http://webmd.com/content/article/121/144178.htm>.
- Kuches, Kristy, U. C. Teonsmeyer, Carl German, and Richard Bacon. "An analysis of consumers' views and preferences regarding farmer to consumer direct markets in Delaware," Journal of food distribution research. 30(1) 1999:124-133.
- *LOHAS (<http://www.lohas.com/about.htm>).
- *Medical News Today. Top 10 food trends—going global. 17 April 2005. Found at <http://www.medicalnewstoday.com/medicalnews.php?newsid=22946>.
- *Ministry of Agriculture and Lands. "Direct Farm Marketing Example Preparing a Business Plan: A Guide for Agricultural Producers," Business Planning Guides, Business Management. Found at http://www.agf.gov.bc.ca/busmgmt/bus_guides/direct_guide.htm. This publication is from British Columbia. You have to download each section separately. It is 68 pages long if you download the entire document.
- *Minnesota Institute for Sustainable Agriculture. Building a Sustainable Business A Guide to Developing a Business Plan for Farms and Rural Businesses. Handbook series 6. Found at <http://www.sare.org/publications/index.htm> can download as pdf or can be purchased from Sustainable Agricultural Education and Research (<http://www.sare.org/>) for \$17. Very complete, but regulations will focus on Midwest.
- *North Carolina direct market farm operations found at <http://www.ncfarmfresh.com/>
- Safley, Charles D., E. B. Poling, M. K. Wohlgenant, O. Sydorovych, and R. F. Williams. What makes direct-marketing strawberries successful. Ag. and Resource Econ Report No 22. NCSU. 2002.
- Schwartz, Robert B., D. McCorkle, and D. Anderson. "Niche marketing." Texas Ag. Ext. Service. The Texas A&M University System. L-5458 (RM1-2.0). 2000. Found at <http://trmep.tamu.edu/cg/factsheets/rm1-2.html>.
- *South Carolina direct market farm operations found at <http://www.scda.state.sc.us/consumerinformation/scroadsidemarket/scroadsidemarket.htm>.
- *The North American Farmers' Direct Marketing Association found at <http://www.nafdma.com>.
- *Trade associations for North Carolina found at <http://www.ncagr.com/markets/assoc/index.htm>.
- University of Wisconsin, Cooperative Extension. Downtown and business district market analysis. Found at <http://www.uwex.edu/ces/cced/dma/6.html>.
- *USDA, Economic Research Service (ERS) at <http://www.ers.usda.gov/publications/aib790/> and click on the related data product. From there, you can choose from any number of products.
- *Virginia direct market farm operations found at <http://www.vdacs.virginia.gov/vagrown-july/index.html>
- Wine Institute found at <http://www.wineinstitute.org>.
- *Woods, Tim and S. Isaacs. University of Kentucky for selecting new enterprises. Agricultural Economics Extension No. 00-13, August 2000. Found at http://www.uky.edu/Ag/AgriculturalEconomics/pubs/ext_aec/ext2000-13.pdf.

Worksheet

Market area:

Counties: _____

Miles: _____

Zip codes: _____

Population in market area: _____

Demographics of population:

Age: under 5 _____ 5 – 18 _____ 19 – 24 _____ 25 – 34 _____

35 – 59 _____ 60 and over _____

Gender (%): female _____ male _____

Race/ethnicity (%): White _____ African American _____

Asian _____ Hispanic _____ Other _____

Competition:

Who: grocery stores _____ health food store _____

other farmers _____ other _____

Number: grocery stores _____ health food store _____

other farmers _____ other _____

Quality: _____

Price: _____

Location relative to you: _____

Markets: _____

How many customers do you need to make it work: _____

Chapter 4 References: Who Will Be Your Customers?

Conducting Market Research

<http://ohioline.osu.edu/cd-fact/1252.html>

Where to Find Information for Doing Marketing and Business Studies

<http://www.extension.iastate.edu/AgDM/wholefarm/pdf/c5-21.pdf>





Chapter 5

What Do Your Customers Want?

Considerations for your clients

What trends do you see in packaging size, convenience, quality, freshness, and value?

How can you find information on consumption and food trends?

What information do your customers want about food?

What trends do you see in packaging size, convenience, quality, freshness, and value?

Trends can give you insight into what consumers in a given geographic area or the entire U. S. are buying and why. Food purchasing and consumption trends cannot tell you anything specific about your market area unless that is where the studies were done. To make practical use of trend information, you can look at what others in your area are doing, and you can survey your potential customers. You then compare the information about local conditions with the national trend studies.

According to Mellgren in *The Gourmet Retailer*, consumers want convenience, speed, and nutritional value. *Food Technology* magazine adds easy to prepare (30 minutes or less, one dish, no mess, no fuss), and great taste. However, while most consumers want variety, they are unwilling to cook the foods from scratch—if at all. They want prepared sauces, mixed spices, and mixes of various sorts. Consumers are willing to spend more on what they consider to be gourmet foods.

Decisions on what goes on the grocery shelf will need to be made locally not at some central location so that the local consumer is served.



Studies continue to show that more women do the grocery shopping than men. However, that trend is changing: In 2002, 41 percent of men did some grocery shopping and in 2004 that percentage had increased to 61. More men over 55 shop at supermarkets than those under 35. Men are more likely to buy in bulk and purchase sale items. They are less loyal to a particular store than women (Gardner).

“Working age women ages of 24 – 52—of whom the U. S. has some 55 million—have emerged as a potent force in the marketplace, changing the way companies design, position, and sell their products” (BusinessWeek online). Women don’t just multitask, they “multimind”—think of many things at one time, such as getting children ready for school, their day at work, stopping for the milk or eggs that ran out that morning, what to have for dinner, and more. In addition, they make 80 percent of the food buying decisions (BusinessWeek online).

Women research products more extensively than men. Women are less likely to be influenced by advertisements, instead they want details about products (BusinessWeek online). Women are more likely to choose fruit, vegetables, and salads as their favorite foods while men will choose red meat (GMA).

Quality is a HUGE issue. How much damage is acceptable is a good question to ask. At a minimum, if the damage will cause the product to deteriorate more rapidly, the damaged product needs to be removed. If you can’t sell it, compost for your fields with it. If something is packed in the morning and doesn’t sell quickly, you may need to sort through it to be sure that any deteriorated product has been removed. You need to be sure the quality is the same all the way though the package. Don’t try to hide damaged goods—it’ll come back to haunt you. A reputation for deceptive practices is hard to overcome.

When we’d go to the produce auction, we’d look through boxes at the quality throughout. Those producers who tried to “hide” damaged produce beneath the good produce were soon discovered and avoided by all but the buyers looking for cheap purchases. They received much lower prices for their produce, too.
Source: Producer observations from Southern Maryland Regional Farmers’ Market

How can you use this information?

Given these changing trends and the desire for convenience, healthy food, and high quality, you need to look at how you can use these characteristics of the people in your market area to your advantage. Some examples of what you can offer might be

- ✂ a plastic bag, with your logo, of fresh, washed salad mix ready to put on the table;
- ✂ a tray of 2 to 4 tomatoes, approximately the same size and ready to cut;
- ✂ a 2-lb bag, with your logo, of washed fruit that is small enough for lunches or snacks;
- ✂ a pint or quart of fresh, ready to use berries in pressboard boxes, and depending on the fruit, that has been washed;



- ✂ a plastic bag, with your logo, of shelled peas ready to drop in the steamer;
- ✂ homemade herb bread and butter or specialty cheese from a local dairy; or
- ✂ “seconds” at a reduced price to get rid of slightly damaged produce.

How can you find information on food trends and consumption?

You can obtain consumption and food trend information from several sources—some of which you may have to pay for if you want more than the press release provided by the company that paid for the survey.

Food trends

Americans tend to be adventurous in their eating habits; however, Italian, Mexican, and Chinese are no longer considered to be foreign foods. In fact, according to Cenex Harvest States (CHS), 55 percent of Americans want Mexican or Tex-Mex foods (*Food Technology*, 2004). They want Cajun, Thai, Caribbean; and lots of meat, poultry, and seafood for protein. Organic food sales have increased. Consumers want them for a variety of reasons: health, nutrition, environment, freshness, quality, locally grown, fair treatment of workers. Think about lifestyle characteristics as you look at food trends.

America's 10 hottest food trends

- ✂ Foods for at-risk kids: less fat, sugar, food allergens; increased calcium, whole grains, fresh fruit, yoghurt.
- ✂ Smaller servings, limited calories
- ✂ Phytochemicals: green tea, berries, chocolate
- ✂ Health perks: low fat, cholesterol, salt, calories
- ✂ Fat facts: food labeling with focus on omega-3 fatty acids
- ✂ Older shoppers: reduce common health problems
- ✂ Gluten-free, low glycemic index
- ✂ Organic/natural foods
- ✂ Energy and mental boosters, flavored water
- ✂ Fun favorites with sugar, fat, calories reduced, but not flavor.

Source: Hitti

Organic or naturally grown may attract some customers. But producing organic products may not be enough to warrant the additional cost because the customers in your market don't require it. Some customers want organic because they perceive it as being healthier than conventionally grown food. This perception is related to both nutrient levels in the food as well as low level of pesticide residue. Unfortunately, information on the relative health benefits of organic over conventional food is spotty, but research is constantly being done in that area. Most of the existing research has been done in Europe. The Environmental Working Group's FoodNews (<http://www.foodnews.org>) has a produce scanner that simulates the relative pesticide residue

based on laboratory tests from several sources, including



USDA's Pesticide Data Program. Using this website, you can inform your customers about typical pesticide levels on your organic produce.

While organic requires certification, naturally grown does not. If you are using a direct marketing outlet, you get to know your customers and can tell them about your production practices. If your practices are organic, but you don't get certified, you can say using organic practices, but you cannot call it organic (check the organic standards for specifics: at <http://www.ams.usda.gov/nop/indexNet.htm>). As you talk about the organic practices you use, you may be providing them with sufficient assurance that you don't need to be certified,



According to a May 2003 study by The Hartman Group, customers for organic products are widely diverse, but the fastest growing groups are Asians, Hispanics, and African-Americans. An area with a large population of Asians will want Asian vegetables. Are you planning to grow Chinese broccoli or regular broccoli, Chinese spinach or regular spinach? You may need to grow both to attract both the Oriental community and others.

With the popularity of Mexican food, you don't even need a large Mexican population to consider growing foods that can be used in Mexican dishes. Some vegetables are typically used in Mexican cooking. For example hot chile peppers, tomatoes, sweet potatoes, a variety of dried beans, tomatillo, and cilantro. They also make use of avocados, papayas, chayote (all require a warm, frost-free environment to produce), and amaranth.



Consumption

USDA's Economic Research Service (ERS) provides consumption information for many foods. The most current data are for 2005. Go to <http://www.ers.usda.gov/publications/aib790/> and click on "See the related data product How Much Do Americans Pay for Fruits and Vegetables." From there, you can choose from any number of products. According to the USDA information, the average percent that supply is of use (supply/use) for snap beans from 2000 to 2004 is 110.6 percent, pumpkins 111.7 percent, and strawberries 111.3 percent. These percentages suggest an oversupply of these fruits and vegetables. Since these numbers are U. S., they can only indicate what the national situation is, not the local one—a drawback of using national numbers. What they can say about the local situation is that you need to check carefully to see what your competition, especially other producers, are offering. They can also provide you with the knowledge that you will have to find some way for your produce to be different from the run-of-the-mill pumpkins, snap beans, and strawberries. That difference could be in packaging, quality, freshness, organic, locally produced, service, unusual varieties, or any other way you can be creative.

Some trade associations like the Wine Institute (<http://www.wineinstitute.org>) and National Watermelon Association (<http://www.nationalwatermelonassociation.com/>) have information on consumption. The North American Farmers' Direct Marketing Association provides all sorts of information to its members. It can be found at <http://www.nafdma.com>.

U.S. per capita food consumption							
Fruit and vegetables							
Farm weight, pounds per capita per year							
Year	Fresh fruit	Fruit for processing	Total fruit	Fresh vegetables	Vegetables for processing	Total vegetables	Total fruit and vegetables
2004	127.1	144.3	271.4	204.6	218.2	422.8	694.3
2003	128.3	153.9	282.2	199.8	222.0	421.8	704.0
2002	127.0	146.6	273.7	194.7	217.0	411.8	685.4
2001	126.1	146.9	273.0	195.7	216.6	412.3	685.3
2000	128.7	160.0	288.7	198.7	224.3	423.0	711.7

Fresh fruit include apples, apricots, avocados, bananas, cherries, cantaloupe, cranberries, grapes, grapefruit, honeydew, kiwifruit, lemons, limes, mangoes, nectarines, oranges, papayas, peaches, pears, pineapples, plums, prunes, strawberries, tangelos, tangerines, temples, and watermelon. Fruit for processing include apples, apricots, blackberries, boysenberries, cherries, cranberries, dates, figs, grapes, grapefruit, lemons, limes, loganberries, nectarines, olives, oranges, peaches, pears, pineapples, plums, prunes, raspberries, strawberries, tangelos, tangerines, temples, and other miscellaneous fruit and berries. Fresh vegetables include artichokes, asparagus, snap beans, broccoli, cabbage, carrots, cauliflower, celery, sweet corn, cucumbers, eggplant, endive, escarole, garlic, head lettuce, romaine and leaf lettuce, mushrooms, onions, bell peppers, potatoes, radishes, spinach, sweet potatoes, and tomatoes. Vegetables for processing include asparagus, lima beans, snap beans, beets, broccoli, cabbage, carrots, cauliflower, sweet corn, cucumbers, dry edible beans and peas, lentils, mushrooms, onions, green peas, chile peppers, potatoes, spinach, tomatoes, and other miscellaneous vegetables. Calculated from unrounded data.

Source: USDA/Economic Research Service. Last updated Dec. 21, 2005.

A list of trade associations for North Carolina is found at the North Carolina Department of Agriculture and Consumer Services website at <http://www.ncagr.com/markets/assoc/index.htm>. Other states have similar organizations, but they have not compiled lists similar to that of North Carolina.

How do you use this information?

Using the trend information, whether it is food, packaging, service, or any other area, requires that you know your market area. These data are national and may not always apply to your market. You know you have a large Mexican population who want to know something about their food. You can provide nutritional labels in both English and Spanish. Your customers are health conscious. You want to provide them with information on your production practices and your use of integrated pest management to reduce chemical usage. You also promote the freshness and quality of your produce, which you can point out is probably healthier than less fresh and lower quality.

You know that you have high-income families where both husband and wife work. These people want convenience so you package already washed salad mix and four tomatoes to a tray.

You know that average fresh fruit consumption is 127 pounds per person per year. You grow strawberries and blueberries which you package ready to use. You know that nationally the supply of strawberries and blueberries exceeds the amount consumed. But you know that local, fresh strawberries and blueberries are produced by only you and one other farmer in your market area.



What information do your customers want about food?

Given that women make up about 80 percent of the food buying decisions and they tend to research products, you can provide them with material about food safety, nutritional value, production practices (animal treatment and environmental impact), and distance the food traveled—the topics of greatest interest to consumers.

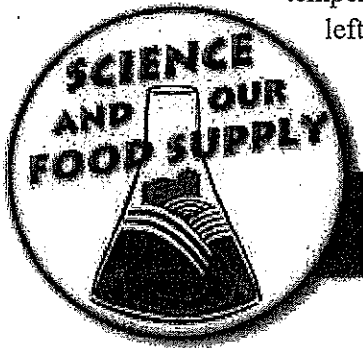
Food safety

Food safety is a big issue for consumers as evidenced by a 2005 study by Phil Howard. Food safety had an average rating of 9.4 out of 10. Consumers pay attention to news stories about food. The threat of "mad cow disease" led to banning imported cattle from Canada. In September 2006, news stories of *E-coli* found in fresh spinach dramatically decreased its sales.



Food borne diseases can be caused by improper or careless growing practices, handling, cooking, or hand washing. You can do many things to help inform your customers about food safety—both at your market and at their home. You can put up posters that show how food is handled on your farm. You can provide newspaper articles or brochures for customers that give food safety information.

Websites abound with food safety information from correct refrigerator and freezer temperatures to storage length and conditions to cooking to handling leftovers. Some websites include



- ✂ "Food Storage Fact File," <http://www.foodlink.org.uk/factfile3.pdf>
- ✂ "How to Store Food Safely," <http://www.foodsafetyline.org/english/pdfs/FoodSafety.pdf>
- ✂ "Store It, Don't Ignore It," <http://lancaster.unl.edu/food/storeitchart.pdf>
- ✂ "How long does produce keep?" <http://www.pastrywiz.com/storage/index.html>

Nutritional value

You can make signs that show nutritional information and number of calories per serving for fresh produce. This information can be found at Nutrition Facts and Calorie Counter at <http://www.nutritiondata.com/index.html>. If you choose to label the nutritional value of your products, be sure you follow the regulations regarding those labels.

Treatment of animals

A group of consumers will often buy organic because they want humane treatment of animals. They perceive humane animal treatment to be tied to organic because it is one of the ethical issues the original organic movement supported. Humane treatment of animals includes not using rBST, an artificial growth hormone to stimulate milk production; allowing dairy cows access to pasture

Apple, raw with skin

Nutrition Facts	
Serving Size 125g	
Amount Per Serving	
Calories 65	Calories from Fat 2
% Daily Value*	
Total Fat 0g	0%
Saturated Fat 0g	0%
Trans Fat	
Cholesterol 0mg	0%
Sodium 1mg	0%
Total Carbohydrate 17g	6%
Dietary Fiber 3g	12%
Sugars 13g	
Protein 0g	
Vitamin A 1%	Vitamin C 10%
Calcium 1%	Iron 1%
*Percent Daily Values are based on a diet of other people's secrets.	
Your daily values may be higher or lower depending on your calorie needs.	
NutritionData.com	

when they are not being milked; raising beef cattle on grass instead of being fed corn and antibiotics in feedlots. It also supports free-range poultry for eggs and meat. (*Free Range Poultry* provides a good discussion of the history of free range and the differences among production systems. It can be found at <http://www.free-range-poultry.com/>.) Humane treatment can extend to the slaughter process as well. If you're raising beef, dairy, or poultry, you can easily inform your customers about the unique aspects of your operation through pictures and tours.

Environmental impact and locally grown

Locally grown and organic are both considered to be environmentally friendly. Locally grown because of rising fuel costs and the associated pollution of transporting foods long distances. Locally grown implies nothing about nutritional value, but it appeals to those who want to support the local economy, who want to have produce that is not shipped several hundred miles, and who consider it fresher than that shipped from distant locations.

Using food miles in promoting local foods

Does your food taste tired?



You'd be tired too...
If you just traveled
1,500 miles!

Reawaken your taste buds with local foods!

The environment and your food . . .

My Saudi Arabian breakfast

Chat Heeter's breakfast menu: McCann's Irish oatmeal topped with Cascadian Farms organic frozen raspberries and Peet's Fair Trade Blend coffee.

From a Saudi Arabian perspective . . . what you'd be likely to see—what's really there, just hidden from our view (not to say our taste buds)—is about four ounces of crude oil. Throw in those luscious red raspberries and that cup of java (another three ounces of crude), and don't forget those modest additions of butter, milk, and salt (another ounce), and you've got a tiny bit of the Middle East right here in my kitchen.

Nearly 20% of this oil went into growing my raspberries on Chilean farms many thousands of miles away, those oats in the fields of County Kildare, Ireland, and that specially-raised coffee in Guatemala—think tractors as well as petroleum-based fertilizers and pesticides.

The next 40% of my breakfast fossil-fuel equation is burned up between the fields and the grocery store in processing, packaging, and shipping.

Heeter, Chad. "My Saudi Arabian Breakfast," Tomdispatch.com. Found at <http://www.tomdispatch.com/index.mhtml?pid=71299> Accessed 1 August 2006. Used with permission of author.

You can capitalize on the concept of how much better locally grown is for the environment by doing simple fliers of how far something had to travel to get to the local grocery store and the environmental impact of that transportation. You can find examples of how far some common foods travel in "The Load Less Traveled: Examining the Potential of Using Food Miles and CO₂ Emissions in Ecolabels," *Ecolabels and the Greening of the Food Market*, pp 69-76. Found at <http://nutrition.tufts.edu/conferences/ecolabels/order.html>.

Resources

Food safety:

"Food storage fact file." Found at <http://www.foodlink.org.uk/factfiles3.pdf>
"How long does produce keep?" Found at <http://www.pastrywiz.com/storage/index.html>
"How to store food safely." Found at <http://www.foodsafetyline.org/English/pdfs/FoodSafety.pdf>.
"Store It, Don't Ignore It." University of Nebraska Cooperative Extension. Found at <http://lancaster.unl.edu/food/chill.htm>. This website has lots of other food handling information.

Nutritional values:

Nutrition Facts and Calorie Counter. Found at <http://www.nutritiondata.com/index.html>
Organic standards: <http://www.ams.usda.gov/nop/indexNet.htm>. USDA agency websites frequently have problems connecting. You might try the USDA homepage and click on agencies and then to Agricultural Marketing Service (AMS) <http://www.usda.gov>.

Trends:

*Bilingual signs: Found at http://www.worldlingo.com/en/products_services/worldlingo_translator.html.
Business Week Online. "I am woman, hear me shop." Found at www.businessweek.com/bwdaily/dnflash/feb2005/nf20050214_9413_db_082.htm.
Gardner, Marilyn. "What men want in the supermarket," Christian Science Monitor. 23 June 2004. Found at <http://csmonitor.com/2004/0623/p11s01-lifo.html>.
Howard, Phil. "What do people want to know about their food? Measuring Central Coast consumers' interest in food system issues." Center for Agroecology and Sustainable Food Systems. UC Santa Cruz, 2005. Found at http://repositories.cdlib.org/casfs/rb/brief_no5/.
Environmental Working Group. "Produce 'scanner.'" Found at <http://www.foodnews.org>. Click "No Thanks" to get to the main page, then click on the "Produce 'scanner.'"
Free Range Poultry. Found at <http://www.free-rangepoultry.com>.
Heeter, Chad. "My Saudi Arabian Breakfast," Tomdispatch.com. Found at <http://www.tomdispatch.com/index.mhtml?pid=71299>.
Mellgren, James (2006). "Evolving Food Trends," *The Gourmet Retailer*. Found at http://www.gourmetretailer.com/gourmetretailer/search/article_display.jsp?vnu_content_id=1001804386
Miller Patricia (2004). "Listening to Consumers," Cooperative Partners Online. 6 Jan. 2004. Found at <http://www.mbrservices.com/> Go to Cooperative partners online, online archives, and other. The listings are alphabetical.
Pirog, Rich and Pat Schuh. "Why local is better: The Load Less Traveled: Examining the Potential of Using Food Miles and CO₂ Emissions in Ecolabels," *Ecolabels and the Greening*

of the Food Market, pp 69-76. Found at <http://nutrition.tufts.edu/conferences/ecolabels/order.html>. Big file, but the pages needed are worth the effort. Contains additional information on ecolabels that might be useful.

National Watermelon Association found at (<http://www.nationalwatermelonassociation.com/>).

Ethnic fruit and vegetables

These websites provide information on growing conditions and pictures of the fruit and vegetables.

Oriental Vegetable Seeds—Evergreen Seeds lists Asian vegetable seeds shows pictures of vegetables Found at <http://www.store.yahoo.com/evergreenseeds/vegetableseeds.html>.

Harvest Moon Farms and Seed Company—heirloom varieties pictures and description of vegetables and uses. Found at <http://www.felcoprulers.net/Asian%20Vegetables.0.html>.

Asian Vegetables is a forum for the discussion of Asian vegetables, including plant selection, care, maintenance, and harvesting. Found at <http://forums.gardenweb.com/forums/asianveg/>.

Foods of Mexico provides a history of Mexican foods and recipes. Found at <http://homecooking.about.com/library/weekly/aa050498.htm>.

Mexican Foods and Cooking History also provides recipes and a history of specific foods. Found at <http://www.gourmetsleuth.com/mexicanfoodhistory.htm>.

Heirloom varieties of fruit and vegetables:

*Appropriate Technology Transfer for Rural Areas (ATTRA). <http://www.attra.ncat.org> then go to the master publication list. You'll find information on many topics.

Clemson University. <http://hgic.clemson.edu/factsheets/HGIC1151.htm>

_____. <http://hgic.clemson.edu/factsheets/HGIC1255.htm> Provides information on why you should grow heirloom varieties and which cultivars.

_____. <http://virtual.clemson.edu/groups/seed/index.htm> where to find seeds from the South Carolina Foundation Seed Association.

DeMuth, Suzanne P., Vegetables and Fruits: A Guide to Heirloom Varieties and Community-Based Stewardship. Found at <http://www.nofany.org/offandf/99articles/heirlooms.pdf>. Defines heirloom varieties.

*Dried Flowers Direct. Found at <http://www.driedflowersdirect.com/index.html> Check out this website for ideas for marketing items like dried lavender and wheat sheaves as well as many other dried flower items. They also have tips on how to dry flowers.

Heirloom Vegetables. Found at <http://www.uky.edu/Ag/NewCrops/introsheets/heirloom.pdf> Provides information on marketing, production, economics, and lists other resources.

Sell, Randy. Dried and fresh-cut flowers. Found at <http://www.ext.nodak.edu/extpubs/alt-ag/flowers.htm>

Smith, Roanld C. Methods of preserving flowers. Found at <http://www.ext.nodak.edu/extpubs/plantsci/landscap/h1037w.htm>.

Worksheet

What are you planning to market? How closely does it match what customers want?

Planning to market

Consumer wants

- | | |
|----------|-------|
| 1. _____ | _____ |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |

List the trends in food consumption that apply to your customers. What can you do to address those trends?

Packaging materials _____

Convenience _____

Size of packages _____

Freshness _____

What information do your customers want about your products?

- 1.
- 2.
- 3.
- 4.

How can you best inform your customers about what and how you produce?

- 1.
- 2.
- 3.
- 4.



Chapter 5 References: What Do Your Customers Want?

Advertising: An Investment in Your Business's Future

<http://ohioline.osu.edu/cd-fact/1276.html>

Promoting Your Business

<http://www.agmrc.org/agmrc/business/operatingbusiness/promotingbusiness.htm>

The Internet as a Marketing Tool

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2491/F-566web.pdf>



Chapter 6

How Will You Reach Your Customers?



Questions to ask your client

What kind of image/identity do you want for your products?
How do you make the most of public relations and promotions?
How can you most effectively display your products?
What advertising will target the consumers you want to attract?
How do you evaluate the affect of your efforts?

Part 1. Developing an image

The image or identity conveyed to the consumer is perhaps the most important thing you can do to make yourself known. The image you develop will also be tied to your reputation for customer service, employee satisfaction, and all your advertising and promotion. Your image is greater

“When it comes to presenting a positive image, detail makes the difference.”

Source: Baumlner

than the sum of its parts. You may be selling the same products as your competitors, but you can create an image that sets you apart. What is the image you want to convey? Try to imagine your customers’ perspective of your products. Don’t develop an image from your perspective or how you *think* customers will view it. You want the image to reflect their perspective. If customers can’t remember anything about you, they will stop at the first place they come to. How can you best convey the image that you have something that will benefit that particular consumer?

In the world of the “Big Boys,” you find the brand name “Kleenex®” synonymous with tissues, even though today’s market has numerous other brands. “Snap, Crackle, and Pop” bring to mind three cute elves and Kellogg’s® Rice Krispies® and the famous Rice Krispies Treats®. “Good to the very last drop” brings up the image of a steaming cup of coffee and the delicious smell of Maxwell House coffee. More recently, the health community has emphasized the importance of antioxidants in foods. Broccoli, carrots, and strawberries are high in antioxidants. Can you capitalize on health traits? You have many alternatives as to how to get customers to buy from you. Keep in mind, however, that you cannot satisfy everyone.

Branding your product is one way to keep your image in front of people. Think about Haagen Daz® ice cream. They have created a brand name that sets them apart. Their ice cream is expensive and rich, and they have lots of unique flavors. They have branded their product and registered that brand with a trademark. Are the customers you want brand conscious? If they aren't, branding may not help you.

Branding your products puts the name you select on them. But branding is NOT the same as image. You may want to investigate registering your trademark so that someone else won't use the name and the logo. To find out all about registering your trademark go to the U. S. Patent and Trademark Office website at <http://www.uspto.gov/main/trademarks.htm>. It gives you directions for how to register your brand name, what's already registered, whether you should register it, fees, and a host of other information. Registering trademarks, patents, and copyrights is not an easy process. Think carefully and read what the U.S. Patent Office has to say about the need to register any of these.

A **trademark** protects words, names, symbols, sounds, or colors that distinguish goods and services from those manufactured or sold by others and to indicate the source of the goods. Trademarks, unlike patents, can be renewed forever as long as they are being used in commerce.

A **Patent** is a property right granted by the Government of the United States of America to an inventor "to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States" for a limited time in exchange for public disclosure of the invention when the patent is granted.

A **copyright** protects works of authorship, such as writings, music, and works of art that have been tangibly expressed. The *Library of Congress* registers copyrights which last for the life of the author plus 70 years.

Source: U. S. Patent Office. "Where do I start." Found at <http://www.uspto.gov/main/trademarks.htm>

What is the image I want for my product?


Your image is how you want the world to view you. If you tell consumers you produce the highest quality produce with no blemishes and ready to put on the table, but you actually sell bruised, dirty produce, your words and actions don't match. People tend to look at actions and not pay as much attention to words. As you decide what your image will be, be sure you keep your actions consistent with that image or you will fail.

Customers want to know how your product will benefit them.

What are the attributes of your product? Attributes are the properties that characterize something. They could be easy

to observe like color, taste, and smell; they could be less obvious like the presence of vitamins, minerals, or antioxidants. They are what sets one food, in this case, apart from another.

Example of benefits



“Looking for a vitamin C fix? Make a beeline for the broccoli. Are your potassium stores low? Partner up with broccoli. Is fiber on your shopping list? Bring home the broccoli. Need an iron boost? Look no further than broccoli” (Vegetarians in Paradise at <http://www.vegparadise.com/highestperch44.html>). High in vitamin C, high in potassium, high in fiber, high in iron are attributes of broccoli. Buffalo meat is lower in cholesterol and fat and contains more omega-3 polyunsaturated fats than other domestic meats (Rural Industries Research Development Corporation). Looking for vegetables with more nutritional value? Try purple broccoli and cauliflower, gourmet red and purple potatoes.

Attributes are important because you can tout their benefits. The benefit of both broccoli and buffalo meat would be good health. The vitamins, minerals, and fiber in broccoli are necessary for good health. Protein is necessary for good health, but excess fats and cholesterol are not. Buffalo meat being lower in these bad attributes than other meats and high in omega-3 polyunsaturated fats makes it a healthier source of protein than many other meats. The benefits of the purple and red vegetables is even better health than their traditional counterparts, and they are unique.

The attributes and benefits are important but not sufficient by themselves to help you define your image. Your competition can say the same thing of their broccoli and buffalo meat. What you need is something that sets you apart from them. What makes you different? The answer is another question: “What’s in it for your customers that they can’t get from your competition?” If you think about Domino’s™ Pizza, they are successful among a number of pizza sellers. They don’t advertise their pizza as better than any other pizza. What they do say is “30 minutes or less, or it’s free.” What’s in it for consumers—they know they’ll get their pizza delivered to their doors in 30 minutes from placing their order, or they won’t have to pay for it. Do they care if it’s not the best pizza they ever had? Evidently not.

Tips on how to come up with your unique selling position

1. Decide what customers you are *really* targeting.
2. Brainstorm with others to list all the benefits your products offer.
3. Write one sentence that conveys *your biggest* benefit to your customers.
4. Keep it believable.
5. Make it measurable.
6. Tell customers what your products do for them.

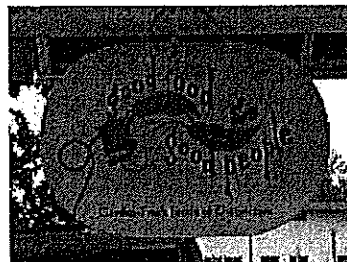
Source: The Write Market

What does your broccoli offer your customers that your competitors doesn’t? Are you growing purple broccoli and they aren’t? Why is that better for your customers? (Remember next season your competition may grow purple broccoli too because they saw your success.

What will you do then?) Is it the way you grow it? Is it the size you cut it? Is it the appearance of your displays? Is it available already washed and ready to cook? Finding this unique selling position requires that you know your customers well, not just their demographics. You need to know something about their lifestyles. You'll need to play psychologist to find out what they want that you're willing and able to offer that no one else is.

If you have trouble articulating what will set you apart from your competition, your customers certainly won't be able to. One of the other benefits, besides more sales, of focusing on your uniqueness is it will help keep you focused on where you are headed and what you want your image to be.

Consider the image "Good Food/Good People" conjures. Quality produce for and from quality people might come to mind. It's catchy. It's memorable. It's short.



Floyd, Virginia

Using the image

You want your customers to associate your image with your market and products. You can turn the words of your image into pictures or catchy names or initials or combinations of any of them.



Larriland Farm,
Woodbine, Md.

Image and logo

Start with a *logo*. Consider carefully the image you want your logo to portray. For example, you want to convey the idea of "Fresh from our farm to your table." What else this idea conveys is that the produce is fresh and high quality; it is convenient (i.e. it requires little preparation before cooking or serving); the local community is being supported; and transportation costs are reduced. You can use pictures, words, your farm name, or a combination of any of these for your logo. No matter what you use it for, you want your logo to be consistent, memorable, meaningful,

and unique. You want it to look professional and for it to be timeless so that you don't have to change it later.

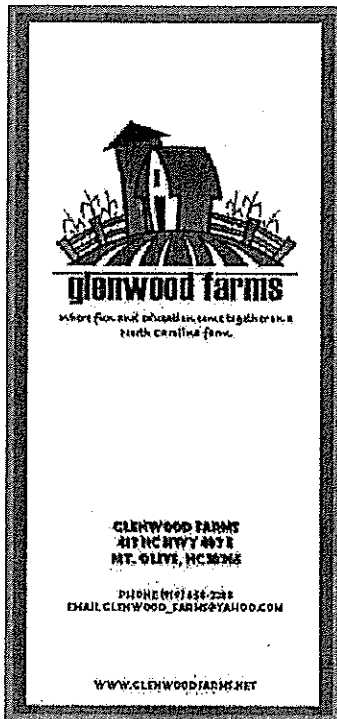
You want it to be

1. Clean—no clutter and easy to remember
2. Simple—the more complex, the harder it is to remember
3. Scalable—you can enlarge it or shrink it without its becoming fuzzy and your name is readable at all sizes. (Corel Draw®, Macromedia® Freehand®, and Adobe® Illustrator® are all computer programs that create scalable images.)

Logo and business cards

Once you design your logo, you can use it to create a business card. Your business card needs to include your farm name, address, phone number, website, email address, and on the back, if applicable, a map to your market.

Logo and brochures



You use your logo when you develop brochures. Brochures can be used in any number of ways. They can describe your farm—a general “Here’s who we are.” They can provide recipes for some of your produce. They can tell about production practices that are unique. Plan carefully what you want the brochure to communicate and to whom. On all your brochures, include something positive a customer has said about you. Keep jargon out of it. Use clear, concise sentences that grab people’s attention but avoid being cute. On all brochures, include your farm name, address, telephone number, website address, e-mail address, hours of operation, and directions to the market if applicable.

Decide first what the purpose of the brochure is: to inform about your business, to tell of special events, to provide recipes. You have to come up with the content. Like the logo, you want it to be clean and simple. You want to keep the text to a minimum while telling people who you are and what they want that you have. You might want to consider using 8.5 * 14 (legal size) rather than the standard 8.5 * 11 paper so that you have a less crowded look. (Examples are after the references.)

You need to consider the following when preparing brochures.

1. Use no more than 2 different fonts. You can create variety in the fonts by using bold and italics.
2. Use nothing smaller than 12 point for text.
3. Use fonts that are easy to read like Times New Roman (serif) or Arial (sans serif) (note the difference in appearance).
4. Keep colors to a minimum: they are costly to reproduce. Use colored paper instead. However, if you want to use colors, the more you print at one time, generally, the cheaper. Ask about price breaks for various quantities at the printer or copy center where you plan to have the work done.

Distribute your brochures at your market, the local library, the local extension office, neighbors mailboxes, senior citizens centers—where you place them, other than your market, will be a function of the customers you are trying to attract.

Other uses for logo

You can use your logo on packaging materials to keep your name in front of customers. Bags and boxes with the farm name and logo are available from many suppliers. Trade shows and other businesses are the best places for information about reliable suppliers. (See list of



possible suppliers after resources for this section.) You may need to provide your suppliers with an electronic version of your logo. A sizable logo is probably best for this purpose so that they can size it to fit the bag or box correctly.

Use your logo on all your signs. Use it to identify your over-the-road farm vehicles. Create letterhead stationary with your logo on it. Put it on T-shirts, hats, or aprons worn by employees. Sell cloth bags with your logo. Use your logo wherever you can in advertising and promoting your business. Make it part of your brand name.

Summary

Your image should be based on the attributes and benefits of what you are marketing. It describes what you have to offer that no one else does. It describes how your customers will benefit from your product as they cannot from someone else's. Your image reflects careful thought and planning. Remember once you create the image, you want to be consistent in your message. If you SAY it will be high quality and you try to sell bruised or damaged produce, your actions speak FAR louder than your words. Keep the words and actions the same.



Resources

Anchor Box Company found at <http://www.anchorbox.com/>

Associated Bag Company found at <http://www.associatedbag.com/>

Baumler, Scott. "Power merchandising," Community connections news release. Iowa State U. Ext. 1 Sept. 1995. Found at <http://extension.iastate.edu/communities/news/ComCon19.html>. Accessed 13 July 2006.

BusinessTown.com. Unique selling proposition. Found at <http://businesstown.com/advertising/basic-usp.asp>. Accessed 7 July 2006.

Ferree, Erin. "9 keys to an effective logo." International Cyber Business Services, Inc., Business Resources Center. Found at <http://icbs.com/KB/Branding/default.htm>. Accessed 7 July 2006

Fisher, Margie. "Stand out in a crowd with a unique selling position," South Florida Business Journal. 5 July 2005. Found at <http://www.bizjournals.com/southflorida/stories/2002/07/08/focus4.html>. Accessed 7 July 2006.

Fruit Packers Supply, Inc. found at <http://www.fruitpackerssupply.com/>

Plus Packaging, Inc. found at <http://www.pluspackaging.com/>

Que. "Creating a unique selling position." Found at <http://www.quepublishing.com/articles/printerfriendly.asp?p=469626&rl=1/>. Accessed 7 July 2006.

Rural Industries Research Development Corporation found at (http://www.rirdc.gov.au/pub/media_releases/29mar01.html)

Southern Container Corporation found at <http://www.socontainers.com/BerryPackaging.htm>

Taylor, Cathy. "Your unique selling position." International Cyber Business Services, Inc., Business Resources Center. Found at <http://icbs.com/KB/Branding/default.htm>. Accessed 7 July 2006.

The Brenmar Company. Found at <http://www.brenmarco.com/Organic/organic.html>

The Write Market. "Unique selling position." Found at XXXXXX. Accessed 18 October 2005.

Gary, you gave me this article and I cannot read the address. Can you find it again for me and send the address?

U. S. Patent and Trademark Office. Found at <http://www.uspto.gov/main/trademarks.htm>

Vegetarians in Paradise. Found at <http://www.vegparadise.com/highestperch44.htm>

Packaging suppliers: This list is by no means complete. It does not in any way imply endorsement by North Carolina, South Carolina, or Virginia Cooperative Extension or Southern Sustainable Agricultural Research and Education.

Associated Bag Company found at <http://www.associatedbag.com/>

Anchor Box Company found at <http://www.anchorbox.com/>

Southern Container Corporation found at <http://www.socontainers.com/BerryPackaging.htm>

Fruit Packers Supply, Inc. found at <http://www.fruitpackerssupply.com/>

Plus Packaging, Inc. found at <http://www.pluspackaging.com/>

The Brenmar Company. Found at <http://www.brenmarco.com/Organic/organic.html>

Potomac Vegetable Farms

www.potomacvegetablefarms.com

(703) 759-2119 – Vienna

(540) 882-3885 – Purcellville

2006 Season

Ecorganic Vegetables from a Local Farm

Potomac Vegetable Farms is owned and run by three farmers on two farms in Northern Virginia. We've been growing vegetables since the 1960's and were certified organic from 1990-2003. Our original farm and roadside stand is located on Leesburg Pike in Vienna, managed by Hiu and Hana Newcomb. Ellen Polishuk manages our production farm near Purcellville. We sell at many farmers markets in the DC area, and this is the seventh season for our CSA.

We farm using our own compost, cover crops, beneficial insects, and lots of hand labor. We do not use synthetic chemical fertilizers or pesticides of any kind. The farm is here for you to see, feel, and taste to certify for yourself that we farm naturally. We feed the plants by feeding the soil – a complex ecosystem. We feel that this growing method produces the tastiest, healthiest foods, while improving the land and the quality of life in our neighborhood. We have opted out of the organic certification program, and we call our methods "ecorganic."



We harvest our produce at the height of ripeness every day. We grow a wide variety of vegetables, from the mundane to the exotic, exposing our customers to new foods and new ways of cooking and eating. In 2005 we distributed almost 60 different varieties of produce, from acorn squash to escarole to sugar snap peas to zucchini. Our website has a good vegetable identification page, for those days when your bag seems to have a few mystery foods.

What is CSA?

Community Supported Agriculture (CSA) members participate in their own food supply by committing to share in the harvest of a local grower. By joining a CSA you express your support for locally grown food, for clean food, and for the farmers who grow it. A CSA establishes a unique relationship between the consumers and the producers – we all care about the food, how it's grown, who is growing it, and who is eating it. Belonging to a CSA does not replace shopping at the farmers market, but it does guarantee your access to the best of our harvest, every week. We grow vegetables, flowers, and herbs only – no fruit or sweet corn, so you will still have a good reason to patronize your other favorite farmers at the markets.

Members subscribe in March, and for 23 weeks in the summer and fall, we harvest and distribute the vegetable shares. We divide the year into summer and autumn seasons – or the tomato season and the post-tomato season. We made this division because some people just don't like greens and root vegetables very much, and they now have an opportunity to disengage gracefully, without feeling guilty about wasting all that good food. For many members, it's a completely new experience to follow the growing season so closely. We write regular newsletters with food preparation tips, recipes, crop news, and other items of interest.

We distribute the shares on Tuesdays and Thursdays. The enclosed registration form has all the details. The non-farm drop off sites are at dedicated CSA members' homes. The bags arrive mid-afternoon and can be picked up anytime that day.

Because of the inherent risks of farming, we cannot guarantee what 2006 will bring. In the past, we have experienced hail, drought, and flooding, but we have always succeeded in growing an excellent variety of vegetables. You share this risk with us, but we will do everything we can to raise successful crops.



Who should NOT join the CSA?

We've learned that people who fall into the following categories are not a good match for the CSA program:

- Anyone who is away on vacation many weeks (it's your responsibility to have someone pick up your share if you are gone).
- Anyone who thinks this is a good way to save lots of money. It isn't. We offer good value at a fair price.
- People who don't really like to cook or who don't eat at home often.
- People who don't like vegetables or trying new foods.

Share sizes: how much food to expect

Mini Share: designed never to overwhelm your refrigerator. It's a small bag with a good variety of the week's produce. Instead of five squash, you'll get two. Instead of 3 pounds of tomatoes, you get a pound and a half.

Regular Share: designed to feed a small household most of its weekly vegetable needs. This is approximately a shopping bag full. The weight of the bag varies with the season – in the spring and fall there are lots of salad greens and other leafy vegetables. In the summer the bag is heavy with tomatoes and squash and cucumbers.

Robust Share: designed to feed a larger household with a robust appetite for fresh vegetables and a commitment to cooking. This bag is about $\frac{3}{4}$ bushel, sometimes more, with about 1.5 times as much food as the regular share.



Share seasons: when the food is available

Summer share: June 6 to September 28

17 weeks of summer produce: leafy greens, garlic curls, luscious tomatoes, versatile squashes, gorgeous green beans, Swiss chard, peppers, celery, basil...

Autumn share: October 3 to November 16

7 weeks of fall produce: butternut squash, sweet potatoes, celery root, kale, Asian greens, salad greens...

Extra options to add to your basic share

Egg share: We offer fresh brown eggs from happy birds. These are free moving chickens that live in a hen house (safe from foxes) and eat commercial (not organic) grain. You will receive a dozen eggs a week. We have a limited number of egg shares to offer, so act fast.

Fresh flower share: We grow a colorful assortment of annual flowers. They are nothing fancy but they are lovely and cheerful. The season starts by mid-July and lasts until frost (about 12 weeks).



Sample bags (regular share):

July: 5 yellow squash, 1 juicy Walla Walla onion, 1 fresh bulb garlic, 1 bunch basil, 2 cucumbers, 1 bunch Swiss chard, 1 bag salad mix, 1 pound new potatoes, 1 bunch beets

September: 3 pounds tomatoes, 1 pint cherry tomatoes, 2 green peppers, 1 pound green beans, 1 bunch basil, 1 bulb garlic, 1 head celery, 1 pound yellow onions, 1 eggplant, 1 bunch Autumn Poem

November: 1 bunch mustard greens, 1 bunch bok choy, 1 celeriac, 1 bag salad mix, 1 butternut squash, 1 bulb garlic, 1 bunch arugula, 1 bunch salad turnips



Chapter 6 References: How Will You Reach Your Customers?

From Supply Push to Demand Pull: Agribusiness Strategies for Today's Consumers

<http://www.ers.usda.gov/amberwaves/november03/pdf/supplypush.pdf>

Consumer Demand for Fruit and Vegetables: The U.S. Example

<http://www.ers.usda.gov/publications/wrs011/wrs011h.pdf>

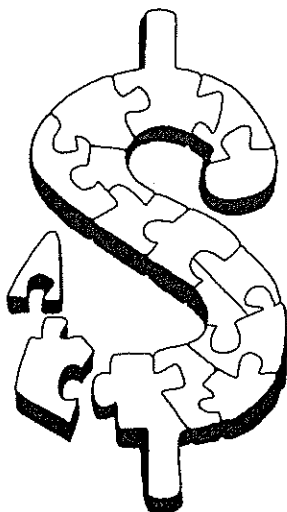
Food and Agriculture: Consumer Trends and Opportunities (File Protected, available to view online)

<http://www.ca.uky.edu/agc/pubs/ip/ip58a/IP58a.pdf>

Understanding the Dynamics of Produce Markets

<http://www.ers.usda.gov/publications/aib758/aib758.pdf>





Chapter 7

How Do You Plan for Profits?

Considerations for your client

Have you considered start-up costs?

What are your variable and fixed costs?

What will an enterprise budget tell you?

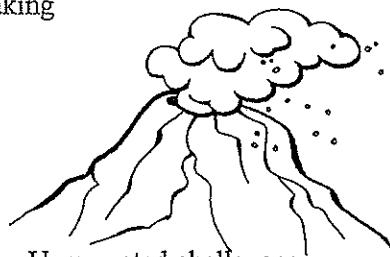
What are the variable and fixed costs associated with your operation?

What will a partial budget tell you?

What will a cash flow budget tell you?

Tools to analyze profit

Your primary responsibility as a manager is to make decisions that will achieve the goals of your farming operation. Maximizing profits may be one of the more important goals you have. But not only are you faced with making decisions that potentially impact revenues and costs of your operation, you will be faced with unexpected challenges that you must identify and implement solutions for in an efficient and effective way.



Unexpected challenges. . .

Budgeting is a tool that you use to help make these decisions. In general terms, budgeting is defined as a plan to allocate resources among alternative uses. You allocate money, labor, capital, water, and other scarce or limited resources. Budgets provide a basis for planning labor needs and for financing. They also provide a plan for when you buy supplies and sell your products. They are a critical tool for controlling and evaluating the performance of your business. Budgets are especially effective when a management record keeping system designed is already in place. The effectiveness of budgeting is a function not only of how good your record keeping system is, but it is also limited by the quality of your record keeping.

Though budgeting and record keeping are valuable managerial tools, they require time to maintain and therefore represent a cost themselves. Therefore, you must include these costs of

preparing and maintaining budgets and records in the total cost of the business. If they aid you in making sound management decisions, the benefits certainly outweigh any costs involved.

You have several tools available as you analyze the profitability of any new crops or enterprises you are considering. These tools include enterprise budgets, partial budgets, break-even analysis, and cash flow budgets.

The size of your operation can influence your costs. Obviously, costs affect your profitability. You may find that many input suppliers will give you a discount based on the number of units you order. For example, if you decide to grow brambles (blackberries and raspberries), the more plants you order at one time, the lower the price per plant (Table 1). However, your operation does not have to be large to be profitable. If you are small, you may have slightly higher per unit costs, but you may actually be able to charge a higher price if you are successful in differentiating your farm and your products. By successfully differentiating your product, you may be able to receive higher prices for your product. Higher prices may earn you greater profits, even if you sell fewer units.

Table 1. Discount for large orders

Minimum order: 5 plants	
Number of plants	\$/plant
5	4.33
10	3.60
25	3.17
100	2.74
500	2.04
1,000	1.85

Source: Nourse Farm

Have you considered start-up costs?

If you choose crops that require time to get into production, like brambles, you need some way to cover the expense of planting, growing, and harvesting that crop. Blackberries fruit the second year after planting and come into full production by year three. Think about the inputs you need to get the crop to its first harvest. For some brambles, you need a trellis system, which requires

Start-up costs are often over-looked.
Don't get caught short by forgetting them.

posts and wires. You need to prune and tie up the canes. You will probably need to spray the brambles, so you'll need a tractor and sprayer. If you don't have the equipment, you'll need to purchase it. While two years may not be a long time to get a crop, the question is how

can you pay for the inputs before you have an income from that crop? Other crops take even longer to come into production—Christmas trees take about seven years, grapes take about six years; blueberries take about four years.

You need to calculate the start-up costs for any crop or product and include them in the cost of production. This task is not easy. You will want to create a detailed list of your start-up costs (Table 2 for preparation year and years 1 and 2 of blackberry production). Do you have the resources to cover the first two years when you will have no income from the blackberries? In your first year of harvest, your yield will be less than subsequent years. Will your pricing strategy be able to cover all the third year costs as well as repay the previous years' outlays?

Table 2. Estimated per acre cost of establishing blackberries to first year of harvest.

Operation	Year 0 preparation			Total costs
	Equipment costs	Material costs	Labor costs	
	-----\$/acre-----			
Soil samples	6.00		4.00	10.00
Nematode assay		2.00	4.00	6.00
Field perimeter weed control			198.00	198.00
Herbicide	6.00	12.00	4.00	22.00
Plow field	18.00		11.00	29.00
Disk field	10.00		5.00	15.00
Plant cover crop	4.00	14.00	3.00	21.00
Apply nutrients and lime	5.00	49.00	3.00	57.00
Mow row alleys	8.00		5.00	13.00
Mow cover crop	19.00		12.00	31.00
Plants		3,815.00	4.00	3,819.00
Trellis supplies		5,022.00	164.00	5,186.00
Pickup truck, miscellaneous use	29.00		20.00	49.00
Land charge				0.00
Management charge				0.00
Contribution to farm overhead		15.00		15.00
Contribution to operating capital		86.00		86.00
Miscellaneous		20.00		20.00
Total costs preparation year				9,577.00

Operation	Year 1 establishment			Total costs
	Equipment costs	Material costs	Labor costs	
	-----\$/acre-----			
Mark rows w/flags		10.00	41.00	51.00
Fumigate strips (43,56 ft linear)	317.00		20.00	337.00
Fumigant	33.00	125.00	30.00	188.00
Drip tape		125.00		125.00
Mark post holes			41.00	41.00
Auger post holes	129.00		50.00	179.00
Build trellis			825.00	825.00
Plant			264.00	264.00
Setup irrigation system	26.00		82.00	108.00
Irrigate & fertilize	68.00	6.00	35.00	109.00
Order & replant (100)		350.00	58.00	408.00
Pruning equipment			33.00	33.00
Prune & train canes	9.00		74.00	83.00
Mow alleyways	96.00		63.00	159.00
Hand hoe			33.00	33.00
Root rot spray	6.00	14.00	4.00	24.00
Weed control (chemical)	6.00	7.00	4.00	17.00
Pickup truck use	73.00		50.00	123.00
Land fee charge				0.00
Management charge				0.00
Contribution to overhead		22.00		22.00
Contribution to operating capital		89.00		89.00
Miscellaneous		30.00		30.00
Interest on investment				0.00
Total costs year 1				3,248.00

Operation	Year 2: First harvest			
	Equipment costs	Material costs	Labor costs	Total costs
	-----\$/acre-----			
Harvest supplies		33.00		33.00
Dormant spray	7.00	26.00	4.00	37.00
Root rot spray	11.00	142.00	37.00	190.00
Set up irrigation	1.00		165.00	166.00
Irrigate & fertilize	68.00	6.00	163.00	237.00
Chemical weed control	11.00	14.00	8.00	33.00
Prebloom spray	7.00	22.00	4.00	33.00
Beehive rental		210.00		210.00
Bloom/post bloom sprays	7.00	34.00	4.00	45.00
Bird control		50.00	12.00	62.00
Harvest preparation			14.00	14.00
PYO harvest		625.00	629.00	1,245.00
Other harvest cost	36.00	1,254.00	6,842.00	8,131.00
Harvest cleanup			72.00	72.00
Mow alleys	253.00		165.00	318.00
Prune & train canes	38.00		346.00	384.00
Harvest/postharvest sprays	34.00	31.00	21.00	86.00
Remove canes	9.00		66.00	75.00
Repair trellis			165.00	165.00
Pickup truck use	73.00		50.00	125.00
Land charge				0.00
Management charge				0.00
Contribution to farm overhead		30.00		30.00
Contribution to operating capital		61.00		61.00
Miscellaneous		40.00		40.00
Interest charge				0.00
Total cost year 2				11,792.00

Source: Safley, et al.

While you won't have the specific dollar amounts from your operation to develop budgets for a new enterprise, you can get estimates from Cooperative Extension budgets. Just remember, the activities and costs in the Extension budgets are based on typical practices and costs. Once you have established what practices you will use and have your own experience with costs, you will need to adjust the Extension budgets to reflect your operation. Remember that for start-up enterprises your budgets will be only as reliable as the estimates you use. Your subsequent budgets will only be as good as the records you keep.

What are your variable and fixed costs?

Variable costs

Variable costs are costs that change as size and management decisions change. For example, you increase the acreage of tomatoes. You need more tomato plants, more fertilizer, more stakes and string or cages, and so forth. They change depending on management decisions such as whether you plant no-till or plant into raised beds. They change based on your harvest method—mechanical harvest or hand harvest. They change based on your marketing method—wholesale or farmers' market.

These inputs generally increase as you produce more units of a crop. However, the per unit cost may be affected by the volume produced or purchasing discounts. You might get purchasing discounts for paying your bill at the time of purchase or within 10 days of purchase or with cash or check rather than a credit card, and so forth.

You estimate total variable costs for a crop input by multiplying the quantity of each input by its price. You can find these costs easily from invoices; however, you may have to allocate the cost to the appropriate enterprise. For example, you purchase five tons of fertilizer to use on four crops. You'll need to calculate the cost of the fertilizer for each crop. Allocating costs of labor, machinery, and equipment to any one enterprise is difficult. You will find that having detailed records will simplify this allocation process.

Variable Costs		
Item	Unit	Cost
Feed		
Feed Cost	\$/lb.	\$ -
Feed Conversion	lb feed/lb. gain	0.00
Tank Size	gallons	0.00
Fertilizer Cost	\$/gallon	\$ -
Number of fingerlings purchased for one tank	#	0
Initial Weight of fingerlings	grams	0
Initial Stocking Density	lb./gal	ADDENDUM
Mortality	Percentage	0.000%
Chemicals		
Sodium Bicarbonate	\$/lb.	\$ -
Sodium Sulfate	lb./tank/week	0.0000
Salt Prophylaxis/Treatment	lb./gallon/week or other month	0
Calcium Chloride	\$/lb.	\$ -
Oil for Salt	\$/lb.	\$ -
Labor		
Wage	\$/hr.	\$ -
Labor Dead Time	Percentage	0%
Machinery	% of the system cost	0%
Cash		
Monthly Phone Expense		\$ -
Interest Rate	Interest Rate for Operating Loans	0.00%
Startup Legal Services		\$ -
Accounting Services	\$/yr.	\$ -
Lighting Insurance	\$/yr.	\$ -
Flood Insurance	\$/yr.	\$ -
Beginning Cash Balance		\$ -
Minimum Cash Balance		\$ -
Operator's Desired Income		\$ -
Percentage of total income to come from aquaculture operation		0%
Fish		
Type of Fish		Titration
Days	# of days in the production cycle	0
End Weight	lb.	\$ -
Price	\$/lb.	\$ -
Months in 1 Cycle		0
Number of months in the cycle that harvesting occurs		January
Month in which seedlings are released		

Fixed costs

Fixed (or overhead) costs are those costs you are committed to paying regardless of what you do during the current period. The most important fixed costs for any operation are those for land, buildings, machinery, and equipment. The land charge represents a return for its use in crop production (interest paid on the land or cash rent). Fixed costs for buildings, machinery, and equipment include Depreciation, Interest, Repairs, Taxes, and Insurance—the "DIRTY 5."

You have some operating costs that are part of overhead. These overhead costs include telephone, insurance, taxes, utilities, etc. They have to be paid whether you produce or not. They probably won't vary with the level of production but probably will change with management decisions such as hours of operation (utilities) and market outlet (insurance).



You should allocate these to each enterprise. As with some variable costs, fixed cost allocation is a very difficult task.

What will an enterprise budget tell you?

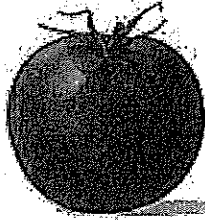
Enterprise budgets generally account for all costs and all income associated with the production of one particular crop or enterprise, what production activities will occur, and how much of each input you will need to produce a particular crop. Enterprise budgets are generally divided into three sections (Table 3):

- A. expected yield section,
- B. variable costs section often separates production and harvest costs (B and C in example), and
- C. fixed costs (D in example) section.

Table 3. Enterprise budget worksheet for calculating growing and harvesting costs

Crop:	Per acre
(A) Expected Yield (units/acre)	_____
(B) Variable costs (pre-harvest):	
Land and bed preparation	
Seed or transplants	
Fertilizer/lime	
Chemicals:	
Pre-emergence herbicides	
Post-emergence herbicides	
Fungicides	
Insecticides	
Fumigants	
Growth regulators	
Other:	
Fuel, lube, & repairs	
Cultivation	
Hired labor:	
Machinery operation	
Hand weed	
Irrigation labor	
Other:	
Custom work	
Irrigation	
Miscellaneous:	
Total Pre-Harvest costs (B)	_____
(C) Variable costs (harvest):	
Harvest/haul	
Other:	
Total Harvest Expenses (C)	_____
(D) Fixed costs:	
Depreciation, Interest, Repairs, Taxes, Insurance	
General overhead	
Total Fixed expenses (D)	_____
Total Cost (B + C + D)	_____
Summary:	
Pre-harvest Cost/Unit ($B \div A$)	
Harvest Cost/Unit ($C \div A$)	
Fixed Cost/Unit ($D \div A$)	
TOTAL COST/UNIT ($B+C+D \div A$)	_____

The *expected yield* simply tells you what average yields are for the crop you are growing. Your actual yields will undoubtedly vary due to the weather, soil type, crop variety, insect damage, presence or absence of wildlife like deer and birds, and so forth.



The variable cost section gives you information on the cost of inputs into production. Since you are calculating them on a per acre basis, you can calculate your total variable cost for any input by multiplying the per acre cost by the number of acres you will have in a particular crop.

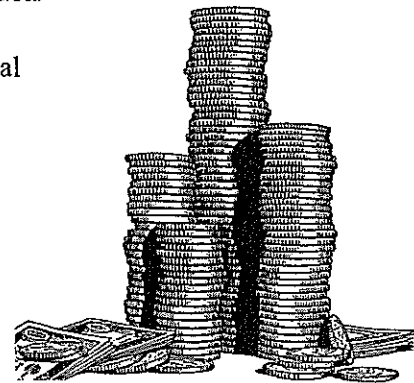
The fixed cost section will be difficult to calculate on a crop basis. What many producers do is to calculate the total acreage planted in all crops then divide the total acreage into the enterprise crop to get a percentage. This percentage is then multiplied by the fixed cost and divided by the acreage to get the per acre cost for that enterprise.

For example, Tina Silk has 300 acres in production. Of this acreage, 50 acres is planted to tomatoes. Her total fixed costs for the season are \$75,000. She calculates that tomatoes account for 16.6% of the total acreage ($50 \div 300 = 0.167$). She calculates that the total fixed costs for tomatoes is \$12,500 ($\$75,000 \times 0.167 = \$12,500$). Finally, she calculates the per acre fixed costs to be \$250 ($\$12,500 \div 50 = \250).

When you have completed each section of the enterprise budget, you calculate total costs for that enterprise by summing variable costs and fixed costs. From the information you calculated using an enterprise budget you will know how much you will need to make on the sale of the product to cover *all* your costs.

You can find examples of enterprise budgets at the following websites. Some are interactive so that you can download them and fill in the spaces with your own numbers.

- ✎ Clemson enterprise budgets for vegetables and melons. Found at <http://cherokee.agecon.clemson.edu/budgets.htm>.
- ✎ Ohio enterprise budgets. Found at <http://aede.osu.edu/Programs/FarmManagement/Budgets/index.htm>.
- ✎ University of Georgia Interactive enterprise budgets. Crops including tomatoes and squash and livestock Found at <http://www.ces.uga.edu/Agriculture/agecon/interactive.htm>.
- ✎ University of Kentucky vegetable and melon enterprise budgets. Found at http://www.uky.edu/Ag/AgEcon/pubs/software/budgets_veg_melon.html.
- ✎ North Carolina State University Value Added and Alternative Agriculture. Found at http://www.cals.ncsu.edu/value-added/bus_man_plans.htm
- ✎ University of Wisconsin, Center for Integrated Agricultural Systems. Dairy sheep and goat, specialty foods, and poultry enterprise budgets. Found at http://www.cias.wisc.edu/archives/2006/04/04/enterprise_budgets_help_farmers_plan_for_profits/index.php.



How do you use enterprise budgets?

Enterprise budgets are sometimes used to determine the maximum rental rate that you can afford to pay for land. To do this, simply prepare the enterprise budget, but omit any charge for land. The resulting expected profits would indicate the maximum rent that you could pay to just break-even when all costs are covered.

One important use of enterprise budgets is that they help establish a minimum selling price based on production costs. Once you calculate total costs of an enterprise are determined, you know the minimum price that you should charge for that product. Ultimately, the price you charge depends on what you feel is a fair return on investment, the risks associated with producing the enterprise, and the customers' willingness-to-pay. By using costs of production as guide to establishing a minimum price for all products, you are at least assured that all costs are covered and that you are not producing products which are losing money.

What will a partial budget tell you?

You use a partial budget to calculate the expected change in revenue from a proposed change in your operation. A partial budget contains only those income and expense items that will change if you implement your proposed change in the business plan. For example, you may want to change an existing production method (such as using a new fertilizer); decide whether to add a new enterprise to the product mix or expand an existing enterprise; evaluate whether to purchase or replace a piece of equipment; or purchase additional land.

You analyze these types of alternatives in a partial budgeting framework by answering four questions (Table 4):

1. What new or additional costs will you incur?
2. What current income will you reduce or lose?
3. What new or additional income will you receive?
4. What current costs will you reduce or eliminate?



Table 4. Partial budget for analyzing changes to farming operation

Partial Budget for: (Describe the alternative plan compared to the base plan)			
Positive Impact		Negative Impact	
1A. Additional Income (List the items of income from the alternative plan that would not be received with the original plan.)	\$	1B. Reduced Income (List the items of income for the original plan that will not be received from the alternative plan.)	\$
2A. Reduced expenses (List the items of expense for the original plan that will be avoided with the alternative plan.)	\$	2B. Additional Expenses (List the items of expense for the alternative plan that are not required with the original plan.)	\$
3A. Subtotal (1A + 2A)	\$	3B. Subtotal (1B + 2B)	\$
Difference (3A - 3B) (A positive difference indicates that the net income from the alternative plan exceeds the net income of the original plan by this amount. A negative difference indicates a lower net income for the alternative plan compared to the original plan.)		\$	

The first two questions identify factors which will reduce profits while the latter two identify those which increase profits. By comparing the answers of the first two questions with the last two, you can determine the net change in profit. If the difference is positive, your income increases and the change is probably worth making. If, on the other hand, the difference is negative, your income decreases and the change is probably not a good idea.

What will a cash flow budget tell you?

Cash flow budgets are concerned with timing of the flow of monies—cash expenditures and cash receipts through time. You can develop them either for each individual enterprise or for the entire operation. As a manager, knowing how much and when you will need money and when you will receive income is important. Making a profit and experiencing good cash flows are entirely different. It is entirely possible that you can show a profit at the end of the year and have a negative cash flow at sometime during the year. Since cash flow budgets show the expected timing of inflows of cash receipts and outflows of cash expenses, they can be used as a basis for anticipating the need for borrowing funds. Cash flow budgets do not tell you about profits, but they are very important if you have crops that require more than one season to produce, like blackberries, or if you have seasonal crops like Christmas trees or tomatoes.

Cash transactions occur frequently with farm operations. An important task for you as manager is to control this flow of cash in and out of the farm business. Liquidity deals with your ability to generate enough cash to meet financial obligations as they come due without disrupting the normal operation of the farm business. Cash comes into the business from various sources such as crop and livestock sales, other farm-related receipts, sale of capital assets, non-farm income and borrowed capital. You use this money to meet financial obligations like production expenses,

capital expenditures, loan payments, and family living expenses. Inflows and outflows seldom coincide with each other. Consequently, you should manage to have enough cash on hand to prevent shortages from disrupting the normal farm business.

Cash inflows are simply money coming into your operation from all sources.

Cash Inflows. Some enterprises generate a relatively even cash inflows into the farm business over the production year (dairy for example) while other enterprises result in seasonal cash inflows during the production season. Other farm receipts often make up a substantial cash

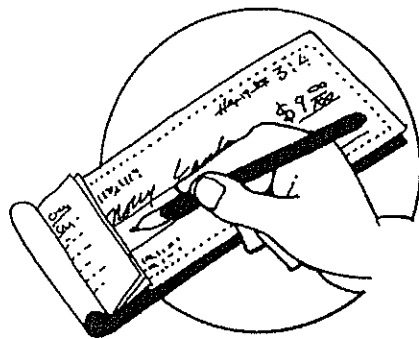
inflow. These other receipts include payments from participation in government commodity programs, income from custom work performed, and cooperative dividends. Examples of nonfarm receipts may include income from an off-farm job, cash from nonfarm savings and investments, and interest earned on nonfarm investments. Sale of capital assets (land, buildings, machinery, breeding livestock and tools) produces cash inflows.

Borrowed money is also a cash inflow. It is often considered a residual source of cash used to maintain cash reserves when cash outflows exceed the uneven cash inflows.

Cash Outflows. Production expenses can represent a relatively large drain on cash. These expenses typically include seed, fertilizer, agrochemicals, feed, hired labor, repairs, and other expenses. Capital expenditures include cash outlays for replacing and adding machinery and equipment and purchasing land and buildings, which are important for maintaining and increasing the growth of the farm business. These cash outflows are usually sporadic and often involve large amounts of money.

Cash outflows are what you pay for goods and services..

While borrowed capital represents a cash inflow, loan repayments represent a cash outflow. Family living expenses are sometimes overlooked as being secondary to the other cash outflows; however, you obviously must cover certain basic family living expenses, which may use money earmarked for the farm business.



In a cash flow statement the first column lists the transactions (Table 5). The second column summarizes the total cash inflows and outflows for the previous year. The next twelve columns project the monthly cash inflows and outflows for the coming year. The last column totals the monthly projections. The main categories of entries include: Cash Inflows, Cash Operating Expenses, Other Cash Outflows, Cash Flow Summary, and Loan Balances End of Period.

A cash flow statement is one of the best ways to pinpoint problems of cash shortages. Cash flow budgets will help you determine the product mix for production and the method of sale (pick-

Table 5: Structure of a typical farm cash flow statement.

Name:	Period	January	February	March	April	May	June	July	August	September	October	November	December	Year>
Cash inflows														
1. Crop sales														1
2. Livestock & livestock products sales														2
3. Government payments														3
4. Capital sales														4
5. Other farm income														5
6. Non-farm income														6
7. Total cash inflow (lines 1 thru 6)														7
Cash operating expenses														
8. Seed														8
9. Fertilizer, lime, chemicals														9
10. Feed														10
11. Livestock purchased for resale														11
12. Vet. medicine, breeding fees														12
13. Fuel, oil, lubricants														13
14. Utilities														14
15. Repairs														15
16. Taxes, insurance														16
17. Hired labor														17
18. Rent, leases														18
19. Machine hire														19
20. Supplies, miscellaneous, other														20
21. Total cash expenses (lines 8 thru 20)														21
Other cash outflows														
22. Capital purchases														22
23. Family living														23
24. Other withdrawals and income taxes														24
25. Intermediate loan principal payments														25
26. Intermediate loan interest payments														26
27. Long-term loan principal payments														27
28. Long-term loan interest payments														28
29. Total cash outflows (lines 21+ 22 thru 28)														29
Cash flow summary														
30. Beginning cash balance														30
31. Inflows minus outflows (Lines 7-29)														31
32. Cash position (Lines 30+31)														32
33. New borrowing: operating														33
34. New borrowing: intermediate														34
35. New borrowing: long-term														35
36. Operating loan principal payments														36
37. Operating loan interest payments														37
38. Ending cash (Lines 32+33+34+35-36-37)														38
Loan balances end of period														
39. Operating (previous period line 39+33-36)														39
40. Intermediate (previous period line 40+34-25)														40
41. Long-term (previous period line 41+35-27)														41

Comments:

your-own, restaurants, farmers' markets, etc.). From the cash flow budget you will be able to identify the periodic cash shortfalls/surpluses and the cumulative cash shortfalls/surpluses over time. Anticipating the amount, timing, and cumulative balances of cash shortfalls/surpluses gives you time to consider changes to your marketing plans that will help you manage cash flow challenges.

Example: What will a cash flow statement tell you?

Your marketing plan is to sell leafy green vegetables and tomatoes to four local gourmet restaurants. However, these restaurants want you to wait 30 to 45 days for your payment. Based on your cash flow budget, you know that this arrangement won't work. Since you have a cash flow problem with the restaurant arrangement, you might decide to choose an alternative market outlet.

Resources

- Betz, Roger, M. Staton, J. Knuth, G. Schwab, and S. Nott. *Vegetable Farm Business Analysis Workbook*. Staff Paper 2001-12, Department of Agricultural Economics, Michigan State University, June 2001.
- Brumfield, Robin. *Smartform – Costs and Returns Per Acre*. Online resources for developing enterprise budgets. Found at <http://aesop.rutgers.edu/%7Eefarmmgmt/ne-budgets/smartform.html>.
- Farmer-to-Consumer Marketing: Production and Marketing Costs*. Pacific Northwest Extension Publication No. 202.
- Farmer-to-Consumer Marketing: Financial Management*. Pacific Northwest Extension Publication No. 206.
- Financial Guidelines for Agricultural Producers*. Available on line at no charge from the Farm Financials Standards Council at <http://www.ffsc.org>.
- Hall, Charles R. "Finding That Last Red Cent," *Greenhouse Manager*, Volume 11, Number 3, July, 1992.
- Johnson, Dale, B. Lessley, and J. Hanson. *Assessing and Improving Your Farm Cash Flow*. Fact Sheet 541, University of Maryland Cooperative Extension, http://www.smallfarmsuccess.info/FactSheet_541.cfm.
- Management Accounting Guidelines for Agricultural Producers*. (draft version only) Available on line at no charge from the Farm Financials Standards Council at <http://www.ffsc.org>.
- Nourse Farms. Found at <http://www.noursefarms.com/>.
- Profitability: Will It Make Money*, AG Strategies Fact Sheet Agdex 811-6, April 2003, [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex11140](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex11140).
- Sullivan, G., V. Kulp, R. Treadway, and P. Kirschling. *Direct Farm to Consumer Marketing—A Profitable Alternative for Family Farm Operations*. HO-160. Indiana Cooperative Extension Service.

Chapter 7 References: How Do You Plan for Profits?

Profitability: Will It Make Money?

[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex1140/\\$file/811-6.pdf?OpenElement](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex1140/$file/811-6.pdf?OpenElement)

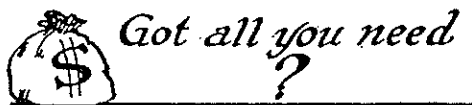
Farm Management Tools for the Small Acreage Producer

http://www.ag.uidaho.edu/sustag/smallfarms/2006_Farm_Management_Tools.pdf

Analyzing a Farm Business

<http://www.gov.mb.ca/agriculture/financial/farm/pdf/farmplananalyzingafarmbusiness.pdf>





Chapter 8

How Do You Set Your Price?

Considerations for your clients

What is the perception of consumers towards your products?

How do you find the break-even price and quantity for your products?

How do you calculate a cost-plus price?

Pricing is a tricky business. You're certainly entitled to make a fair profit on your product, and even a substantial one if you create value for your customers. But remember, something is, ultimately, worth only what someone is willing and able to pay for it. The cultural practices required to produce a marketable product are easier to define and understand than the principles governing pricing.

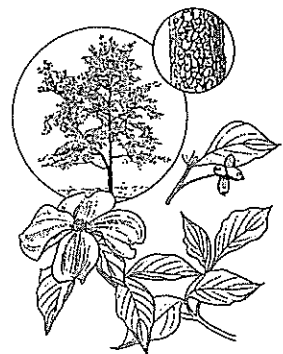
Pricing is a tricky business.

Ideally, you want your price to cover all production, marketing, waste and spoilage, and fixed costs as well as provide a profit. Planning and research before production begins will help you decide what to produce, how much to produce, how much of the product at various price levels you can expect to sell, and whether those sales will provide adequate returns to cover all costs and yield a profit.

What is the perception of consumers towards your products?

Economists often say that the point of price determination is where supply and demand meet. While knowing production and marketing costs helps to establish a minimum price from the supply side, an understanding of customers and their needs (as well as the competition and how the competition might react) will help you determine the price customers might pay from the demand side. Once you've determined all the factors, you can change a price to reflect changes in cost, demand, or competition. However, changing prices during the season may lead to confusion or distrust on the part of customers.

Prices must be justified by value (or perceived value) to the customer. New cultivars, crops available in limited quantities, or novelties, all command higher prices. You will need to consider what your pricing objectives are: selling the most you can; getting a high price but not selling as many; or having the same price as your competition because



Pricing objectives

Lower price

- ✧ To expand your potential market;
- ✧ To attract customers who couldn't buy at higher prices;
- ✧ To increase customers' willingness to try a new product;
- ✧ To attract customers away from other producers offering the same products.

Higher price

- ✧ To substantiate a higher quality image position;
- ✧ To stressing profits rather than sales;
- ✧ To sell a product that is totally unique.

Parity price

- ✧ When your product is similar to your competitor's, and you cannot provide a better overall value to the consumer.

you have essentially the same product or you believe they have priced products based on superior knowledge.

Research shows that, unlike many other retail industries where products are perceived to be identical, price is not the most important factor governing customers' choices of where consumers shop for produce. Factors more important to consumers than price include location, selection, quality, and service.

Regardless of costs and desired margins or markups, the price must be competitive with other sellers. Supermarkets will average out on the produce sales by pricing some items lower than the their wholesale cost and pricing other items on the basis of whatever the traffic will bear. With a large volume of produce, over a long period of time, this strategy works well. Very few direct marketers, however, have the volume to make this pricing strategy work satisfactorily. Most direct marketers price their produce somewhere between the current wholesale and supermarket prices. This system is workable, but your operating budget and competitors should be kept in mind as well.

Some consumers expect prices to be lower at the farm than at the supermarket. They rationalize that you don't have the overhead and transportation costs supermarkets have. Probably just as



many consumers, however, look for quality as defined by freshness and price means very little. If you sense this attitude, you might be able to charge higher prices.

If you are selling large volumes of produce for home canning and freezing, you may change your pricing strategy to encourage customers to buy in larger units such as flats of berries, boxes of tree fruits, or 20- and 25-pound units of vegetables. Examples of such differential pricing for berries would be 59¢ per pint, \$1.75 for 3 pints and \$6.50 per 12-pint flat at a farm stand, but the pick-your-own price might be 35¢ per pound. An example for sweet corn is a \$5.00 per 5-dozen crate, 10 ears for \$1.00, 13¢ per ear, or two ears for 25¢.

BEETS 99¢ lb.
OVER 20 lb... 79¢ lb

In addition to pricing strategies, certain pricing techniques have proven successful. Supermarkets use the rule of 7's or 9's (that is 19¢, 29¢, 59¢, or 79¢ per unit). Odd prices seem cheaper in the consumers' minds than pricing in even numbers. At the roadside stand, however, 5's are just as effective and save pennies (that is 5¢, 15¢, 25¢, 35¢, or 75¢ per unit). This technique permits specials to stand out. For example, by shifting the special items from prices ending in 5 to prices ending in 9, it is easy to show savings for buying in volume (39¢ each or 3 for \$1 saves 17¢).

When considering specials, you should keep in mind the expected sales volume. For instance, midweek specials may attract extra customers during a time when business is slow. Evening specials may attract the working people and increase sales volume during peak harvest. Clean-up specials may be posted near the close of a day's business, but you should be careful because some customers, anticipating price reductions, may put off shopping until late in the day. One caution about these strategies—they make more work for you and may not gain you any more net income.

Review your marketing strategies.
Review your problems and opportunities.
Review your pricing mathematics.

Finally, you should watch the image of your business by keeping prices fair. To do so, you must know the costs of doing business. Knowledge of costs will help keep your business profitable. Production costs and competitors' prices will establish the lower and upper limits for pricing. Only you, however, can control the quality, the volume to offer, and the price to ask.

Variable costs increase as production increases. Fixed costs need to be paid no matter how much you produce.

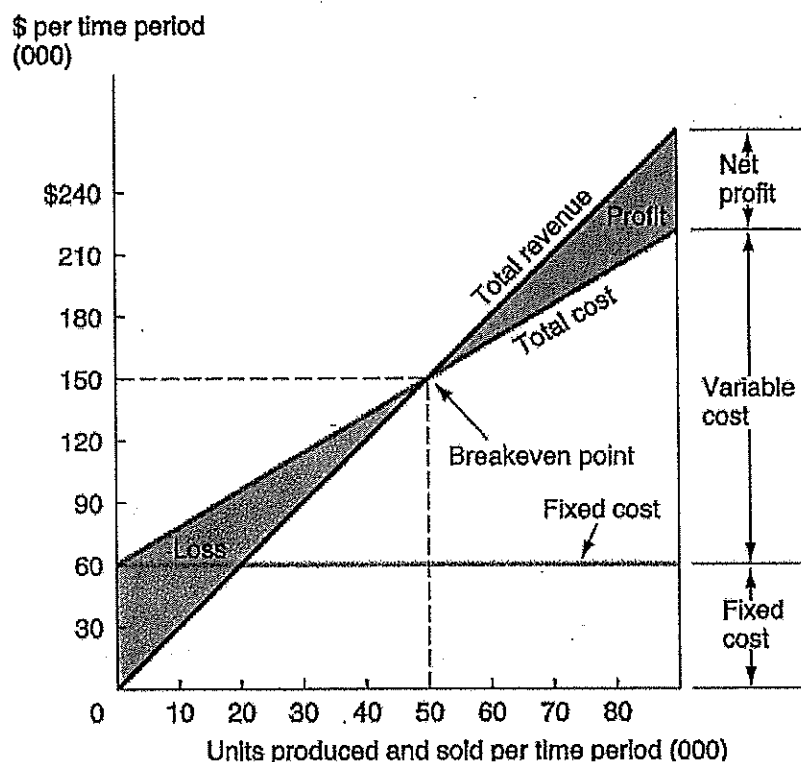
You need to consider both fixed and variable costs when deciding whether to continue production. You also need to consider start-up costs when a crop or livestock takes more than one season to come into production. In the short run, the amounts of some inputs can be changed while others cannot. You should stay in production if it appears that revenue will at least cover variable costs. However, if variable costs cannot be covered, continued production only makes things worse. In the long run, you should continue

production only if you can cover *all* costs. Anything short of that usually results in the erosion of net worth and, ultimately, loss of the farm.

Sometimes it is useful to separate variable costs into pre-harvest and harvest costs. Faced with the cost of harvesting a crop with a low yield, you will be trying to determine whether the value of the crop will cover the harvest costs. At this point, you will not need to consider pre-harvest costs when deciding whether to harvest because you already have to pay them anyway.

How do you find the break-even price and quantity for your products?

The break-even point is the point at which revenue is exactly equal to costs (Figure 1). At this point, you make no profit and incur no losses. You can express the break-even point in unit sales—the number of units of a product you must sell or in dollar sales—the amount of gross sales you need. If you sell fewer than the break-even number of units, you will loss money; if you sell more, you will make money. The same is true of gross sales: with gross sales less than break-even, you loss money; but with greater than break-even gross sales, you make money.



The break-even point is an excellent tool to help you calculate the minimum price you should charge by selling a given quantity. You probably won't produce a crop just to break-even. You are more likely to produce it because you believe it will make you money. The break-even point may be fine if you have included your labor and your family's labor as an expense as well as some dollar amount as a return on your investment in that enterprise.

Break-even analysis is based on two types of costs: fixed and variable costs. Once you reach the break-even point, assuming no change in either selling price or fixed and variable costs, your profit is the difference between selling price of any additional units and the variable cost of producing those units. You have already covered all your fixed costs. Keep in mind, this

example is simplistic. Break-even analysis is not normally this simple. In many instances, the selling price, fixed costs, or variable costs will change. The result is a change in the break-even point. You should, therefore, calculate a break-even more than once to reflect changes in costs and prices and to maintain profitability or make adjustments in your crop or product mix.

You need three basic pieces of information needed to evaluate a break-even point:

1. Average per unit sales price
2. Average per unit variable costs
3. Average annual fixed costs

The basic equation for determining the **break-even units** is

$$\frac{\text{Annual fixed cost}}{(\text{Average per unit selling price} - \text{Average per unit variable cost})}$$

The basic equation for determining the **break-even total sales** is

$$\frac{\text{Annual fixed cost}}{1 - (\text{Average per unit variable cost} \div \text{Average per unit selling price})}$$

The basic equation for calculating **break-even price** is

$$\text{Per unit variable cost} + (\text{Annual fixed costs} \div \text{projected units sold})$$

Example of how to calculate break-even price and quantity

A local livestock producer utilizes compost waste to develop an organic fertilizer product. The fertilizer is prepared for retail sale in 50 pound bags. He assumes that the selling price is \$5.00 per bag. The average variable cost per bag is \$2.80, and average annual fixed costs are \$60,000. These three pieces of information are

Average per unit selling price = \$5.00 per bag
Average per unit variable cost = \$2.80 per bag
Annual fixed costs = \$60,000.00

Using these assumptions he can calculate the number of bags that he must sell to break-even as well as the total dollar of sales needed to break-even.

$$\text{Break-Even Units} = \$60,000.00 \div (\$5.00 - \$2.80) = 27,273 \text{ bags}$$

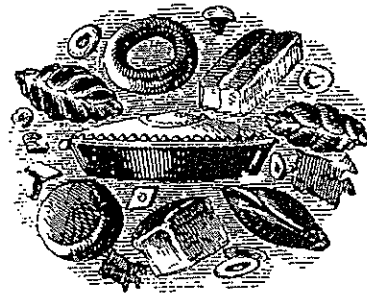
$$\text{Break-Even Sales} = \$60,000.00 \div [1 - (\$2.80 \div \$5.00)] = \$136,365$$

Until he reaches the break-even sales level, he will make no profits from the sale of his fertilizer. Remember that at break-even, he has exactly covered all costs (fixed and variable). In this example, he must sell more than 27,273 bags or generate more than \$136,365 in gross sales.

If he wants to determine the minimum price that he can charge to still break-even, he makes an assumption about the number of bags he would sell, 30,000 bags in this case. Using the formula for break-even sale price, you find he will need to charge \$4.80 a bag.

$$\begin{aligned} \text{Break-Even Price} &= \$2.80 + (\$60,000 \div 30,000) = \\ &\$4.80 \end{aligned}$$

Thus, even though he would break-even with fewer bags at \$5.00, he could lower his price and still break-even if he can sell more bags.



The limitation of break-even analysis is that you have to be able to project the quantity that you will reasonably be able to sell at a price that people are willing to pay. These two challenges—projecting quantity and price—are the major limitations when trying to develop a realistic break-even analysis.

Break-even analysis can be very helpful in the evaluation of a new venture. In most instances, success takes time. Many new enterprises actually operate at a loss in the early stages of development. Knowing the price or volume necessary to break-even is critical to evaluate the length of time you can cover your losses. The break-even analysis is also an excellent way to measure your short-term goals. For break-even analysis to work, you must analyze your costs, which keeps you focused on the connection between production and marketing.

A product is only worth what a customer is willing to pay for it.

How do you calculate a cost-plus price?

Cost-plus pricing also involves knowing *all* your costs including waste and spoilage. As with break-even pricing, you need to allocate your fixed costs to a particular enterprise. Once you have calculated the total cost of producing a product you can try different margins or markup to come up with a price.

To calculate the markup for a product you multiple the cost of producing the product times the percentage you want to mark it up. The result is added to the selling price.

Markup is the amount the cost is raised to achieve the desired selling price.

Margin is the percentage of the selling price above the cost of producing the product.

Example of markup pricing for a pound of strawberries

One pound of strawberries cost you \$0.75 to produce. You want to have a profit of 30%.

Markup amount (in \$) = Cost X Percentage markup

Markup = $\$0.75 \times 0.3$

Markup = \$0.23 (you rounded up from \$0.225)

Selling price = $\$0.75 + \0.23

Selling price = \$0.98 per pound

To calculate the margin for your strawberries, again you need the total cost and how much above that cost you want to receive for your strawberries.

Example of using margin pricing for a pound of strawberries

Using the same cost and percentage as in the markup example, you would calculate your selling price as

Selling price = $\text{Cost} \div (1.00 - \text{Margin percent})$

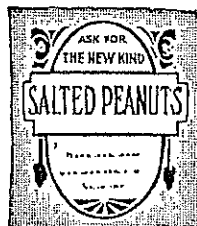
Selling price = $\$0.75 \div (1.00 - 0.30)$

Selling price = $\$0.75 \div 0.70$

Selling price = \$1.03 per pound

As you can see, the different methods give you different prices. Generally, direct marketers use a 30% margin or a 40% markup. The more perishable the product you sell, the higher will be your markup or margin.

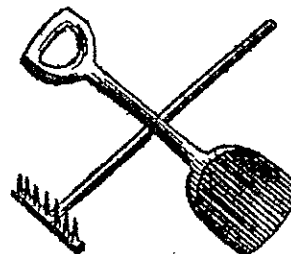
As you calculate your costs and margins and markup, keep in mind your competition; the quality and selection of what you are offering; the uniqueness of what you are selling; your image; the season of the year; and customer response. Any and all of these can and will affect how much you are able to sell and, consequently, your profit and loss.



Pricing checklist of do's and don'ts

Do

- ☞ Review your pricing problems and opportunities and your marketing strategies before developing your pricing plan.
- ☞ Closely monitor the competition and keep consistent records of your competitors' pricing.
- ☞ Be flexible. Be prepared to adjust to competitive pressures and the marketing environment.
- ☞ Be willing to change your price and use it as a tool for achieving marketing strategies.
- ☞ Remember, the more intangible services offered or the more unique your product, the more flexibility you will have in setting higher prices.
- ☞ Price your product to provide ultimate value to your customers. Remember, you can still give real value through high price (for example, the product is a little higher priced than the competition, but the customer receives a unique or better service).
- ☞ Be aware of not only the obvious costs, but also the hidden costs when determining your selling price (for example, crop losses, waste, and spoilage).



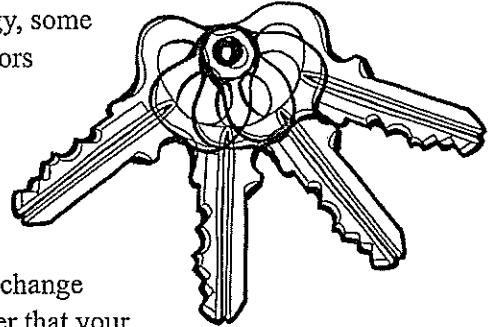
Don't

- ☞ Don't look at pricing as being static. Your cost of doing business and the competitive activity in your marketplace is not fixed. Your pricing shouldn't be either.
- ☞ Don't confuse potential customers by constantly changing prices while you're trying to be flexible.
- ☞ Don't set pricing without first determining how it will affect sales, margins, and your ability to cover variable, fixed, and hidden costs.
- ☞ Don't be afraid to use price to achieve other marketing goals such as getting customers to try your products. However, testing this premise is a good idea to make sure you are receiving adequate repurchase from the new customers to justify a period of lower prices.
- ☞ Don't over react to the competition. Before you change your long-run pricing strategy, wait to see if the competitive price changes are temporary or permanent. At the same time, learn to anticipate and react to short-run competitive price changes.
- ☞ If you are attempting to build an image based on quality or value, don't lower an already competitive price, put greater emphasis on the quality of your product or services.



Checklist of key pricing success factors

One of the most difficult, yet important, issues you must decide is how much to charge for your product or service. While no one single right way exists to determine your pricing strategy, some guidelines will help you with your decision. Some factors to consider are



- ✎ **Cost** Calculate the fixed and variable costs associated with your product or service. How much of which cost is associated with each item sold or service delivered, and how much is doesn't change unless you changes dramatically in size? Remember that your gross revenue has to cover your fixed costs for you to make a profit. Many entrepreneurs underestimate this amount, and it gets them into trouble.
- ✎ **Positioning** How are you positioning your product in the market? Is pricing going to be a key part of that positioning? If you're running a discount store, you're always trying to keep your prices as low as possible (or at least lower than your competitors). On the other hand, if you're positioning your product as an exclusive luxury product, a price that's too low may actually hurt your image. Pricing has to be consistent with positioning. People really do hold strongly to the idea that "You get what you pay for."
- ✎ **Demand Curve** How will your pricing affect demand for your products? You're going to have to do some basic market research to find this out, even if it's informal. Get 10 people to answer a simple questionnaire, asking them, "Would you buy this product/service at X price? Y price? Z price?" You can chart a basic curve that says that at X price, R percent will buy; at Y price, S percent will buy; and at Z price, M percent will buy.
- ✎ **Legal and competitive factors** Do you face any legal or competitive constraints on pricing? For example, you want to sell produce to the local prison. Because they are required to get competitive bids, they will only pay based on the lowest bid, no matter what the quality of the produce or services are included. Will you be able to accept that price? How much competition do you have for the prison contract? If you set your price lower to get the contract, will you trigger a price war? Find out what external factors may affect your pricing.

What are you trying to accomplish with your pricing?

- ✎ **Short-term profit maximization** While this objective sounds great, it may not actually be the optimal approach for long-term profits. Companies having cash flow problems use this method as the overriding consideration.
- ✎ **Maximize quantity** You may choose this strategy for a couple of reasons. You may focus on reducing long-term costs by achieving economies of scale so that you increase profits by reducing costs.

- ✧ **Maximize profit margin** This strategy is most appropriate when you expect the number of sales either to be very low or sporadic and unpredictable. An example is luxury items.
- ✧ **Differentiation** At one extreme, being the low-cost leader is a form of differentiation from the competition. At the other extreme, a high price suggests high quality and/or a high level of service. Some people really do order lobster just because it's the most expensive thing on the menu.
- ✧ **Survival** In certain situations such as a price war, market decline, or market saturation, you must temporarily set a price that may only cover costs but allows you to continue operation.

How do you combine all of these pricing strategies to come up with a selling price?

- ✧ **Your price must be enough higher than costs to cover reasonable variations in sales volume.** If your sales forecast is inaccurate, how far off can you be and still be profitable? Ideally, you want to be able to be off by a factor of two or more (i.e. your sales are half what you forecast) and still be profitable.
- ✧ **You have to make a living.** Have you included salary for yourself in your costs? If not, your profit has to be enough for you to live on and still have money to reinvest in the business.
- ✧ **Your price should almost never be lower than your costs or higher than what most consumers consider "fair."** Obvious perhaps, but many entrepreneurs seem to miss this simple concept, either by miscalculating costs or by inadequate market research to determine fair pricing. Simply put, if people won't readily pay enough more than your cost to give you a fair profit, you need to reconsider your business model entirely. Can you cut your costs substantially or change your product positioning to justify higher pricing?



Resources

- Barefield, A., G. Smith, and E.M. Westbrook. *Exploring Entrepreneurship*. Tennessee Agricultural Extension Service PB 1630, <http://economics.ag.utk.edu/pubs/business/pb1630.pdf>.
- Farmer-to-Consumer Marketing: Merchandising, Pricing, and Promotional Strategies*. Pacific Northwest Extension Publication No. 203.
- Gibson, Eric. *Sell What You Sow! The Grower's Guide to Successful Produce Marketing*. New World Publishing, Carmichael, CA, ISBN 0-9632814-0-2.
- Giddens, Nancy, J.Parcell, and M. Brees. *Selecting an Appropriate Pricing Strategy*, MU Extension Fact Sheet G649, <http://muextension.missouri.edu/explore/agguides/agecon/g00649.htm>.
- Methods to Price Your Product*, AG Strategies Fact Sheet Agdex 845-2, February 1999, [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex1133](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex1133).
- Pricing Horticultural Products*, AG Strategies Fact Sheet Agdex 845-4, February 1999, [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex918?opendocument](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex918?opendocument).
- Sullivan, G., V. Kulp, R. Treadway and P. Kirschling. *Direct Farm to Consumer Marketing—A Profitable Alternative for Family Farm Operations*. HO-160. Indiana Cooperative Extension Service.





Chapter 8 References: How Do You Set Your Price?

Agricultural Alternatives: Enterprise Budget Analysis

http://agalternatives.aers.psu.edu/farmmanagement/enterprise/enterprise_budget_analysis.pdf

Break-even Pricing, Revenue and Units

<http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-180.pdf>

Financial Record Keeping for Farmers and Ranchers

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2483/F-302web.pdf>

Twelve Steps to Cash Flow Budgeting

http://www.econ.iastate.edu/research/webpapers/paper_10213.pdf



Chapter 9.

Directory of Marketing Regulations, Licenses, Permits, Taxes, and Insurance

Considerations for your clients

Who do you call before you start direct marketing
What are you thinking of producing?
What market outlet do you think you'll use?
Do you employ people other than your family members?
What is the legal structure of your business?
What additional structures are needed?
What does your insurance cover?



Who do you call before you start direct marketing?

Local land use and planning authorities
Insurance Agent
Federal, State, and Local Department of Taxation/Revenue
State Department of Agriculture and Consumer Services (North Carolina and Virginia) or South Carolina Department of Agriculture, Marketing Division
Attorney
Accountant

Land Use, Planning, and Zoning: Check with the local planning and zoning office to be sure that the property can be used for the intended purpose. Setbacks, road access, signs, and intended use may all be subject to restrictions. Talk to the person in charge if possible.

Insurance Agent: Liability insurance is a big issue no matter what type of marketing someone is considering. If the marketing is to take place on the farm, it becomes an even bigger issue. Vehicle insurance needs to cover all potential drivers (consider especially those under 25). Casualty insurance to cover fire, theft, inventory, and so forth is necessary. Flood insurance must be purchased separately and may be required if the operation is in a flood plain. Life and disability insurance for the owners and partners is a good idea. Health insurance for the family is

necessary; for the employees, it is a nice benefit, but costly. Product liability insurance may be a good idea, especially if processed food is being sold.

Department of Taxation/Revenue: The U. S. Internal Revenue Service (IRS) website offers help with tax issues. From the IRS website go to business then "Starting a Business" for help. A business must register with the state Department of Taxation/Revenue. The local Commissioner of Revenue must also be contacted.

Department of Agriculture and Consumer Services, Marketing Division: This group can supply regulatory information, signage for point-of-sale, and information about local and regional farmers' markets.

Attorney: Your attorney "helps you choose the right form of business; makes sure the proper papers are filed; drafts and interprets contracts and leases; defends you if legal action is brought against [you or] your business; represents you if you bring legal action against someone else; provides you with legal advice related to the operation of your business" (Business owner's toolkit. "Choosing professionals to assist you." http://www.toolkit.cch.com/text/P01_4100.asp). Furthermore, negligence on the part of the land owner is a major liability issue.

Negligence, careless acts or the failure to act, can be the source of large damage suits. Negligence can be the cause of financial ruin. The liability of a producer who is engaged in production and direct marketing is likely to arise from negligence in (1) personal actions; (2) trespass or injury by livestock; (3) the negligent acts of employees, in the course of their employment, that result in injury to others; (4) injury to employees arising from personal actions, defective machinery or equipment, or defective conditions on the premises; (5) the condition of the premises with respect to the customer (business invitees); or (6) defective or contaminated products (Geyer, 10-1).

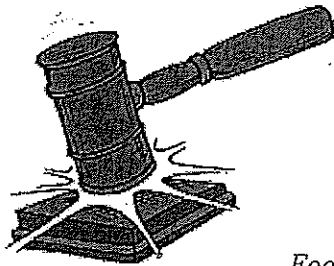
The legal structure of the business is also a matter to discuss with the attorney. The legal structure effects what taxes need to be paid, which state offices need to be contacted, what states it's possible to do business in, what records and accounts need to be kept, who is financially liable for the business, how money can be raised, and how management decisions are made.

Products sold will determine which departments at the local, state, and federal level require inspections, licenses, or permits. *Processed foods* require health department inspections. *Meat and poultry processing* may require both state and federal inspection of the slaughter facilities. These products also have restrictions on how they can be sold depending on the type of slaughter facility. *Dairy processing* also requires inspection and permits, but these requirements are state-level. *Eggs* have an optional inspection up to a threshold level, at which point they must be inspected. *Aquaculture* is regulated at state and local level and the Army Corps of Engineers may need to be contacted as well. *Live plants* for interstate sale will need to be inspected by state inspectors--contact the state Department of Agriculture and Consumer Services, Plant Inspection Division. *Fresh produce* generally does not need to be inspected.

Location of sales can have multiple requirements. If someone is interested in selling interstate, he/she will need to check with the other state where he/she plans to sell. State, regional, and local

government run farmers' markets may have requirements for origin of the products being sold. On-farm sales will dictate liability insurance, zoning compliance, and possibly noise levels.

Employees are those people outside the family that are paid for their services. Once an employer has paid wages of \$20,000 or more in any calendar quarter in either the current or preceding calendar year; **OR** employed 10 or more individuals on any day in each of 20 different weeks in either the current or preceding calendar year, he must pay unemployment insurance. Employers are required to pay workmen's compensation, comply with Occupational Safety and Health Administration (OSHA) regulations, and withhold employees' income tax and employees share of social security. Employers are required to post information about unemployment eligibility (download poster from state Department of Labor), workmen's compensation (download poster from state Department of Labor), and OSHA's Safe and Healthful Workplaces poster (<http://www.osha.gov/Publications/osh3165.pdf>).



Federal agencies that have a role in the food safety regulatory system are the Food and Drug Administration (FDA), the Food Safety and Inspection Service (FSIS), the Environmental Protection Agency (EPA) and the National Marine Fisheries Services (NMFS).

Food and Drug Administration (FDA): It is FDA's job to see that all domestic and imported foods marketed in interstate commerce (except for meat and poultry products) are safe and wholesome. Feed and drugs for pets and farm animals, cosmetics, and medicines also come under FDA scrutiny. FDA also ensures that products are labeled truthfully with the information that people need to use them properly.

FDA investigators and inspectors visit more than 15,000 facilities a year, seeing that products are made under the proper conditions and labeled truthfully. If a company is found violating any of the laws that FDA enforces, FDA can encourage the firm to voluntarily correct the problem or to recall a faulty product from the market. A recall is generally the fastest and most effective way to protect the public from an unsafe product. When a company can't or won't correct a public health problem voluntarily, FDA has legal sanctions it can bring to bear.

Food Safety And Inspection Service (FSIS): FSIS seeks to ensure that meat and poultry products are safe, wholesome and correctly marked, labeled and packaged if they are transported out of state. FSIS also shares responsibility with FDA for the safety of intact-shell eggs and processed egg products. States are responsible for the inspection of meat and poultry sold in the state where they are produced, but FSIS monitors the process and will assume responsibility if a state fails to do so.

Environmental Protection Agency (EPA): EPA licenses all pesticide products distributed in the United States and sets standards on the amount of pesticides that may remain on food. The 1996 Food Quality Protection Act requires the EPA to consider the public's overall exposure to pesticides (through food, water, and in home environments) when setting the standard for pesticide use on food. EPA is also responsible for protecting against other environmental, chemical and microbial contaminants in air and water that might threaten the safety of the food supply.

National Marine Fisheries Services (NMFS): NMFS conducts a voluntary seafood inspection and grading program that checks mainly for quality. Seafood is the only major food source that is both "caught in the wild" and raised domestically. Quality and safety standards vary widely from country to country and inspection of processing is a challenge because much of it takes place at sea. Mandatory regulation of seafood processing is under FDA and applies to exporters, all foreign processors that export to the United States and importers.

Other Federal Agencies: The Agricultural Marketing Service, Grain Inspection, Packers and Stockyards Administration, and Animal and Plant Health Inspection Service of the USDA oversee the USDA's marketing and regulatory programs.

The Centers for Disease Control and Prevention of the Department of Health and Human Services engages in surveillance and investigation of illnesses associated with food consumption in support of the USDA and FDA regulatory missions. The Federal Trade Commission, through regulations of food advertising, plays an indirect role in food safety regulations.

Several other federal agencies have smaller but important regulatory responsibilities in food safety. For example, the Department of the Treasury's Bureau of Alcohol, Tobacco and Firearms is responsible for overseeing the production, distribution and labeling of alcoholic beverages. The department's Customs Service assists other agencies in ensuring the safety and quality of imported foods through such services as collecting samples (Clemson Extension, Home and Garden Information Center, HGIC 3863, <http://hgic.clemson.edu>).



State agencies that need to be contacted will depend on the product sold and the state where they are sold. Many of these agencies are part of the state department of agriculture or are part of the College of Agriculture at the state Land Grant University. The tables that follow give addresses, websites, and phone numbers. Other agencies may need to be contacted as well. Ask questions about the specific products to be sold to determine if other agencies need to be contacted as well.

Aquaculture: Shellfish: In *tidal* waters both shellfish and land-based aquaculture are regulated.

Bees: beekeepers are required to maintain healthy hives and report any departure from a sound state of health. The regulation also identifies hive equipment and inspection requirements. An apiary inspection program ensures that diseases and pests of the honey bee are not inadvertently introduced into or spread within the State.

Certified Seed: To sell seed labeled "certified," the marketer must have the seed inspected for purity by a seed certifier.

Dairy: State milk commission's role is to supervise, regulate, and control the production, transportation, processing, storage, distribution, delivery, and sale of milk, and to make regulations to carry out the Milk Control Act.

Eggs: Up to a certain number of eggs can be sold without grading. For handling and labeling information contact the egg division.

Export: regulations are commodity and country specific. USDA and the state department of agriculture need to be contacted to obtain help.

Food Safety and Processed Foods: This division is responsible for home kitchen inspections and high risk foods which may require the processor to attend processor's school.

Interstate sales: if the marketer is planning to sell in other states, he/she needs to check with that state for applicable licenses and taxes.

Mail Order: Regulated by the Federal Trade Commission (FTC). Sales of seed and growing plants are exempt from the FTC rule. For details about the rule go to <http://www.ftc.gov/bcp/online/pubs/buspubs/mailorder.htm>

Meat and Poultry: Selling meat requires state and/or federal inspection of the slaughtering facility. Poultry depends on quantity sold. Contact the poultry division for specifics. Information on how meat/poultry can be sold is provided by this division as well.

Nursery Sales: The primary goal of the nursery inspection program is to prevent the spread of insect, weed, and disease pests into or out of the Commonwealth, and to ensure that consumers are purchasing quality plant products, relatively free of plant pests.

Organic Food/Feed: To label products "organic," the farm must be certified. This division provides information on when certification is necessary, who can certify the operation, and potential state assistance with certification fees.

Pet Food and Pet Treats: This division is responsible for licensing and registering operations producing pet food and pet treats.

Product Labeling: Regulates what information goes on the label of a product.

Weights and Measures: This department certifies that scales are accurate.

WIC and Senior Nutrition Programs: These programs are administered by the local health department and the local department on aging.

Wine: to make or sell wine, one must register with the Federal Alcohol and Tobacco Tax and Trade Bureau (ATTB). The ATTB is part of the Department of the Treasury (<http://www.ttb.treas.gov/index.htm>). For advertising information call (866) 927-2533. Federal and state excise taxes apply.

Miscellaneous taxes, licenses, and assessments: Other taxes, licenses, and assessments may be required by the individual state. For example, Virginia assesses a litter tax on any retailer of food for humans, pets, or groceries that sells soft drinks/carbonated water. See tables for more specific information for your state.

The following tables provide contact information for the agencies that regulate various aspects of the agricultural industry. Acronyms used are

NCDACS--North Carolina Department of Agriculture and Consumer Services

SCDA--South Carolina Department of Agriculture

VDACS--Virginia Department of Agriculture and Consumer Services



North Carolina

Many aspects of direct marketing are regulated. What is regulated and who regulates it varies both within state and across states. The following list may not be complete. You need to ask questions of each agency as you work through their requirements to see if you also need to go to another agency for additional regulation and licensing information. One of the best sources in North Carolina for additional help is Department of Revenue's Business Service Consultants on the web at <http://www.nccommerce.com/servicenter/blio/startup/> or in N.C. only 800-228-8443 from elsewhere 919-715-2864. Another excellent source is The North Carolina Small Business Development Centers. You can download their guide at <http://www.sbtcd.org/publications/index.asp>. To find the office nearest you, use <http://www.sbtcd.org/offices/index.asp>. Another source is the Small Business and Technology Development Center's *Business Start-up and Resource Guide* found at <http://www.sbtcd.org/pdf/startup.pdf>.

If you are doing business in other states as well as North Carolina, check with the other states for any required permits, licenses, or taxes.

"The State of North Carolina has no single business license that will ensure compliance with the numerous state licenses, permits and regulatory requirements. Additionally, the proposed business may be subject to local and/or federal requirements.

The Business ServiCenter does not keep records of existing businesses or issue state business licenses, but assists prospective business owners in identifying and meeting these requirements" (BusinessServiCenter found at <http://www.nccommerce.com/servicenter/blio/>).

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
Aquaculture/fish	U.S. Corps of Engineers USAED, Wilmington P.O. Box 1890 Wilmington, NC 28402-1890 General Information (910) 251-4625	NCDACS Marketing Division Agribusiness Development 1020 Mail Service Center Raleigh, N. C. 27699 Phone: (252) 633-1477 N.C. Wildlife Resources Commission 1701 Mail Service Center Raleigh NC 27699 (919)-707-0010 N.C. Dept. of Environ. & Natural Resources 601 Mail Service Center Raleigh, NC 27699 (919) 733-4984	Local Planning & Zoning
Bees		NCDACS state apiarist 1060 Mail Service Center Raleigh, NC 27699-1060 (919) 233-8214 http://www.ncagr.com/plantind/plant/apiary	
The State Apiarist shall enforce the law, regulations, and quarantines and clean-up areas to protect honeybees in North Carolina from diseases and disorders			
Building codes			County Administration Office
Business license		Dept. of the Secretary of State	Local Register of Deeds to
Business name registration—sole proprietorships and partnerships operating under an assumed name (AKA)		PO Box 29622 Raleigh, NC 27626-0622 919-807-2225 http://www.secretary.state.nc.us/corporations/	assumed name (AKA) for business

	Federal	State	County/City
Dairy		NCDACS Food and Drug Protection Division 1070 Mail Service Center Raleigh, NC 27699-1070 (919) 733-7366	
Eggs Eggs are required to be graded before sale		NCDACS Marketing Division, Regulations, Grading Services 020 Mail Service Center Raleigh, NC 27699-1020 (919) 733-9724 http://www.ncagr.com/markets/gradnregulator/egglaw.htm	
Export—regulations are commodity and country specific. Check the USDA website for specifics and NCDACS export specialists.	USDA Food Safety and Inspection Service, Regulations and Policy http://www.fsis.usda.gov/regulations_and_policies/export_information/index.asp	NCDACS Marketing Division 1020 Mail Service Center Raleigh, NC 27699 (919) 733-7912 http://www.ncagr.com/markets/internal/index.htm	County Administration Office Zoning Office
Facilities (including farmers' markets and roadside stands)		NCDACS Marketing Division 1020 Mail Service Center Raleigh, NC 27699-1020 (919) 733-7887	County Health Department
Food Safety & prepared foods		NCDACS Food and Drug Protection Division 1070 Mail Service Center Raleigh, NC 27699-1070 (919) 733-7366	
Food stamps and WIC	USDA Food and Nutrition Service Raleigh Field Office (824) Cedar West Building, Suite 102 3109 Poplarwood Court Raleigh, NC 27604 Phone: 919-790-2927	NC Public Health Division of Public Health 1931 Mail Service Center Raleigh, North Carolina 27699-1931 (919) 707-5510 http://www.nutritionmc.com/wic/pdf/2005/Vendor%20Manual%20-%20effective%2010.01.05.pdf	

What's regulated/licensed	Regulatory/Licensing Agency	State	County/City
Insurance: Vehicle; Liability; Casualty (fire, flood [need to request], theft, inventory, etc.); Business interruption; Life and disability for owners and partners; Group health, Product liability	Federal	NC Dept. of Insurance 1201 Mail Service Center Raleigh, NC 27699 877-885-0231 http://www.ncdoi.com/Consumer/Consumer.asp	Local insurance agent Local Farm Bureau agent
Interstate—check with state in which you plan to do business for what their requirements are			
Legal entity—to file for any legal structure other than sole proprietorship		Department of the Secretary of State Corporations Division PO Box 29622 Raleigh, NC 27626-0622 919 807-2225 Toll-free: 1 888 246-7636 (leave message) www.sosnc.com	
Mail order Wine is restricted in some states	Federal Trade Commission 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580 202-326-2222 http://www.ftc.gov/bcp/online/pubs/buspubs/ mailorder.htm		

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
Meat & slaughter Farmers may slaughter animals of their own raising for use by themselves, their families, and nonpaying guests. Such meats may not be sold into commerce. Individuals may slaughter up to 1,000 chickens or rabbits of their own raising for retail or wholesale sale without benefit of inspection. Individuals who slaughter greater than 1,000 but less than 20,000 chickens or rabbits of their own raising for retail or wholesale sale are required to do so in a facility that is inspected for sanitation by our agency. Turkeys may also be slaughtered under this exemption, but at a volume of one-fourth that of chickens and rabbits.	USDA Food Safety and Inspection Service	NCDACS Meat and Poultry Inspection Services Agriculture Building 1001 Mail Service Center Raleigh, NC 27699 Phone: (919) 733-4136 http://www.ncagr.com/vet/meat_poultry	
N. C. certified seed Seed sellers must comply with law for labels and inspection.		NCDACS Plant Industry Division 1060 Mail Service Center Raleigh, NC 27699-1060 (919) 733-3930 http://www.ncagr.com/plantind/Seed/seedinsp.htm	

What's regulated/licensed	Regulatory/Licensing Agency	State	County/City
Nursery sales	Federal		
Certified annually, more than 1 acre or sells outside N. C.	APHIS USDA, Animal and Plant Health Inspection Service, 4700 River Road, Riverdale, MD 20737 http://www.aphis.usda.gov/subjects/plant_health/	NCDACS Plant Protection Section 1060 Mail Service Center Raleigh, NC 27699-1060 (919) 733-0461 ext. 235 http://www.ncagr.com/plantind/plant/nursery/ictbl.htm	
Organic food/feed	USDA-AMS-TMP-NOP Room 4008 - South Building 1400 Independence Avenue, SW Washington, D.C. 20250-0020 Phone: 202-720-3252 www.ams.usda.gov/nop/	NCDACS Marketing Division 1020 Mail Service Center Raleigh, NC 27699-1020 Phone: (919) 733-7136 ext. 234	
Pet food & pet treats		NCDACS Food and Drug Protection Division Feed Administrator 1070 Mail Service Center Raleigh NC 27699-1070 (919) 733-7366	
Product labeling	FDA Food Labeling and Standards Staff (HFS-820) Office of Nutritional Products, Labeling, and Dietary Supplements Center for Food Safety and Applied Nutrition Food and Drug Administration 5100 Paint Branch Parkway College Park, MD 20740-3835 Telephone: (301) 436-2371 http://www.cfsan.fda.gov/label.html	NCDACS Food and Drug Protection Division Food Compliance 1070 Mail Service Center Raleigh, NC 27699-1070 (919) 733-7366 http://www.ncagr.com/fooddrug/fdrprog.htm	
Weights & measures		NCDACS Measurement Section Manager 1050 Mail Service Center Raleigh, NC 27699 Phone: 919-733-3313 http://www.ncagr.com/standard/sections/sections.htm#Measurement	

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
<i>Taxes</i> Register with tax office for a variety of taxes	IRS http://www.irs.gov/businesses/index.html go to "Starting a Business" for help with various taxes to be paid; select either "Farmer" or look at individual selections presented for "Starting a Business."	N.C. Dept. of Revenue PO Box 25000 Raleigh, NC 27640-0640 919-733-7211 www.dor.state.nc.us/business	Local Commission Revenue
Corporate franchise and income tax		N. C. Department of Revenue Corporate Income and Franchise Tax Division Post Office Box 25000 Raleigh, NC 27640-0640 877 252-3052 www.dornc.com	
Employer Income Tax Withholding	Internal Revenue Service Center Attn. Entity Control Memphis, TN 37501	N.C. Department of Revenue PO Box 25000 Raleigh, NC 27640-0640 877 252-3052 www.dornc.com	
Personal Property		N.C. Department of Revenue PO Box 25000 Raleigh, NC 27640-0640 877 252-3052 www.dornc.com	County Assessor's
Privilege tax		N.C. Department of Revenue PO Box 25000 Raleigh, NC 27640-0640 877 252-3052 www.dornc.com	

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
Retail Sales and Use Tax: applies to use/consumer tax for any tangible personal property used, consumed, stored that was purchased outside N.C. and would be subjected to sales tax if purchased within N.C.		N. C. Department of Revenue Sales and Use Tax Division Post Office Box 25000 Raleigh, NC 27634-0001 Toll-free: 1 877 252-3052 www.dornrc.com	
Unemployment tax A tax on employer payrolls paid by employers and used to provide funds from which unemployment benefits are paid to qualified unemployed workers. Unemployment tax is not deducted from employee wages.		Employment Security Commission 700 Wade Ave. Raleigh, NC 27605 919 733-4329 www.ncesc.com For explanation, see http://www.ncesc.com/business/UI/UITax.asp? init=true	
Workmen's Compensation		N. C. Industrial Commission 4319 Mail Service Center Raleigh, NC 27699-4319 919 807-2501 1 800 688-8349 www.comp.state.nc.us	

South Carolina

Many aspects of direct marketing are regulated. What is regulated and who regulates it varies both within state and across states. The following list may not be complete. You need to ask questions of each agency as you work through their requirements to see if you also need to go to another agency for additional regulation and licensing information. One of the best sources in South Carolina for additional help is The South Carolina Small Business Development Centers. You can download their guide at <http://www.sccommerce.com/teamsdpdfs/StartABusiness.pdf>. To find the office nearest you, use <http://scsbdc.moore.sc.edu/> and click on the county for which you want information.

Business license: Business licenses are issued by the city or county in which the business is located and can be obtained through the city/county hall. This also applies to businesses conducting business within the city or county limits. The fee for a business license is based upon the projected sales and category of business. Before opening a business, South Carolina law requires that it must be registered with the South Carolina Secretary of State's Office. Most businesses must also register with the South Carolina Department of Revenue and Taxation through Form S. C. SCTC-111 (S. C. Dept of Commerce, p17).

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
Aquaculture/fish	U.S. Corps of Engineers USAED, Wilmington P.O. Box 1890 Wilmington, NC 28402-1890 General Information: (910) 251-4625	S.C. Dept. Health & Environ Control Regulatory 2600 Bull Street Columbia, S.C. 29201 (803) 898-3432 http://www.scdhec.net/	
Building codes			Local County Office
Business License Issued by the city or county in which the business is located and can be obtained through the city/county hall. This also applies to businesses conducting business within the city or county limits. The fee for a business license is based upon the projected sales and category of business.			Local Chamber of Commerce Dept. of Finance Town/City Office
Dairy For the production, storing, labeling, transportation and selling of milk and milk products, filled milk and milk products, imitation milk and imitation milk products, synthetic milk and synthetic milk products, milk derivatives and any other products made in semblance of milk or milk products		S.C. Dept. Health & Environ Control Dairy Foods & Soft Drink Program 2600 Bull Street Columbia 29201 (803) 896-0644 http://www.scdhec.gov/health/envhlth/food_protection/programs.htm	

What's regulated/licensed	Regulatory/Licensing Agency	
	Federal	State
Eggs Section 39-39-170. Exemptions: selling eggs at a roadside stand near the farm on which the eggs were produced. Title 39 - Trade and Commerce Chapter 39. Eggs and Baby Chicks		SCDA Poultry and Egg Grading and Inspection Service 1001 Bluff Road Columbia, SC 29201 (803) 737-4835 http://www.scdastate.sc.us/prod&services/consumerservices/gandioffices.htm
Export	U. S. Dept. of Commerce International Trade Administration http://trade.gov/index.asp	Export Assistance 1201 Main Street Suite 1720 Columbia, SC 29201 (803) 765-5345 http://export.gov/leac/index.asp 1362 McMillan Avenue Suite 100 North Charleston, SC 29405 843-746-3404 216 S. Pleasantburg Drive, Suite 243 Buck Mickel Center Greenville, SC 29607 864-250-8429
Facilities (including farmers' markets and roadside stands		Local County Admini Office for business lic and building permits
Food Safety & prepared foods		Local health dept. S.C. Dept. Health & Environ Control Food Protection 2600 Bull Street Columbia, S.C. 29201 http://www.scdhec.gov/health/envhlth/food_protection/programs.htm

What's regulated/licensed	Regulatory/Licensing Agency	State	County/City
Insurance: Vehicle; Liability; Casualty (fire, flood [need to request], theft, inventory, etc.); Business interruption; Life and disability for owners and partners; Group health, Product liability	Federal		Local insurance agent Local Farm Bureau ag
Mail order	Federal Trade Commission 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580 202-326-2222 http://www.ftc.gov/bcp/online/pubs/buspubs/mailorder.htm		
Meat & slaughter Meat sold in SC is required to be inspected by SC Meat and Poultry inspection service, a part of Clemson University and then must be sold directly from the processor, or maybe sold as prepackaged frozen meat as it came packaged from an approved facility.	USDA Food Safety and Inspection Service	SC Meat-Poultry Inspection Dept. P.O. Box 102406 Columbia, SC 29224-2406 (803) 788-8747 Fax: (803) 788-8114 http://www.clemson.edu/LPH/meatinspection.htm	
Nursery sales All nursery stock entering or sold in S. C. must be inspected and certified.		Dept. Plant Industry Regulatory Services 511 Westinghouse Road Pendleton, SC 29670 Phone: 864-646-2140 http://dpi.clemson.edu/PI_Index.htm regional contact information http://dpi.clemson.edu/specialists.htm	
Organic food/feed	USDA-AMS-TMP-NOP Room 4008 - South Building 1400 Independence Avenue, SW Washington, D.C. 20250-0020 Phone: 202-720-3252 www.ams.usda.gov/nop/	Dept. Plant Industry Regulatory Services 511 Westinghouse Road Pendleton, SC 29670 Phone: 864-646-2140 http://fscs.clemson.edu/Organic/Organic.htm	

What's regulated/licensed	Regulatory/Licensing Agency	State	County/City
Nursery sales	Federal APHIS USDA, Animal and Plant Health Inspection Service, 4700 River Road, Riversdale, MD 20737 http://www.aphis.usda.gov/subjects/plant_health/		
Poultry Products Inspection See for exemptions Retail license: Obtained for any business that will sell a product to the end user. Retail licenses are available by submitting Form SCTC-111 to the Department of Revenue. Businesses with more than one business outlet must obtain a separate retail license for each location. South Carolina certified seed program involves voluntary adherence to a set of standards imposed on the production of seed which ensures its purity and germination. Vendor's License	Poultry Products Inspection law http://www.clemson.edu/LPH/t47c019.pdf Taxpayer Assistance Service: to find office nearest you go to http://www.sctax.org/Contact+Information/Taxpayer+Service+Centers.htm or satellite offices http://www.sctax.org/Contact+Information/Satellite+Offices/default.htm Retail License 898-5872		
		Dept. Plant Industry Regulatory Services 511 Westinghouse Road Pendleton, SC 29670 Phone: 864-646-2140 http://dpi.clemson.edu/	Commissioner Dept. of Finan Town/County

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
Weights & measures ensures the accuracy of weights and other measurements taken of commodities being purchased or sold in bulk by licensing those individuals providing this function.		SC Dept. of Weights and Measures 1101 Williams St. Columbia 29201 (803) 737-9715 http://www.scds.state.sc.us/prodservices/consumerservices/weightsandmeas.htm	
WIC Counties participating in WIC at Farmers' Markets: Aiken, Allendale, Anderson, Beaufort, Berkeley, Charleston, Darlington, Dorchester, Florence, Georgetown, Greenwood, Hampton, Horry, Jasper, Lexington, Newberry, Orangeburg, Richland, Saluda, Williamsburg, and York	USDA Food and Nutrition Service Columbia Field Office (821) Food and Nutrition Service, USDA Strom Thurmond Federal Bldg., Room 825 1835 Assembly Street Columbia, SC 29201-2424 Phone: 803-765-5717	SC Dept Health & Environ Control 2600 Bull Street Columbia, SC 29201 (803) 898- http://www.scdhec.net/health/mch/wic/farmers.htm	
Taxes Register with tax office for a variety of taxes	IRS http://www.irs.gov/businesses/index.html go to "Starting a Business" for help with various taxes to be paid; select either "Farmer" or look at individual selections presented for "Starting a Business."	SC Dept. of Revenue http://www.sctax.org/dor_help/default.htm go to "DOR"	Local Commission Revenue
Corporate and franchise income tax required of all corporations and franchises.	IRS http://www.irs.gov/businesses/index.html go to "Starting a Business" for help with various taxes to be paid; select either "Farmer" or look at individual selections presented for "Starting a Business."		

What's regulated/licensed	Regulatory/Licensing Agency		County/City
	Federal	State	
<p>Employer Income Tax</p> <p>Withholding</p> <p>Every employer/withholding agent having an employee earning wages in South Carolina and who is required to make a return or deposit with the Internal Revenue Service (IRS) shall make a return or deposit to the SC Department of Revenue any taxes that have been withheld for state purposes</p> <p>OSHA: you must post OSHA information</p>		<p>Taxpayer Assistance Service: to find office nearest you go to</p> <p>http://www.sctax.org/Contact+Information/Taxpayer+Service+Centers.htm or satellite offices</p> <p>http://www.sctax.org/Contact+Information/Satellite+Offices/default.htm</p>	
<p>Retail Sales and Use Tax: Sales tax is imposed on the sale of goods and certain services in South Carolina. Use tax is imposed on goods and certain services purchased out of state and brought into South Carolina or on which no sales tax has been paid. The statewide sales and use tax rate is 5%. Counties may impose an additional 1% local sales tax if voters in that county approve the tax. Generally, all retail sales are subject to the sales tax. Twenty-seven counties have additional 1% sales tax.</p>		<p>S, C. Dept/ of Labor, Licensing, and Regulation</p> <p>Koger Office Park, Kingstree Building</p> <p>PO Box 11329</p> <p>Columbia, South Carolina 29210</p> <p>(803) 896-4300</p> <p>http://www.lir.state.sc.us/osha.asp</p> <p>Taxpayer Assistance Service: to find office nearest you go to</p> <p>http://www.sctax.org/Contact+Information/Taxpayer+Service+Centers.htm or satellite offices</p> <p>http://www.sctax.org/Contact+Information/Satellite+Offices/default.htm</p> <p>Local Option Sales Tax 898-5800</p> <p>Sales and Use Tax 898-5788</p>	

What's regulated/licensed	Regulatory/Licensing Agency	State	County/City
<p>Unemployment tax</p> <p>Agricultural employers are considered liable under the SCES Law if the following requirements are met:</p> <p>Employer has paid wages of \$20,000 or more in any calendar quarter in either the current or preceding calendar year; OR</p> <p>Employer employed (10) or more individuals on any day in each of (20) different weeks in either the current or preceding calendar year.</p> <p>Workers' Compensation: you must post workmen's comp information</p>	<p>Federal</p> <p>Workforce Compliance & Oversight Information</p> <p>Compilation of federal legislation, rules, regulations, and provisions impacting workforce compliance</p>	<p>Taxpayer Assistance Service: to find office nearest you go to</p> <p>http://www.sctax.org/Contact+Information/Taxpayer+Service+Centers.htm or satellite offices</p> <p>http://www.sctax.org/Contact+Information/Satellite+Offices/default.htm</p> <p>http://www.sces.org/ui/Index.htm</p>	

South Carolina State Agencies

Three of the primary state agencies responsible for food safety inspections in South Carolina are S.C. Department of Health and Environmental Control (DHEC), the S.C. Department of Agriculture, and the S.C. Meat and Poultry Inspection Department.

DHEC: This agency has the responsibility of ensuring that food prepared for retail sale in restaurants and grocery stores is safe. DHEC provides training to assist retail establishments with information regarding food safety and makes inspections to determine the level of compliance.

South Carolina Department of Agriculture: The South Carolina Department of Agriculture regularly conducts statewide inspections of food and cosmetic manufacturers, warehouses, storage and transportation facilities, and food salvage operations. Labels for foods and cosmetics manufactured or sold in South Carolina are subject to review and approval. Consumer complaints dealing with foods and cosmetics are investigated.

The Laboratory Services Division performs over 100,000 analyses per year on food samples gathered from around the state to determine safety, quality and conformance to standards of identity. The samples come from food outlets throughout the state and are tested for such things as pesticide residues, microbial contaminations, mycotoxins, vitamins, minerals, label guarantees, adulteration and misrepresentations. Foods tested include raw fruits and vegetables, frozen desserts, producer milk, ground meats, enriched foods, canned goods, honey, syrup, grains, and a variety of other foods.

S.C. Meat and Poultry Inspection: The mission of this department of the Clemson Livestock-Poultry Health program is to protect the health of consumers by providing a comprehensive inspection service to assure that meat and poultry products are safe, wholesome and accurately labeled. All processing plants must have sanitation standard operating procedures and are routinely evaluated using a performance-based inspection system. Microbiological monitoring is an essential feature of the inspection program. Food supplies are monitored for adulteration of animal tissues and antibiotics, sulfonamides, pesticides, and a variety of toxic chemicals.

Used with permission from
Clemson Extension
Home and Garden Information Center
HGIC 3863
1-888-656-9988 (South Carolina only)
<http://hgic.clemson.edu>

Virginia

Many aspects of direct marketing are regulated. What is regulated and who regulates it varies both within state and across states. The following list may not be complete. You need to ask questions of each agency as you work through their requirements to see if you also need to go to another agency for additional regulation, permitting and licensing information. One of the best sources in Virginia for additional help is the Virginia Small Business Development Centers. You can download their guide at <http://www.virginiasbdc.com/VASBDCPubs.asp>. To find the office nearest you, use <http://www.virginiasbdc.com/>.

If you are doing business in other states as well as Virginia, check with the other states for any required permits, licenses, or taxes. North Carolina, for example, requires LLCs and Corporations to register if they are doing business in N.C., even if they are headquartered in another state. N.C. also requires sales tax be collected on applicable items sold in N.C., even if the business is headquartered in another state.

What's regulated/licensed	Regulatory/Licensing Agency	
	Federal	State
Aquaculture/shellfish Shellfish production and land-based aquaculture in tidal areas must comply with structure regulation. These regulations are found at the Va. Marine Resources Commission website. Land-based aquaculture G&IF requires permits to Propagate and Sell, Hold and Sell, Hold and Sell—Fee Fishing Ponds	U.S. Corps of Engineers USAED, Wilmington P.O. Box 1890 Wilmington, NC 28402-1890 General Information (910) 251-4625.	Dept. of Game and Inland Fisheries 4010 West Broad St. Richmond, VA 23230 (804) 367-1292 Va. Marine Resources Commission Habitat Management 2600 Washington Ave. Newport News, VA 23607 http://www.mrc.state.va.us/hmac/hmoverview.shtm (757) 247-2200 Dept. Conservation & Recreation 757-247-2243
		VDACS Virginia Pollinator 102 Governor St. Richmond, VA 23219 804/786-3515 http://www.vdacs.virginia.gov/plant&pest/pollinator.html
Building codes/permits required to build or renovate structures		County Administration O Building permits
Business License/Peddlers License (Type required depends on jurisdiction). Must obtain within 75 days of starting the operation. May be required by both county and town or by neither		County Administration O Commissioner of Revenue and Zoning; Town Admin Office

What's regulated/licensed	Regulatory/Licensing Agency		County/city
	Federal	State	
Dairy Regulations dealing with dairy products		VDACS Food Safety & Security Office 102 Governor St. Richmond, VA 23219 Phone: 804-786-3520 http://www.vdacs.virginia.gov/regulatory/index.html	
Eggs Labeling, handling, and grading. If sold on-farm where produced, no grading or labeling required. Inspection at discretions of Food Safety & Security Office		VDACS Food Safety & Security Office 116 Reservoir Street Harrisonburg, VA 22801 Phone: 540-434-2585 http://www.vdacs.virginia.gov/poultry&egg/index.html	
Export—regulations are commodity and country specific. Check the USDA website for specifics and VDACS export specialists.	USDA Food Safety and Inspection Service, Regulations and Policy http://www.fsis.usda.gov/regulations_and_policies/export_information/index.asp	VDACS Regulatory Services Plant & Pest Services 102 Governor Street Richmond, VA 23219 Phone: 804-786- http://www.vdacs.virginia.gov/plant&pest/export.html	
Facilities (including farmers' markets and roadside stands) building permits, parking, etc.			County Administration (Planning and Zoning, Building permits)
Food Safety & Prepared Foods inspection of processing facility and high risk food processing school requirements		VDACS Food Safety & Security Office 102 Governor Street Richmond, VA 23219 Phone: 804-786-3520 http://www.vdacs.virginia.gov/regulatory/index.html	Local health department

What's regulated/licensed	Regulatory/Licensing Agency	
	Federal	State
Insurance: Vehicle; Liability; Casualty (fire, flood [need to request], theft, inventory, etc.); Business interruption; Life and disability for owners and partners; Group health, Food liability		State Corporation Commission Bureau of Insurance Attn: Consumer Services P.O. Box 1157 Richmond, Virginia 23218 800-552-7945 (Virginia only) http://www.scc.virginia.gov/division/boi/webpages/boiwhendisasterstrikeswhattodoafter2b5.htm
Interstate—check with state in which you plan to do business for what their requirements are		
Legal entity filing File documents related to legal entity other than sole proprietorship		Va. State Corporation Commission Document Control Center Office of the Clerk - SCC P.O. Box 2118 Richmond, Virginia 23218 (804) 371-9733 866-722-2551 (Virginia only) http://www.scc.virginia.gov/commission/contact.htm
Mail order other than seed and live plant sales	Federal Trade Commission 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580 202-326-2222 http://www.ftc.gov/bcp/online/pubs/buspubs/mailorder.htm	
Meat Slaughter facility inspection, allowable sales at direct markets		VDACS Meat & Poultry Services 102 Governor Street Richmond, VA 23219 Phone: 804-786-4569 http://www.vdacs.virginia.gov/meat&poultry/inspection.html
Nursery sales Inspection of nursery plants for pests and weeds. Required for all nurseries and garden centers	APHIS USDA, Animal and Plant Health Inspection Service, 4700 River Road, Riverdale, MD 20737 http://www.aphis.usda.gov/subjects/plant_health/	VDACS Plant & Pest Services 102 Governor Street Richmond, VA 23219 Phone: 804-786-3515 http://www.vdacs.virginia.gov/plant&pest/nursery.html

What's regulated/licensed	Regulatory/Licensing Agency	State	County/city
	Federal		
Organic food/feed certification requirements	USDA-AMS-TMP-NOP National Organic Program Room 4008 - South Building 1400 Independence Avenue, SW Washington, D.C. 20250-0020 Phone: 202-720-3252 www.ams.usda.gov/nop/	VDACS Marketing Services Certified Organic 102 Governor Street Richmond, VA 23219 Phone: 804-786-2476 http://www.vdacs.virginia.gov/organic/index.html	
Pet Food & Pet Treats licensing and registration		VDACS Product & Industry Standards 102 Governor Street Richmond, VA 23219 Phone: 804-786-2476 http://www.vdacs.virginia.gov/regulatory/index.html	
Product Labeling (format, weights, nutritional labeling, etc.)		VDACS Food Safety & Security Office 102 Governor Street Richmond, VA 23219 Phone: 804-786-3520 Weights & Measures Phone: 804-786-2476 http://www.vdacs.virginia.gov/regulatory/index.html	
Vendor's License required for some operations			Commissioner of Revenue, Finance; Town/County Adm
Virginia certified seed Certifies agricultural and vegetable seed and potato tubers. Laboratory tests done by VDACS.		Virginia Crop Improvement Association 9142 Atlee Station Road Mechanicsville, VA 23116 Office: 804-746-4884 http://www.virginiacrop.org	
Weights & Measures calibrates scales		VDACS Weights & Measures 102 Governor Street Richmond, VA 23219 Phone: 804-786-2476 http://www.vdacs.virginia.gov/	

What's regulated/licensed	Regulatory/Licensing Agency		County/city
	Federal	State	
WIC & Senior Nutrition Programs WIC is overseen by the local health department and the Senior Nutrition Programs by the local agency on aging. VDACS provides training, stamps, and posters for a limited number of local markets	USDA Food and Nutrition Service Richmond Field Office (637) Food and Nutrition Service, USDA 1606 Santa Rosa Road, Suite 129 Richmond, VA 23229 Phone: 804-287-1705 Fax: 804-287-1726	VDACS Direct Marketing Services 102 Governor Street Richmond, VA 23219 Phone: 804-786-4046 http://www.vdacs.virginia.gov/	
Taxes			
Register with tax office for a variety of taxes	IRS http://www.irs.gov/businesses/index.html go to "Starting a Business" for help with various taxes to be paid; select either "Farmer" or look at individual selections presented for "Starting a Business."	Va. Dept. of Taxation Office of Customer Services Post Office Box 1115 Richmond, VA 23218-1115 Combined Registration Application Form (Form R-1) (888) 268-2829 or (804) 367-8037	Local Commiss Revenue
Corporate and franchise income tax required of all corporations and franchises.		Va. Dept. of Taxation Office of Customer Services Post Office Box 1115 Richmond, VA 23218-1115 (804) 367-8037 http://www.tax.virginia.gov/site.cfm?alias=Contacts	
Employer Income Tax Withholding required of all business with employees.		Va. Dept. of Taxation Office of Customer Services Post Office Box 1115 Richmond, VA 23218-1115 (804) 367-8037 http://www.tax.virginia.gov/site.cfm?alias=Business FAQ	
Litter Tax: retailers of food for humans or pets, groceries, sort drinks/carbonated water		Va. Dept. of Taxation Office of Customer Services Post Office Box 1115 Richmond, VA 23218-1115 (804) 367-8037 http://www.tax.virginia.gov/site.cfm?alias=Contacts	

What's regulated/licensed	Regulatory/Licensing Agency		County/city
	Federal	State	
Miscellaneous assessments: commodity and excise taxes: Sheep, forest products, corn, cotton, eggs, soybeans, small grains vending machine sales, peanut, sort drinks OSHA you must post OSHA information		Va. Dept. of Taxation Commodity and Excise Tax Post Office Box 1115 Richmond, VA 23218-1115 804-786-2450 http://www.tax.virginia.gov/site.cfm?alias=Contacts Virginia Department of Labor and Industry Powers-Taylor Building 13 South 13th Street Richmond, Virginia 23219 (804) 786-2377 OSHA information to post http://www.doli.state.va.us/infocenter/publications/req_posters/Job%20Safety_english_web.pdf	
Retail Sales and Use Tax: applies to use/consumer tax for any tangible personal property used, consumed, stored that was purchased outside Va. and would be subjected to sales tax if purchased within Va. Unemployment tax you are required to post information about unemployment eligibility		Va. Dept. of Taxation Office of Customer Services Post Office Box 1115 Richmond, VA 23218-1115 (804) 367-8037 http://www.tax.virginia.gov/site.cfm?alias=Contacts	
Workers' Compensation: you must post workmen's comp information	Workforce Compliance & Oversight Information Compilation of federal legislation, rules, regulations, and provisions impacting workforce compliance http://www.vec.virginia.gov/vecportal/docs_toc.cfm	Va. Employment Commission Poster for unemployment eligibility http://www.vec.virginia.gov/pdf/vecb29eng.pdf Virginia Workers' Compensation Commission 1000 DMV Drive Richmond, VA 23220 Phone: 1-877-664-2566 http://www.vwc.state.va.us/employers_guide.htm Workmen's compensation information to post: http://www.vwc.state.va.us/forms/bwc1_form.pdf	

Department of Agriculture and Consumer Services - (804) 786-2372 Licenses anyone involved in the production, marketing or distribution of agricultural or food products. Registers every pesticide manufactured, distributed, sold, offered for sale, used, or offered for use in Virginia.

Department of Conservation and Recreation - (804) 786-1712 Regulates, manages, and licenses state parks and outdoor recreational facilities. Issues permits for concessionaires in state parks. Approves and inspects floodwater structures.

Department of Environmental Quality - (804) 762-4570 Issues pollution control permits for any business that emits particles or gases into the air, water discharge, management of solid and hazardous waste materials.

Department of Forestry - (804) 977-6555 Licenses and regulates the use of state forests, forest reserves including mineral exploration; develops and administers forest management plans for state owned lands.

Department of Game and Inland Fisheries - (804) 367-1000 Regulates the taking, possession and sale of wild animals, birds and freshwater fish and endangered species of any form of wildlife. Licenses shooting preserves, fur farming and dealing, hunting dog trails, commercial trout rearing, fishing, seine hauling, breeding and raising game birds and animals, game bird and animal exhibits, and stuffing and mounting of birds and animals. Also titles and registers motorboats, licenses watercraft dealers, regattas and boat races, and drilling and dredging in the Back Bay area.

Department of Health - (804) 786-3561 Licenses emergency medical agencies, vehicles and attendants, bedding and upholstery service businesses and commercial blood banks; inspects businesses to certify health standards; prescribes standards governing planting, taking and marketing of fish, crustaceans and shellfish; licenses hospitals, nursing homes and related institutions, home health agencies, hotels, summer camps, campgrounds and other lodging facilities, restaurants, milk processors, radiation materials, equipment and construction waterworks serving the public, water supply systems, sewage disposal systems, sewage treatment works, and migrant labor camps; regulates sanitation facilities at public gathering places, septic tanks, construction of private wells, and the production and use of toxic substances.

Marine Resources Commission - (757) 247-2200 Licenses the taking of various fish, shellfish and organisms below the fall line on tidal waters; licenses the exportation of oysters, purchasers of shellfish and the conversion of oysters shells to lime; assigns and leases oyster and clam planting grounds; designates certain public grounds closed and open areas; fixes and alters open seasons; restricts methods of taking; fixes minimum size and maximum size and maximum quantity of catch; makes other regulations for the conservation and promotion of the seafood industry; inspects records and vessels; prescribes guidelines for the use of wetlands; issues general permits for the use of state-owned underwater beds; and establishes bulkhead and private pier lines on or over waters under state jurisdiction.

Milk Commission - (804) 786-2013 Supervises, regulates and controls the production, transportation, processing, storage, distribution and sale of milk; licenses and audits distributors of milk; established prices paid to producers and prohibits sales of fluid milk products at less than cost; allocates marketing areas; establishes accounting system for distributors.

Potomac River Fisheries Commission - (804) 224-7148. Licenses and regulates the taking of seafood from the Potomac River; and licenses boats, vessels and equipment used to take seafood from the Potomac River.

Virginia Workers' Compensation Commission (Formerly Industrial Commission of Virginia) - (804) 367-8600 Collects the taxes imposed to finance the Workers' Compensation Act from insurers and self-insured employers; adjudicates claims by workers and their dependents for death and disability awards arising from occupational diseases or injury.

Resources

Hamilton, Neil D. The legal guide for direct farm marketing. USDA, SARE. 1999. Excellent resource worth purchasing.

Appropriate Technology Transfer for Rural Areas. Direct Marketing: Business Management Series. Found at www.attra.ncat.org.

Internal Revenue Service: <http://www.irs.gov/businesses/index.html> click on either "Farmer" or work through the topics on the Starting a Business page. You'll find information on a variety of tax related topics from legal structure to various taxes to "Recommended Reading for Small Businesses" guide. Excellent tutorials but takes patience to work through all the ins and outs.

SBA guide to starting a small business. Has section on regulations. For each state go to

North Carolina District Office	South Carolina District Office	Richmond District Office
6302 Fairview Road	1835 Assembly Street	Federal Building, Suite 1150
Suite 300	Suite 1425	400 N. 8th Street
Charlotte, NC 28210-2227	Columbia, SC 29201	Richmond, VA 23240-0126
(704) 344-6563	(803) 765-5377	(804) 771-2400
www.sba.gov/nc/	www.sba.gov/sc/	www.sba.gov/va/

North Carolina Department of Commerce Business service center. [http://](http://www.nccommerce.com/servicenter/bliol/)

www.nccommerce.com/servicenter/bliol/ Helps people determine what licenses are required for their businesses. "The Business ServiCenter does not keep records of existing businesses or issue state business licenses, but assists prospective business owners in identifying and meeting these requirements." Call (919) 715-2864 or Toll-free in N. C. at (800) 228-8443. Go to Starting a Business in N. C.

South Carolina

The Frank L. Roddey Small Business Development Center of South Carolina. Found at <http://scsbdc.moore.sc.edu/about.html>

How Do I Start a Business? <http://www.sc.gov/HowDoI/StartABusiness.htm>

Starting a Business in South Carolina [PDF] <http://www.sccommerce.com/teams/pdf/StartABusiness.pdf> Publication to aid potential business owners with the process of starting a business.

Tax Guide for Starting a Small Business. Found at <http://www.sctax.org/Publications/startbusns.htm>

Tax obligations for new small businesses in South Carolina.

SC Business One Stop. Found at <http://www.scbos.com/default.htm> Resource guide for the Licenses, Permits, and Registrations (LPRs) required for doing business in South Carolina. Excellent step-by-step site. Requires registering.

Business Filings. Found at <http://www.scsos.com/corporations.htm> Registration of incorporated businesses, limited liability companies (LLC's), non-profit organizations, and professional associations

Worksheet

What is your legal structure of your business?

Sole proprietorship _____

S-Corporation _____

Partnership _____

Limited liability corporation _____

Other _____

Do you employ people other than your family members?

How many? _____

For what length of time? _____

What market outlet do you think you'll use?

On-farm _____

Agritourism _____

Farmers' market _____

CSA _____

Direct to restaurant _____

Internet _____

Other _____

What additional structures are needed?

1. _____

2. _____

3. _____

What does your insurance cover?

What are you thinking of producing?

Chapter 9 References: Regulatory & Legal

Agricultural Alternatives: Agricultural Business Insurance

<http://agalternatives.aers.psu.edu/farmmanagement/startbusiness/AgBusinessInsurPM7.pdf>

Recreational Use of Private Lands

http://www.nationalaglawcenter.org/assets/articles/mceowen_recreationaluse.pdf

Zoning Limitations and Opportunities for Farm Enterprise Diversification

http://www.nationalaglawcenter.org/assets/articles/branan_zoninglimitations.pdf

Laws and Regulations

<http://www.sba.gov/library/lawroom.html>

Starting a Small Business: Licenses and Regulations

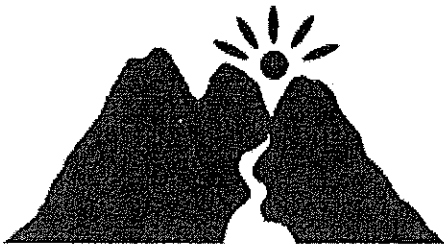
http://www.nylovessmallbiz.com/starting_a_business/licenses_regulations.asp



Case Study 1.

Appalachian Sustainable Development

Abingdon, Virginia



Anthony Flaccavento is the executive director of Appalachian Sustainable Development (ASD), but he's also a farmer and an environmentalist. As one of the founders of ASD, he has watched it grow from a small, food co-op to an umbrella organization that serves as a model for developing a sustainable agricultural economy.

ASD is a non-profit, 501(c)3 organization which employs 11 full-time staff and 12-15 seasonal workers in addition to a network of nearly 100 participating farmers.

The mission of ASD is to strengthen the region's economy, enhance the community, and preserve/restore the ecosystem. It's no surprise that farming and forestry are the backbone industries of the organization. What is surprising is that it's organic farming and sustainable forestry...deep in Appalachia.

Anthony knows that they are, supposedly, in the wrong demographic for an organic foods initiative. Organic consumers are typically college-educated, high income, urbanites. The realities of rural Appalachian communities include: fewer college graduates, high unemployment, and traditional industries of coal mining and tobacco farming. He credits part of the program's

unlikely success to the fact that people want fresh, local produce. The regions growers have chosen organic production methods, and because that's what's locally available, that's what consumers buy.



One of the main programs operated under ASD is Appalachian Harvest. Appalachian Harvest is a network of certified organic farmers who collectively market and distribute their produce under one identifiable, regional

brand. At this time they have 40 participating farmers in the network. Most of these farmers sell 90 percent of their produce through the network. A few sell some through the network and direct market the rest.

ASD also works to promote individual farms in expanding areas of agricultural productions. One such area is pasture-based livestock production. Volume and uniform quality are the limiting factors currently facing the 15 to 20 livestock operations utilizing the Appalachian Harvest brand.

Additionally, 40 to 50 ASD participants are direct marketers selling agricultural products, including produce, poultry, and eggs primarily at local farmer's markets. Many of these producers are in the transition process from traditional to certifiable organic production.

ASD has become a concept that others want to adopt. Through workshops and tours, they are frequently sharing their concept with other communities. This case study explores the idea process, market development, capitalization, and regulatory issues. It serves as a touchstone for those who are ready to consider a similar project in their own community.

The Idea

In the early 1990s, "jobs versus the environment" emerged as a recurring conflict in small communities throughout the Virginia and Tennessee mountains. Manufacturing companies would come in the area promising jobs to a depressed economy with double-digit unemployment. They would offer low wages, but at least jobs were available. Sometimes, they would use the area's natural resources with reckless abandon and pollute the air and the water with little regard to the affect such neglect had on the region's ecosystem.

Communities were forced to choose: jobs or the environment. Neither answer was a winning solution. Choosing jobs brought short-term economic relief, but in 10 short years the company would often pick-up and move to another area, leaving the environment worse for the wear and the community again looking for a reliable source of income. Choosing the environment meant few jobs that provided a livable income and an emigrating population in search of good jobs outside the region.

Lumber and produce were two commodities of the area; however, they were marketed globally, shipped out of the area. Local companies couldn't get local product. While tomatoes were being vine-ripened in the community, folks were buying produce from the grocery store that was in all likelihood picked early and shipped across the country. Anthony, along with 8 to 10 others, shared a vision for creating an organization that provided for the distribution of locally produced, organic goods. By shortening the supply lines, they could generate local job opportunities, practice environmentally sound agriculture, and put better quality products in their stores. They saw an opportunity to develop sustainable communities by practicing sustainable agriculture and sustainable forestry.

A group of 20 committed individuals worked for a year on strategic planning for ASD. They analyzed the economy of the region and its environmental problems (and opportunities). From



the beginning, the group chose to be action oriented rather than focused on research, deliberation and policymaking. Over time they've adopted those tasks as well; however, they are proud of what they've been able to achieve by doing. Anthony recalls, "Before we had even completed our incorporation papers, we had two demonstration projects under way: a horse logging and solar kiln drying project, and an organic produce co-op, selling to local restaurants."

The original group of farmers that participated in the co-op were back to the land, small-scale producers. Though part of their mission was to provide alternative opportunities to conventional tobacco farmers in the region, there was not a single traditional Appalachian farmer in the founding group.

Successful aspects and challenging experiences from the co-op were considered when forming Appalachian Harvest. As Appalachian Harvest grew as a business, they exchanged ideas with other communities, especially through their involvement in Southern Sustainable Agricultural Working Group and the Kellogg Foundation's Food and Society Network. Anthony recalls, "Beyond those resources, it is accurate to say that there was no model we were able to follow, nor any group or agency with substantial experience in creating the type of integrated, field-to-table model of sustainable ag that we set out to build."

Market Development

Appalachian Harvest began by following in the footsteps of the co-op by selling certified organic produce to restaurants. In four years, they had also expanded to include a CSA (Community Supported Agriculture) and were also selling to some small specialty stores. While these markets supported the concept, ASD had bigger goals. Supermarkets would be the next step.

Anthony outlines three reasons this market shift was necessary: 1. it provides a much larger market potential; 2. ASD could attract more conventional growers to make the switch to organic since the supermarkets would have a lower demand for exotic produce; and 3. ASD could reach ordinary folks as customers.

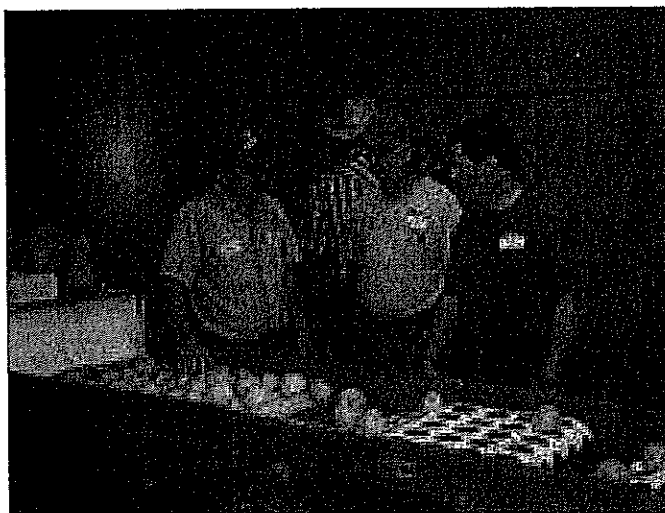
While those three reasons have been realized, the market shift was not without its challenges. They feel fortunate to have started with a "Mom and Pop" grocery chain consisting of only 18 stores. The volume requirements were small enough for the participating farmers to meet the demand and the quality, uniformity, and packaging standards were more forgiving than larger chains. At the onset, they had no grading or packing facility. Though they managed to provide a suitable product, they recognized the need for such a facility to accommodate further growth.

In 2001, they built a centralized grading and packing facility, and they began recruiting more farmers and began building relationships with new buyers, including larger grocery stores. They sought buyers who were regionally located, interested in organic foods, willing to help promote locally-grown organic products, and willing to pay a modest premium.

Price is still an issue, but Anthony says, "Generally, we're able to get farmers a substantially better price than their previous wholesale markets." With good weather and farm management, organic produce can yield two to four times as much as tobacco, though some folks continue to keep some land in tobacco production. It takes time for conventional growers to meet the certified organic requirements, but usually ASD has found that farmers have some land that qualifies allowing them to slowly make the transition and steadily increase acreage as they learn the cultural differences in the two production methods.

ASD wants to make organic affordable to all and remove it from the niche market category. It's a difficult task considering they often see a supermarket mark-up of 70 to 100 percent. They continually work to improve on-farm efficiencies and the distribution flow.

ASD employs a full-time sales and market manager. In addition to the branded product label, Appalachian Harvest utilizes extensive in-store Point of Purchase materials to educate consumers and make their products distinctive and recognizable. ASD farmers host tours and sponsor local meals that connect consumers with their food.



Capitalization

The farms that participate in ASD are typically already in operation, so the funding requirements of ASD are primarily that of a distribution facility. In the beginning, a delivery van and an old, donated reefer box were the only major assets. The packing and grading facility that was added with the shift to supplying supermarkets was built and financed incrementally. A barn was loaned to ASD by one of the growers, and the grading area was set up in the barn. Labor was supplied by the Job Corps and volunteered time from the participating farmers.

When they expanded the facility to accommodate the demands of the supermarket volume and standards, they tapped several funding sources including The Virginia Tobacco Commission (grant), a Community Development Finance Institution (loan), Blue Moon Fund—a foundation focused on social enterprise (loan/grant), and private bank loans. As suggested by this list of

financers, ASD is not simply an agribusiness, it's a contributor to the social fabric of the community.

As a non-profit, Anthony laments, "It seems it's always a struggle to stay afloat." To buoy the organization through tough patches, they hold regular local fundraising campaigns. The homepage of their website, www.appsusdev.org, prominently features a button to "Donate now." But they forge ahead providing farmers with new opportunities, providing consumers with healthy food choices, and providing their communities with sustainable choices.

In 2006, ASD hired a full-time Business Operation Manager to improve their finance, management, and record keeping processes.

Regulations

The decision was made early on that all producers selling under the Appalachian Harvest brand would be certified organic. Certification requires meeting the qualifications set forth by the USDA and undergoing the annual certification process by the USDA-approved Organic Certification Agency. Some farmers produce certified organic and conventional crops, but the conventionally produced crops are marketed elsewhere.

Quality Certification Services are used by the farmers and the packing house facility. The USDA and particularly the Virginia Department of Agriculture and Consumer Services (VDACS) have been valuable resources helping determine grading standards and ensuring that they meet the packaging and labeling requirements.

Future Plans

ASD hopes to continue growing its network of farmers and increasing the diversity of organic agricultural products it offers. They are currently exploring the possibility of providing free-range eggs to a supermarket chain. Though produce has previously been the only Appalachian Harvest branded product, they are considering extending the brand to egg producers since multiple farms would be needed to provide the weekly quantity demanded by the supermarket.

In addition to providing healthy, locally-produced food, ASD will continue its education efforts toward environmental awareness and the feasibility of creating sustainable communities. ASD also spends a significant amount of time and resources encouraging other communities, telling their story—the successes and the failures, and planting seeds of possibility across the country.



Case Study 2.

Ayrshire Farm

Pittsboro, North Carolina



In the past five years, organic agriculture has gained increased recognition in mainstream America; in fact, demand currently outpaces supply. However, Bill Dow of Ayrshire Farm, Pittsboro, North Carolina, was ahead of the trend. He's been growing organically for the past 26 years.

He has built eight terraces on his sloping property, located a couple of miles off NC Highway 64. Each terrace utilizes raised

beds for irrigation efficiency and ease of production. In the spring and fall, he grows a variety of greens and herbs. Through the summer, his main crops are tomatoes, peppers, basil and blueberries, with several other smaller crops. He also grows flowers, some—like marigolds and nasturtium—for culinary garnishes, others—like Asiatic lilies and sunflowers—as cut stems. Tree fruits such as apple and pear round out his variety of produce.

Currently, Bill has three acres in cultivation. He figures that one full-time person can manage one acre, so he usually maintains six part-time employees. Usually, his employees seek him out for employment. Some, he's found, have a rather romantic idea of agrarian labor, but most understand (or quickly find out) that the toil can be intensive. Most are young folks, some are older, and others include local Hispanics that come to work at the farm after their shift at the poultry plant in town. Bill has observed that agriculture is a social occupation where the common labor tasks transcend age and cultural differences. Unfortunately, students are usually only available for one or two seasons, and new folks must be trained every year.

The Idea

Bill Dow grew up on a farm in Mississippi where they grew row crops like soybeans and raised beef cattle. Chemicals were an integral part of their production practices. When he left the farm to go to college, he found himself in medical school where he gained a deep realization that those chemicals were toxins he didn't want to put in his body.

Though he spent time working at health clinics in the eastern Tennessee coal mining towns, his medical career wasn't one that brought tremendous wealth as some might suspect. The most he ever made in the medical profession was \$13,000 a year. Bill came to the Triangle area in the late 1970s on a fellowship. While here, he helped organize the Carrboro Farmer's Market, which opened in 1978.

In 1980, Bill bought land in Pittsboro and started farming following organic agricultural practices. In many ways, he says that his reason for choosing organic production was a result of the skepticism his father and the Extension Agents showed toward his no chemical approach. He recalls thinking, "I'll show them."

He had no previous business experience to draw on, but says so much of it is "common sense." He did go to the Extension for more information about growing organically in the Piedmont. At the time, he found that they lacked innovative ideas in production and marketing. They seemed to be stuck on conventional practices and traditional markets. He plowed ahead, and in a short time, Ayrshire Farm became the first certified organic farm in North Carolina. Prior to the 2002 introduction of the federal certification program, Carolina Farm Stewardship Association offered certification to qualifying farms.



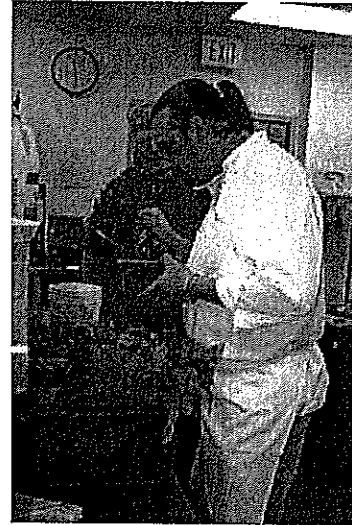
In many ways, Bill feels like he is still practicing medicine by promoting healthy, fresh food. He also encourages folks to garden and realize the exercise benefits that hoeing, weeding, and picking offer. He asserts that preventative medicine is the key to a healthy life and prevention of disease and that deterioration often begins with what people consume.

Market Development

Bill's first customers were local individuals, friends, and folks who came to the Carrboro Farmer's Market. One of his market customers was a gentleman named Russell who worked at the Flying Burrito, a Mexican restaurant in Chapel Hill. Russell would buy whatever produce was left at the end of the market. It didn't matter what produce was left, he simply adjusted the menu to accommodate that week's fresh supply.

When Bill realized other area restaurants were interested in fresh produce, he decided to shift his market strategy. Instead of selling first at the market, he would sell first to the restaurants and take what was left to the Farmers' Market. In the early days, he made plenty of "cold calls" to area restaurants peddling his fresh, locally grown, organic produce. He currently has a clientele of 16 to 20 different restaurants that account for 85 percent of his sales.

Every Monday and Thursday, Bill calls the restaurants to tell them what's available and finds out what they need. He personally delivers to each restaurant on Tuesday and Friday. The contact with the chef is one of the tenants of the farm-to-table relationship that Bill cultivates. In addition to weekly communication opportunities, Bill sits down with the chefs at the end of each season for feedback. Often the chef's need for a certain product is what drives Bill's crop selection for the following year. He once found that an herb that was being shipped in from Italy could be easily grown in North Carolina. The end result was a new fall crop for Bill and lower cost and fresher product for the chef.



Bill would like for the wait staff at each of the restaurants to visit the farm for a tour. He recognized that it is the wait staff that communicates with the public. He believes that it is important for them to appreciate and understand the benefits of organic, locally produced ingredients.

Initially, the farm's location was not particularly important, except to be close to the Farmer's Market. However, as they developed a market with the restaurants, the farm's location, less than 30 miles outside Durham and Chapel Hill, has become important. Bill notes that land values nearer either city were prohibitive, even when he was looking for property more than 20 years ago.

Bill attends the Farmers' Market on Saturdays from mid-March through Christmas. The Carrboro Market is mostly produce with some crafts and some value-added products. The Carlboro Market has built its success by allowing only vendors to sell products that they produced. Bill

feels that the special events hosted by the Market throughout the year are beneficial to the vendors. These events include cooking demonstrations and tastings of the latest harvest.



This year was the first time that Bill contributed to a CSA. He and fellow local farmer, Judy Lesler, offered CSA shares to 49 participants. Bill and Judy combined their produce to offer the CSA members a more diverse box each week. They also might add

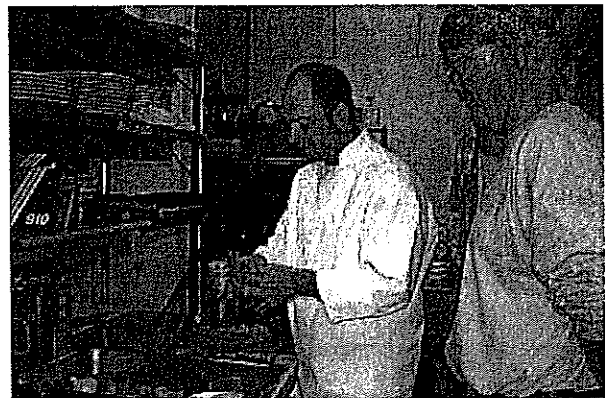
produce from other local farmers whose quality they are familiar with. For instance, Bill doesn't grow broccoli, cauliflower, or cabbage because on a cost per square foot basis, he can make more money growing other crops. However, most customers would expect to receive broccoli, cauliflower, and cabbage in the spring and fall, so Bill and Leslie buy it from another farmer to round out their CSA boxes. They have several drop off locations and a few direct deliveries.

Word of mouth is one of the most valuable marketing tools that Bill relies on. He recalls that as they begin gauging interest in the CSA, folks who bought from the market would be eager to participate. He would explain that given their location, they would need to find some friends or neighbors who were also interested to make the drop-off worthwhile. One the drawbacks of the CSA that is worrisome to Bill is the lack of contact between the CSA participants and the farmers. He believes the development of a relationship between the producer and consumer is a valuable aspect of the CSA concept, but presently they aren't achieving that relationship.

Capitalization

When Bill bought his property and started farming, he used accumulated savings, inheritance and some borrowed money from a friend. He never developed a business plan; he simply set out to farm. He spent several years building terraces for raised beds on his south-facing slope that is surrounded by hardwoods.

He doesn't own a tractor, only a "walking tractor." He quickly decided that it was best to have two of everything as "insurance." With years of wisdom, he's observed, "It only breaks when you're using it, and you're not using it unless you need it." He also considers the availability of local mechanics when making his purchases.



Bill keeps ledger books for each year recording sales and expenses daily. He keeps track of which restaurant bought what produce for how much. He totals the daily sales, weekly sales, and so forth.

Regulations

When Bill started farming, he didn't anticipate any regulations, though he did self-impose regulations for his farm, making a commitment to abstain from using synthetic chemicals and fertilizers. One run-in with regulations that he did not foresee was actually a lack of regulation on the part of his power supplier. Ayrshire Farm is located off the main road and the power lines are located along the dirt roads next to forested land. As part of their line maintenance, the power company occasionally clears brush and trees that pose a threat to the power supply. What caught Bill off guard was the use of chemical herbicides uncomfortably close to his fields without his notification or permission.

Though Bill has let his organic certification lapse, he continues to practice organic agriculture. He's confident in his cultural practices and his customers are familiar with his quality and

commitment to organic production. However, he encourages new farmers to get certified to remove any question of proper practices. He points out that it is a good way to build a customer base, since the certification encompasses a known set of regulations. Once established, farmers might drop the certification, but at anytime they should be confident in their ability to regain it.

Future Plans

At 61, Bill doesn't have any plans for slowing down. While he plans to continue farming, and teaching others how to farm, he doesn't expect his crop selection will be the same for very long. He says, "If you're not experimenting you're dying." He listens carefully to the needs of his customers and is open to trying new crops.

Employees who return for a second season are also encouraged to experiment with a new crop. One year, an employee wanted to try cucumbers. Bill didn't think there would be much of a market for cucumbers, but when they served up a cucumber soup at the Carrboror Market, cucumber sales ballooned. Considering the cost and return per square foot, cucumbers were a keeper. This year, they tried cucumbers as a fall crop, and though the results weren't favorable, they wouldn't have known if they hadn't tried.

Restaurant patrons in Chapel Hill and Durham will continue to enjoy the fruits of Bill's labor and hopefully be healthier for it. Locally grown, organically produced fruits and vegetables are just what the doctor ordered.



Case Study 3.

Barefoot Farms

St. Helena, South Carolina



Barefoot Farms is a destination site...sort of. Most would say the South Carolina's Treasured Coast was the destination. But as travelers make their way to Hilton Head, Beaufort, and Bluffton, the display of fresh produce at Barefoot Farms' roadside stand beckons passersby. Watermelons, cantaloupes and tomatoes are the biggest sellers, but Barefoot Farms grows and sells the complete assortment of typical summertime fruits and vegetables.

The stand opens in March whenever the strawberries are ready and stays open through the end of the year. There is a greenhouse on-site that is partially devoted to U-pick berries. The majority of the greenhouse is used for production though. Farm fresh produce, rather than value-added products, occupies the display area, well, with the exception of shelled beans.

John A. "Jacky" Frazier offers insight to others who are considering opportunities outside wholesale production agriculture. His experience developing a successful roadside market offers invaluable lessons of the ease and difficulty in making the transition.

The Idea

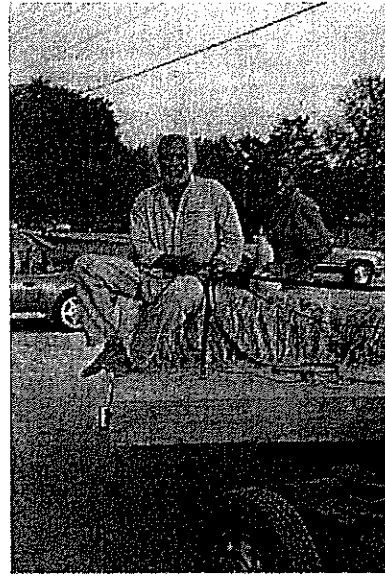
Jacky has been farming all his life, with only a brief hiatus when he went to college for a degree in agricultural economics. When he felt that he wasn't getting enough return from wholesale buyers, he began considering other options. He had often traveled to the South Carolina coast with friends to fish. The sandy soil and the warm air seemed perfect for melon production. And with a steady stream of traffic through the summer, Jacky saw the opportunity to boost profits in a new market—a direct market. In 1999, he and business partner, Betty Strickland, opened a roadside stand along Highway 21, a tourist thoroughfare to and from the South Carolina coastal resort towns.



Considering Jacky's previous farm experience, the shift to retail was simply a new distribution system. They did very little initial research, choosing to test the strength of the market over time. They started with roadside watermelons and grew to a diverse selection of produce that fills a 60 ft x 45 ft market. They continue to look for ways to enhance the market, such as adding the U-pick opportunity.

Market Development

Jacky says that location is very important to their success. The beach traffic—coming and going—stop by the stand for fresh produce. Their initial marketing efforts were minimal. In fact, they did little to attract those first customers beyond displaying the produce that was available. They have since done surveys to find out what crops customers are interested in and used those results to add to production. Starting with watermelons and cantaloupes they now produce 35 different fruits and vegetables. They do buy in some produce too meet the market demand, but they grow at least 80 percent of what they sell.



Jacky and Betty have found no real demand for organically produced goods. Jacky says his customers look for "good, clean, safe produce, but blemishes or insect damage are unacceptable." Considering the insect and disease pressures of the coastal climate, he has no plans to move toward organic production.

Though he continues to wholesale excess produce, his goal is to sell as much through the stand as possible to secure the premium retail price. Barefoot Farms is advertised in the local newspaper and on the radio. Jacky estimates that, at best, up to 50 percent of his sales goes to local customers. However, through much of the summer, tourist account for nearly 80 percent of sales.

In 2000, Barefoot Farms was featured on ETV (Educational Television) show, *Making it Grow*. The traveling host visited the stand to discuss Jacky's practice of vertical strawberry production. Folks from across the country visiting the coast made a special effort to stop at the stand to see the strawberries. Though that strawberry production method is no longer cost effective, and therefore, has been discontinued, the nationwide exposure was an unanticipated promotional boost.

They participate in the South Carolina Department of Agriculture's Roadside Market Program, which lists the farm in the on-line directory of South Carolina roadside markets. Before next spring, Fraziers hope to launch their own site on the web.

Capitalization

Since Jacky was a farmer prior to his direct marketing venture, he already had the equipment, land and know-how for production. In fact, in the early 1980s, Jacky was a pioneer in watermelon production when he began growing on plastic utilizing trickle irrigation. He and his partner developed a business plan and continue to grow the operation.

He takes out operating loans to get the crops in the ground, but those loans are short term and commonplace for seasonal production operations.

The recordkeeping tasks are performed daily, by hand, without the assistance of accounting software.



Regulations

Jacky anticipated several regulations as he shifted to a retail business. Some were state requirements such as using certified scales. Others were local regulations including zoning and sign laws. Barefoot Farms is located in Beaufort County one hour north of Hilton Head Island. Though the farm is in an area that is still predominantly agriculture, the strict county ordinances are largely a result of the desired resort atmosphere in other parts of the county. The sign ordinance has been a particularly difficult regulation. Essentially, only one sign, with size limitations—presumably announcing the business name—is allowed. Any signs that do not comply with the ordinance result in a warning. The commercial nature of the county also leads to permit requirements for any changes to the business.

Jacky encourages perspective business owners to check into the county codes and ordinances before starting a business. In his case, the resort traffic that indirectly contributed to the strict codes make up his customer base, so despite the limitations imposed by regulations, he's able to market his product for a premium return.



Jacky and Betty have worked with the extension service and the soil conservation program in managing various farm and market regulations.

Future Plans

Barefoot farm is in a unique situation with its link to coastal tourism. Jacky notes that the economy, especially gas prices, affect the number of vacationers traveling to the beach. If folks don't go to the beach, they don't drive by the stand; and if they don't drive by the stand, they likely won't be buying produce from Barefoot Farms. He sees little opportunity for growth in the local population. He observes "They prefer to buy their produce at the grocery store."

Jacky and Betty continue looking for ways to enhance the business and make sure that returning beachgoers remember their experience and add the produce stand as down-home destination on their way to (and from) a resort vacation.

Case Study 4.

Bettini Farm

Browns Summit, North Carolina



Randy and Deb Bettini had always grown fresh produce in their garden on land that has been in the Bettini family for three generations. They appreciate the health value of quality, in-season fruits and vegetables and that is their motivation to farm for others. The business is still relatively young, but their diversification into mushroom production has proven a successful venture that holds opportunity for further market growth beyond the local produce stand.

The 50-acre farm where Randy's grandfather taught him how to grow everything from tomatoes to collards is situated just beyond the city limits of Greensboro, N.C. In addition to the two-acre garden, Randy has built two mushroom cultivation areas, manages a greenhouse primarily for winter tomato production and tends three beehives.

While produce stands are gaining prominence in suburban areas where folks are increasingly interested in locally produced produce, the Bettinis expect their offering of fresh mushrooms to set them apart. They were introduced to mushroom cultivation through a friend who shared an article about research on shiitake mushrooms being conducted at N.C. A&T State University. Shiitake mushrooms are viewed by many as a potential cash crop, given the market's high demand and limited supply.

Shiitake mushrooms prefer growing on oak, but other hardwoods will work. Randy has no problem harvesting logs of those species from the farm property. The logs are cut into four-foot lengths and holes are drilled every 5 inches in rows 5 inches apart around the log. Inoculum of mushroom spawn cultured at N.C.A&T are deposited into the hole and sealed with a wax (Randy uses cheese wax). The ends of the logs are also sealed, then they are stacked in Lincoln-log fashion three-feet high. The logs are placed in the shade and watered whenever a dry-spell hits or if they want to force fruiting; otherwise, they rely on rain.

Considering the best management practices for North Carolina shiitake mushroom production are still being modified, Randy keeps a log of weather conditions, spore lot, and fruiting times in an effort to fine-tune his cultivation. In addition to shiitakes, the Bettinis also grow Italian Oyster mushrooms. The logs must be kept a certain distance from one another so the spores do not cross-contaminate the logs. Randy believes the Oyster mushrooms, though not as familiar as shiitakes, will be in high demand for their slight, but distinctive seafood flavor.



While the business is still in a young—in the growth stage—the Bettinis are willing to share their experiences thus far with others. They offer encouragement and camaraderie especially to those who are considering mushroom production as a specialty crop.

The Idea

Randy and Deb had been operating the produce stand for several years, but they saw the opportunity in 2005 to grow the business with the addition of the mushrooms. Providing Randy with the opportunity to work at the farm full-time. He continues to work part-time as a machinist, while Deb manages accounting and marketing for the farm and works full-time as an information technology analyst.

In addition to providing healthy, local produce, the Bettinis look forward to passing the farm on the next generation and teaching their grandchildren how to garden. Randy envisions creating memories for future generations much like his own childhood recollections. With his prior career as an air system technician, he and Deb rely on their gardening experience and education from workshops to guide their business endeavor.

The Guilford County Agricultural Extension Center became a tremendous resource of information as the couple considered the business potential for at least a year. County agent, Wick Wickliffe, and mushroom biologist at N.C.A&T, Dr. Omoanghe S. Isikhuemhen were key individuals in developing the mushroom production component of the business. Theresa Nartea, marketing specialist at N.C.A&T assisted the Bettinis in generating interest in the farm and promoting the specialty mushrooms.

Market Development

Though Browns Summit, where Bettinis live, used to be a rural area outside of Greensboro, sprawl and industrial development has been encroaching on the area for years. In some ways, the

flow of traffic generated by a growing population has been a bittersweet element of the Bettinis success. From Greensboro, folks travel by the produce stand on their way to Bryan Park (Guilford County's soccer complex), a marina, a golf course, and an industrial park.



Some of their first customers were soccer moms and dads who told their neighbors about the produce stand and ultimately created community interest in farm fresh produce. Though the Bettinis used a sign by the road, those first customers essentially found them. Oddly enough, many were men—golfers on their way home who would pick something up to add to supper.

Marketing research has been conducted utilizing face-to-face queries. Deb would approach other farmers about their sales at the Farmers' Market and visit businesses, mushrooms in-hand, to see if they would be interested in buying any (either for resale or culinary use). Offering free samples is another tactic that's proved fruitful for this specialty crop.

They advertise the produce stand in local media outlets and have been the subject of feature articles in the local publications *Triad Business News* and *Triad Living Magazine*. Their son helped them design and launch a website, www.bettinifarm.com, which is included in their (free) listing on the national website, www.LocalHarvest.org. Carrying high-tech marketing a bit further, the Bettinis have developed an e-mail list of gourmet cooks and local restaurants that are interested in fresh mushrooms. When the mushrooms are fruits (which can often be sporadic), they send an e-mail soliciting orders and then follow up with delivery.

The Bettinis have slightly altered their produce stand service since it began. Their sign used to list whatever was available and the notice, "We Pick." As folks would stop by, they would place an order and Randy would go to the garden, returning with their freshly harvested produce. Though building a display stand might require disposing of overripe produce that didn't sell, they decided it would be a better approach that allowed on-demand, self-service. Randy is often working near the stand and though he might swing by to visit with a customer, the monetary exchange is based on the honor system.

Theresa Nartea has been instrumental in assisting with the marketing of their farm stand. She even created a crest for Bettini Farm featuring tomatoes, greens, mushrooms, and a honeybee. Charlie Headington introduced the Bettinis to several restaurants that might be interested in purchasing mushrooms.

Randy and Deb were charter members of the North Carolina Mushroom Growers Association (NCMGA) on which Deb now serves as the Board Secretary. As a collective group, the NCMGA

has more market power to supply larger institutions such as a college or university. Such an arrangement would also offer a stable market for the growers as the mushrooms fruited. Being part of the NCMGA is also a way to network with a relatively small number of farmers working with this new crop.

Capitalization

The Bettinis used accumulated savings and their disposable income to develop the business without borrowing money. When they purchased the greenhouse, they considered it a Christmas gift to each other. Though most of the farm equipment was already available, they did purchase a new tractor, financing it for two years through the dealership.

The development of a mushroom industry in North Carolina is being supported by the Golden LEAF Foundation, which has financed much of the research at the university level. Spawn is available at a low cost from N.C.A&T. The remaining supplies and equipment are available on the farm.

Though the Bettinis did not need to heavily finance the business, farmers interested in mushroom production may have grant opportunities for through the Golden LEAF Foundation or a grower Southern Region SARE Program.

Regulations

In deciding to move from a side business to a full time operation, the Bettinis anticipated that a business license would be the first regulatory step. In fact, they learned that farming is a business that does not require a business license. To protect their personal assets, they chose to structure the company as corporation. Incorporating required the services of a lawyer and turned out to be a lengthy process. They also purchased liability insurance as further effort to minimize their risk.

The biggest unexpected regulatory roadblock they've faced was the limitation on their ability to sell value-added products. The restrictions for processing produce for value-added products, such as pickles, jams, and even dried mushrooms, are so tight that a second kitchen would be necessary to pass inspection from the Health Department. A processing facility may be a consideration in the future considering the premium price Randy is sure he could get for his pickled okra and pear preserves.

The Cooperative Extension was particularly helpful in addressing any regulatory concerns of the Bettinis. Randy advises "Know what applies to your business by contacting



regulators, telling them what you intend to do, and getting direct advice on how to comply.” The regulations are written in broad, general terms and since no two businesses will have the exact same circumstances, it may be best to inquire specifically for your business.

Future Plans



At this stage in their business offers a significant potential for further growth. In the immediate future, they plan to offer Community Supported Agriculture (CSA) memberships which provides a steady supply for fresh produce through the summer with an upfront cost to the members.

They currently supply only two area restaurants with fresh mushrooms and would like to grow that market to at least five or six. At this point they are refining the production practices to get as steady a supply as possible.

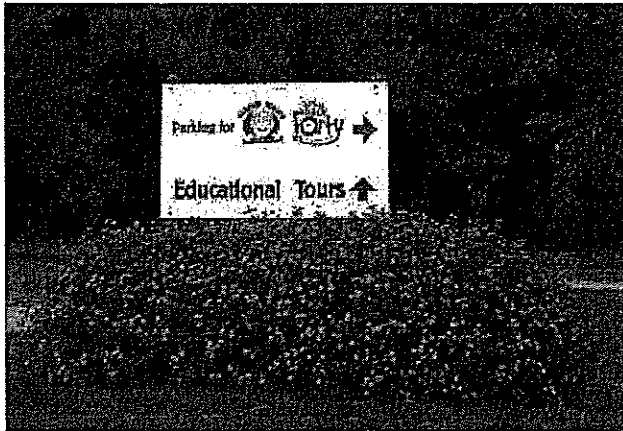
In an effort to share their enthusiasm for mushrooms and educate others about the cultivation of this culinary delight, Randy would like to host workshops on the farm either independently or in conjunction with the Cooperative Extension or N.C.A&T. He’s learned a lot about mushroom production since inoculating his first logs three years ago. Though he’s still learning, it’s a crop he’s come to enjoy growing, harvesting, and marketing.



Case Study 5.

Vollmer Farm

Bunn, North Carolina



John Vollmer was a tobacco farmer in eastern North Carolina until the late-1980s, at which time he started growing pumpkins then strawberries. He farmed family land and also operated an agricultural chemical and supply store housed in a red metal warehouse. Today, the only tobacco grown on the farm are young transplants for local farmers and a small demonstration plot for school tours. The fertilizer warehouse has been converted into a retail market that serves as the home base for Vollmer Farm, an agritourism destination.

John and his wife, Betty, manage the spring operation that primarily consists of direct marketing strawberries from the on-farm market and area satellite stands. An ice cream shop, flowering plants, and other fresh produce are also spring attractions. The Vollmers grow much of their produce including organic and conventionally grown strawberries, tomatoes, corn, cucumbers, squash, spring onions, new potatoes, and organic salad mix. But some produce is bought in to provide the diversity of product they want to offer. For example, they've tried growing sweet potatoes, but found that the deer feast on them, so they're bought in. Though school tours had been limited to the fall, in 2006, nearly 2,000 students toured the farm in the spring.

John's son, Russ Vollmer and his wife Mary operate the fall festivities at Vollmer Farm. The fall business is based on school tours and family visits that feature a wagon ride, agriculturally-inspired activities and a retail shopping opportunity.

The retail area has been dubbed "Farmer John's Country Café and Farm Market," while the farm tour and activities take place on The Back Forty.

For \$9.00 per person (2006 price), The Back Forty offers

Hayride

Finger Fortune Corn Maze

2 Punkin' Playgrounds (now twice the fun!)

Tire Playground and Labyrinth

Organic Egg Hen House

Beehive Observatory

Learn-to-Milk Make-Believe
Windmill Mountain (40' Underground Slide!)
Fish and Duck Pond
Strolling Characters

Cow-Pumpkin slingshot
Goat Walk
Puppet Shows

With admission the guest are given wristbands and boarded on a hay wagon for transport to The Back Forty. Beds of sunflowers are used to soften the transition areas between activity centers. Once delivered to The Back Forty, walking is the primary mode of transportation. For an additional cost, the Nibble Nook concession stand quenches thirst and satisfies cravings on The Back Forty.

Farmer John's Country Café, housed the big, red warehouse offers homemade sandwiches, soups, and desserts along with ice cream. The Farm Market serves as a retail area for seasonal home décor, kids toys, and specialty food products.

Mary is employed full time by the farm and her responsibilities include managing the retail store and handling marketing. The farm also employs 25 adults and teens in the fall. Ten to 15 adults are employed to man the strawberry stands; seasonal migrant labor is also used for production.

As one of the first agritourism operations in North Carolina, the Vollmer's are glad to share their experiences and offer advice to farmers who are looking for alternative uses of farmland while maintaining their agricultural heritage.

The Idea

Agritourism in the form of on-farm markets and activity-filled tours was already a developed concept in the Northeast and Midwestern states 15 years ago. Friends of the Vollmer's in Illinois introduced Russ and Mary to the idea of operating a farm not for production, but for education and entertainment. With the goal of keeping the farm in the family and passing it on to future generations, the Vollmer's considered the idea of agritourism, and with little hesitation, thought it was something they could do.

The Vollmer's seemed to have a wealth of experience to draw upon as they began the new venture. John was previously a farmer, and he had management experience operating an agricultural chemical business. In addition, Russ had a degree in agronomy from North Carolina State University. However, Russ' full-time job, then and now, is a claims



manager for a crop insurance company. He recalls, "Retail was completely new to us. It requires displaying products in a way that makes folks want to buy them, but at the same time we have to work hard not to detract from the farm." Central to their agritourism philosophy is the integrity of the farm that, as a "working farm," is maintained and displayed with the same skill as the seasonal gift items.



Early on, the Vollmers joined the North American Farmers' Direct Marketing Association (NAFDMA), which promotes the development of agritourism and fosters ideas for the farm direct marketing industry. Through the NAFDMA, the Vollmers were able to identify successful agritourism farms in the Midwest and the Northeast and observe what aspects of the business worked for those farms and could be implemented on the Vollmer farm.

As recently as the late 1990s, agritourism was completely new in the Southeast with few local or regional resources to consult as they developed the business. Given the lack of competition at the time, the Vollmer's took a leap of faith by committing to the business idea and figuring out the details as they went. Russ would now direct folks who are interested in agritourism to the Cooperative Extension and the North Carolina Department of Agriculture and Consumer Services (NCDA&CS), which recently added an Agritourism Office. Of course, NAFDMA is another resource the Vollmers support. In fact, Mary currently serves on the Board of Directors for NAFDMA further enhancing the networking opportunities with other agritourism operations across the country.

While a hayride, corn maze, and 40-foot underground slide may sound like all fun and games, there are many obstacles that the Vollmers faced in starting the business and making it successful. Russ emphasizes, "It's still farming with lots of risks." This type of business is particularly at the mercy of the weather, competition, and the economy.

Four weeks before the 2006 opening weekend, the outer bands of Hurricane Ernesto passed over Vollmer Farm and the recently cut corn maze. The mild winds and heavy rain toppled the corn stalks nearest the maze paths requiring significant repair work and resulting in wider aisles. Deer have also shown a new interest in the corn maze, much to Russ's chagrin. A weak hurricane and hungry deer are nothing compared to a rainy weekend in the agritourism business. While considering the impact of the weather on an agritourism business compared to production farming, Russ laughs, "If you want to see a grown man cry, let it rain one or, heaven forbid, two or three weekends of our short season." The 2006 fall season is only six weeks long.

While the school tours provide some stability independent of the economy, the soaring fuel prices in the fall of 2005 even resulted in several canceled fieldtrips. While a poor economy might limit

discretionary spending to some extent, the destination farm also offers a relatively local, relatively inexpensive daytrip. The key is letting people know where you are and what you have to offer as a fun-filled getaway.

Market Development

Located in Bunn, North Carolina, Vollmer Farms is situated along Highway 98 between Rocky Mount and Raleigh. Prior to the completion of the US 64 Bypass, Highway 98 was the main thoroughfare used to bypass Raleigh. Though traffic has decreased, many area residents are familiar with Highway 98 and the general location of the farm.

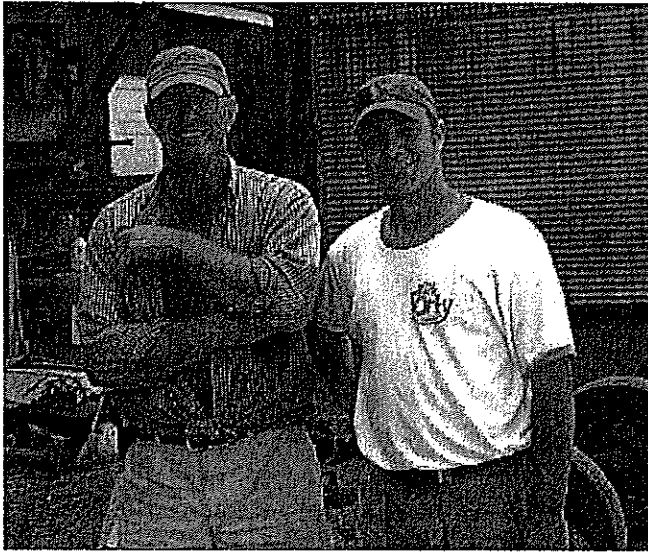
Generally speaking, Russ believes, "Location is important, but we've discovered you don't have to be close to a city. If you have a business that is attractive, people will find you." While Raleigh's growth and subsequent sprawl is helping business, a one-hour drive is not considered unreasonable by most of their customers. It simply takes time to build a name.

Though they are able to draw customers from a larger area now, their first customers were primarily locals who were interested in fresh produce. Signage and an appealing roadside display of fall products including colorful chrysanthemums and pumpkins of all sizes provided the curb appeal that made folks want to stop.

They have utilized radio and newspaper advertisements in the past but have redirected their advertising dollars to the development of a website, www.vollmerfarm.com. The radio and print ads were expensive, and it was difficult to gauge their effectiveness. In an effort to extend business beyond the local population, the Internet provides an outlet that has the potential to attract folks from all over with disposable income. These people have been identified as web surfers. The website offers more opportunity to immediately engage perspective customers with photos and descriptions of on-farm activities. It also provides a more efficient means of scheduling since the school tours can be booked on-line with a phone follow-up.

The Vollmers have developed a mailing list that now includes 5,000 to 7,000 names. For years they sent a four-color, three-page newsletter in the spring and fall highlighting the upcoming farm attractions, opening dates, strawberry stand locations, and even a bit of family news to add a certain friendly touch. The printing and postage cost were getting out of hand considering the size of the mailing list so they sent postcards for the first time in Fall 2006. Another measure that allows contact with customers, but requires minimum cost, is the development of an e-mail list. Mary sends e-mail notices when the farm opens for the different seasons and when various crops are ready. E-mail is essentially free, but customers changing e-mail addresses causes some hassle and lost communication.

They have collected some market data over the years as they generated the mailing list. Not only do they learn where visitors are coming from, they inquire as to how they heard about the farm.



They utilize the satellite strawberry stands in the spring to promote the fall farm activities with a flyer advertising the Bunn farm location and its destination features.

Capitalization

The Vollmers had a business plan including planned growth of the venture when they went to the bank for a loan. They used land as collateral against a five-year capital loan primarily that they used to purchase the hayride wagons, the concession stand, and the

playground equipment.

The Vollmers were comfortable going to their local bank where the lending officer knew them and their financial situation. At the time Vollmer Farm was developing the agritourism business, they had no alternative funding sources. Though he hasn't personally looked into it, Russ believes there may be more opportunity now for grants or non-traditional loans.

Education and experience were not specific factors of interest to the financiers. Russ says, "Their main concern was our ability to pay back the loan." He explains, "Farmer's often take out operating loans that are paid back within a year, so the business plan was particularly helpful in educating the bank about this new venture and the type of return we would expect over time."

Since the agritourism concept is still new as a business venture, bankers need to be educated. Though the Vollmer's were dealing with lifelong associates, Russ advises, "Farmer's should be prepared to be turned down." As the industry grows, allied industries such as lenders, insurers, and regulatory agencies will more fully understand the concept and how their institutions must adapt to some unique qualities of agritourism.

While the Vollmer's would like to add a new concession facility, they do not want to over-extend their loan and will look to grow the business in other ways to cover the cost of future expansion.

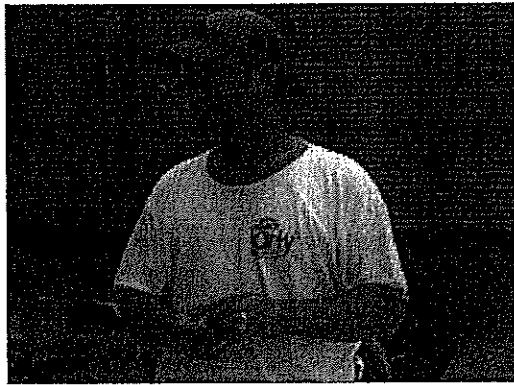
Betty was the first bookkeeper preferring to manage the receipts and disbursements by-hand in ledgers. They have since hired a seasonal bookkeeper who uses Quickbooks on the computer. Russ say, "You should do whatever it is that you do well, and if bookkeeping isn't one of those things, invest in someone else to do it."

Regulations

One of the first regulations to consider in exploring the idea of developing a destination farm is local zoning. If the location needs to be rezoned for a retail market, the approval of rezoning should be one of the first steps prior to making further investment.

Russ notes that only in the last five years have farmers involved in agritourism become a subject of interest to state regulatory agencies. Their initial experience with the Department of Labor was not a pleasant one. An inspector visited the farm, unannounced, to inspect the playground and underground slide. In hindsight, Russ advises people to look into the regulations prior to building or setting up an activity. They did not and as a result had to redesign or remove some activities to come into compliance with the Department of Labor regulations.

Almost all the activities on Vollmer Farm were inspired by activities they saw on other farms including the 40-foot underground slide. The underground slide was constructed from two, twenty-foot lengths of large pipe, buried just beneath the slope of a naturally occurring hill on the farm. Kids and adults can slide down the tube sitting on a burlap sack. The Department of Labor



deemed the underground slide an “amusement ride,” which must adhere to stricter regulations. Given the popularity of the slide, the Vollmers were not willing to close the slide without appealing the regulations. They hired a licensed engineer to verify the safety of the slide and agreed to station an adult (over age 18) at the top of the slide.

Liability is a growing issue for agritourism and finding affordable liability insurance is a challenge. Complying with governmental regulations is one way to demonstrate your attention to safety to

insurers who are not familiar with the concept of inviting thousands of children and adults to a working farm. The Vollmer family decided to limit their personal liability by changing the farms business structure to a Limited Liability Corporation (LLC).

By offering concessions, the Health Department was also interested in inspecting the food preparation and service area. As the Vollmers work on plans for a new concession stand, the regulations of the Health Department will be considered before hand.

Though they had no individuals to consult when they started the business, the Agritourism Office at the NCDA&CS is now an umbrella agency that can assist farmers and work with other regulatory agencies to meet the special needs of agritourism operations. All the regulations are available online through the various departments, so it is the farmer’s responsibility to be aware

of the regulations. Russ warns, "If you choose not to follow the guidelines, you should be prepared to spend the money to make changes later when an inspector expects you to be compliant."

Future Plans

The Vollmer family is continually looking for ways to be different and add new features even though they are an established business. They feel the need to offer their returning customers a fresh look or a new opportunity. Russ believes that the agritourism market will eventually move toward saturation and differentiating factors will set one farm apart from another.

The latest addition to their agritourism business is offering the farm as a site for company picnics or corporate events. They will keep looking for growth opportunities that will allow them to share their farm and the farm-life experience with a burgeoning urban and suburban population.



Case Study 6.

Waterpenny Farm

Sperryville, Virginia



The name Waterpenny Farm was inspired by small beetle larvae, known as water pennies, which were found in the stream on the farm. Eric Plaskin and Rachel Bynum were thrilled to find water pennies. Water pennies are sensitive to water pollution and only found in high-quality freshwater streams. The name of the farm and the environmental purity it represents accurately portrays Eric and Rachel's commitment to organic farming as a part of their broader belief in environmental activism.

Located 70 miles outside Washington, DC, in Sperryville, Virginia, Waterpenny Farm provides fresh produce to the local, rural population as well as the metropolitan DC area. They grow 10 acres of vegetables and flowers on a 30-acre farm. The farm includes a 1,800 square-foot greenhouse and an unheated hoophouse which are used to grow field transplants and potted plants that are sold at the farmer's markets.

Tomatoes and summer squash are their biggest crops, but they also grow lettuce, broccoli, beans, melons, potatoes, eggplant, peppers, cucumbers, garlic, onions, and herbs. They spend a significant amount of time selecting specific varieties, favoring home-garden, open-pollinated varieties for the best flavor. They grow nearly 200 different vegetable varieties and 50 different flowers and herbs.

There are five employees on Waterpenny Farm who assist the production, harvest, and distribution. All their produce is sold through direct market channels including three farmer's markets, a Community Supported Agriculture (CSA) program, and some on-farm sales.

Eric and Rachel are glad to share their experiences establishing a farm and how the farm is intimately tied to their commitment to a lifestyle where they can spend their days doing work they enjoy, producing tangible results, and making a difference in America's food production—both in how it's produced and consumed and in how people think about where their food comes from and what it means to be a consumer.

The Idea

Eric and Rachel's venture into an agrarian lifestyle began in college where they met. Rachel was pursuing a degree in environmental sciences and Eric was studying Eastern religions. They were both involved in various student-run environmental organizations and helped start a one-acre organic vegetable garden on the campus of Carleton College in Minnesota.

Not only did they enjoy the work involved in producing food crops, they saw their organic methods, in a larger environmental context, as a solution to many of the problems with conventional food production. After graduating, they found work on Wheatland Vegetable Farm in Purcellville, Virginia. Under the guidance of Chip and Susan Planck at Wheatland, Eric and Rachel gained a deeper understanding of daily production farm work. In addition, they were excited about being part of the farm's greater business model. After four years under the Plancks' tutelage, Eric and Rachel decided they wanted to start their own farm and support themselves by harvesting and selling the fruits of their labor.



Plancks' familiarity with the DC market reassured Eric and Rachel that the metropolitan area would have sufficient demand for organic produce to support another farm; however finding affordable land in proximity to that market proved to be a challenge. Through the Plancks they met Cliff Miller, who would eventually become their landlord. Eric and Rachel entered into a 40-year lease on 30 acres of his 800-acre property. Through this slightly unconventional compromise, they were able to start farming on their own in late 1999.

The Plancks were Eric and Rachel's primary resource in terms of growing practices, marketing methods, and labor sources. While they have developed some differences over the past few years, they still largely emulate Wheatland, albeit on a smaller scale. They also visit other farmers and attended sustainable farming conferences in the winter to learn more about how others are farming.

Market Development

Waterpenny Farm markets their produce through three farmers' markets and CSA memberships. The Takoma Park Farmers' Market in Maryland is a good market with limited space. Considering that the market has steadily been the source of 40 percent of their income, Eric and Rachel feel fortunate to have secured a spot there. They also attend markets in Charlottesville and Warrenton, Virginia. The market season lasts from mid-April through November.

Your Weekly Share

CSA Shareholders receive a weekly box of fresh produce from the beginning of June through the end of October. A biweekly newsletter with recipes, farm notes, shareholder contributions, and pictures from the farm is sent to each share. The shareholder events are held at the farm each year.



Don't forget to share your share with a friend!

One half share is appropriate for a family of four or less. A full share is for a family of six or more. Shareholders who are interested in joining the CSA should contact the farm at 202-462-1234. For more information, visit our website at www.waterpennyfarm.com.

Waterpenny Farm

Waterpenny Farm is a small family farm located in the heart of the Capital Area. We grow a variety of fresh produce, including vegetables, fruits, and flowers. Our produce is grown using sustainable practices and is delivered to your door each week. We are proud to be a part of the local food movement and to provide fresh, healthy food to our community.



Waterpenny Farm is a small family farm located in the heart of the Capital Area. We grow a variety of fresh produce, including vegetables, fruits, and flowers. Our produce is grown using sustainable practices and is delivered to your door each week. We are proud to be a part of the local food movement and to provide fresh, healthy food to our community.

Our Growing Methods: Wholesome Food and a Healthy Environment

We use sustainable growing methods to produce healthy food and a healthy environment. We use natural fertilizers, avoid pesticides, and use integrated pest management. We also use compost and mulch to keep our soil healthy. Our produce is grown in a way that is safe for you and the environment.



We use sustainable growing methods to produce healthy food and a healthy environment. We use natural fertilizers, avoid pesticides, and use integrated pest management. We also use compost and mulch to keep our soil healthy. Our produce is grown in a way that is safe for you and the environment.

The young farmers initially thought that they would start with a small CSA and gradually make it bigger to eliminate going to the farmer's markets; however, the combination of the two seems to work well. With busy markets on Saturday and Sunday, the CSA provides a reliable outlet for produce during the week.

To start marketing the availability of CSA shares, Eric listed the farm on a website as a CSA supplier. By coincidence, the USDA held a meeting about CSA for their

employees that same year. Rachel attended the meeting with brochures and lettuce seedlings. With two groups of 15 interested in joining the CSA and an additional 20-share commitments to the Capital Area Food Bank to supply fresh produce to low-income families, Waterpenny's CSA program got off to a great start.

Considering the few number of farms in the DC area relative to the area population, they have found that they rarely have to look for customers—their customers generally find them. The *Washington Post* has done several small articles about CSAs that sometimes includes a listing of local farms. Interest will peak after mention in a widely read publication.

All new inquiries are sent a brochure, which includes a registration form that can be returned if they are interested in participating. The CSA sign-up opens on March 1 and usually fills within six weeks. About 75 percent of the CSA participants return year after year, so available shares are limited and easy to fill, and some potential participants are turned away. The CSA customers also receive a biweekly newsletter with recipes, farm notes, shareholder contributions, and pictures from the farm. Eric and Rachel also host two shareholder events at the farm each year.

More than 100 boxes are delivered to two sites on Wednesdays and 60 boxes are picked up at the farm on Thursdays. The CSA runs for 21 weeks from early June to late October. They charge a \$50 delivery fee that covers the cost of the van and Rachel's time spent delivering.



Until recently, they were able to unload boxes at the loading dock of an office building in Arlington where 10 shareholders worked. It was convenient to 70 additional shareholders who lived or worked in that area. Since the business relocated, they are trying to settle on a new spot that is 1. sheltered or air-conditioned,

2. has good parking, 3. is open late into the evening for after-work pick-up, and 4. has space for 80 boxes of produce. Suggested locations have included an individual's home, a church, or another business.

Capitalization

Given their farm experience and research into the start-up costs, Eric and Rachel estimated they would need \$45,000 for supplies, equipment, and labor to get started. They exceeded their first year cost estimate by \$15,000. They used their savings of \$45,000 and borrowed \$5,000 from three different family members rather than approaching a bank for a loan.

They were skeptical of a bank's willingness to lend them money for starting a farm, especially given their exhausted savings, but they knew that their family believed in their dream and their ability to build a successful business. The family members wanted to help Eric and Rachel realize their dreams and lent them the money with few questions and no interest. Within three years, the loans were fully repaid.

One of the benefits of the CSA is collecting payment for the season's produce before the season begins. This method provides operating capital early in the season, supplemented by their savings as necessary. They have found that it is usually around July 1 when they breakeven.

Regulations

Eric and Rachel have encountered few regulations. They recall meeting early on with the Virginia Department of Environmental Quality and a Soil and Water Conservation technician to discuss their irrigation plans. They learned about general business regulations such as employment taxes and sales tax from Susan Planck. Additionally, while most farmers' markets have a list of regulations, they are generally straightforward and easy to comply with. The only time they have employed legal council was for assistance with the long-term lease.



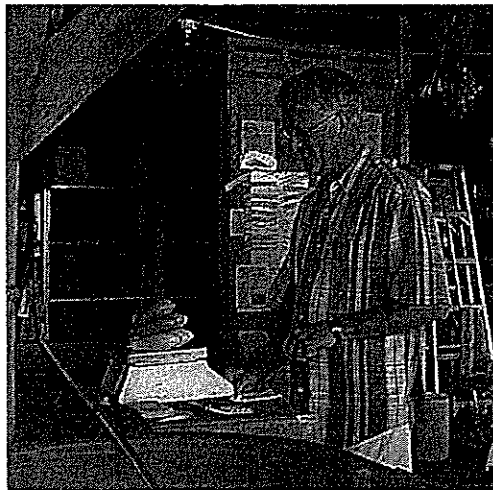
Future Plans

Eric and Rachel's goal is to be big enough to support their family without off-farm income, but no bigger than is necessary to meet their needs. As they continue to gain experience and fine-tune their production and market potential, they are becoming more efficient—producing more food on the same land in less time and selling more at higher prices.

Quality of life, rather than profit potential drives their business philosophy. By achieving their target income (the median income for married couples, currently \$65,000), they can focus on further enhancing efficiencies. They hope to maintain their income level, while working fewer

hours, making more per hour and ultimately having more time to invest in family life and other personal interests.

Education is another key element in their business philosophy. Rachel is an environmental educator by training, and they enjoy teaching their community and budding farmers (through an internship program) about organic production. They are committed to encouraging folks to eat local food, support local farms, grow their own food, or even become farmers. In all that they teach, they strive to impart a respect for the environment and the sustainable practices that guide their farm-life.





Case Study 7

The Angels Nest Farm and Bakery

Oxford, North Carolina



At the age of 55, most folks are starting to slow down and consider how they will pass their days in retirement. Not so for Doreathy Booth. At 55, she seized the opportunity to make a long held dream come true. She moved from California to North Carolina (where land was more affordable) and in short time, she had found a farm in Granville County that suited her liking. Though she continues to develop the farm aspect of Angels Nest Farm and Bakery, primarily with fruit crops, her business venture of interest to this case study is the bakery.

Her signature product is the empanada, a baked good similar to a turnover. Empanadas are commonly found in Argentina and Brazil and can be stuffed with a sweet or savory filling. She makes 15 different kinds of empanadas including savory choices such as artichoke and spinach, 5-cheese pizza, and sweet potato and black bean. A sampling of the sweet empanadas include Bavarian cream, peach pecan, and chocolate.

She offers personal size pies that are suitable for one or two people. Customers have seven pies to choose from including fruit, nut, and cream concoctions. Another sweet treat might be the Norwegian breakfast scones or cookies. Doreathy doesn't just bake bread; she offers breakfast breads, everyday specialty breads, and cream cheese braids.

All her products are fresh baked for the Saturday Farmers' Market. She starts at 2:00 a.m. Friday morning baking cookies and starting the empanadas. She goes to bed at 8:00 p.m. and rises again at 2:00 Saturday morning to bake the empanadas, scones, and pies. She leaves for the market, which is located 50 miles away, by 6:00 a.m. to be set-up by 7:30.

The Idea

Doreathy was born and raised on a dairy farm in Minnesota. She and her mother would go door-to-door selling eggs and chickens. She fondly recalls earning \$0.10 per dozen eggs and purchasing a winter coat with her accumulated egg money. Her mother and grandmother taught her how to bake cakes and Norwegian cookies. They used real butter and cream cheese—ingredients she remains committed to even today.

The biggest factor that initially drove the business idea was a need for income that would allow her to continue working on the farm. She remodeled the detached 2-car garage into a commercial kitchen with two ovens, five freezers, a sheeter, a proofer and a mixer suitable for baking large quantities. In addition to the financial burden of such an investment, she faced other social obstacles in starting a small business—she was a woman who was not afraid to speak her mind; she was a foreigner in the area; and she was older than the average entrepreneur.

In addition to professional equipment, Doreathy invested in additional education. She attended two one-week sessions at the King Arthur Baking Education Center in Norwich, Vermont. By educating herself, Doreathy feels that she can better educate her customers. It's allowed her to become more familiar with less popular, perhaps under-appreciated, baked goods that she can introduce at the market to further set her apart from the competition.

Doreathy recalls spending several years, off and on, considering the business idea. Carl Cantaluppi, Granville County Extension Agent, is one individual she credits with helping her develop the business idea. She also did research on the Internet and read a book on small businesses given to her by a friend who works for the U.S. Justice Department. Despite her research, she reflects that it was an inward desire and commitment that moved the business idea from concept to reality. She believed that she had a product that was different and better than what was available on the market and people would be willing to pay a premium price for what she had to offer.

Market Development

She first set out to sell her baked goods at the local farmer's market in Oxford. In such a small community, she was an outsider with unfamiliar treats. Locals did not appreciate the value of from-scratch baked goods made with premium ingredients—at least they weren't willing to pay for it. Her baked goods were different from the traditional Southern fare, and the rural community simply didn't embrace what she had to offer. Ironically, Doreathy considers her departure from "the norm" a key to her success in the more culturally diverse Durham market.

A friend suggested that she might have more luck with her gourmet breads and sweets at the Duke Hospital Farmers' Market. In addition to drawing customers with a more diverse palate, the Market didn't have a baker so there was more potential for success. She has been participating in the Duke Hospital Farmers' Market for four years, and she has also participated in the Durham Farmers' Market for the past two years. Next year, however, she plans to only sell at the Durham Farmers' Market.

The Durham Farmers' Market typically runs from April 1 to the Saturday before Thanksgiving. Unlike farmers who have little to offer through the winter, Doreathy saw no reason to stop baking (and selling) through the winter. The Market declined sponsorship of an "off-season" Market, but Doreathy was confident that it could work . . . and be profitable. She secured a location at a school near the Market and coordinated other vendors who had goods to sell. They decided to scale back some with the market open for 4 weekends in December, and



only the first and third weekends of January, February, and March. Following last years successful "off-season," the Durham Farmers' Market agreed to sponsor the limited winter schedule this coming year. In addition to the Durham Farmers' Market, Doreathy's baked goods are also available at The Broad Street Café and A Southern Season located in Chapel Hill. Both businesses had heard about the quality of her baked goods, tried them, and then approached Doreathy specifically to resell her products to their customers.

Doreathy sends a weekly e-mail to 150 customers alerting them to what she plans on making each week. Customers can then place pre-orders through her website (www.bakery1.com) designed by friend and personal IT advisor, Steven Natelborg. While the website is designed for to allow for shipping, accepting credit card, and other electronic payments (e.g., PayPal), Doreathy does not yet want these features enabled. As a result, orders can now only be picked up at the Market.

She firmly believes that personal contact is the most important aspect of marketing. She makes an effort to learn her customers' names and greet them with enthusiasm each week. "I treat them all like it's their first time," she says. She enjoys educating her customers as well, and they appreciate the level of knowledge she has to offer. Doreathy realizes that baking today is an art often relegated to bread machines and cake mixes. In the future she hopes to invite loyal customers to the farm for a hands-on lesson or at least an opportunity to observe the process of baking . . . from scratch.

When she wants to try a new recipe, she will introduce it at two markets. If it sells out, she'll make more. If it doesn't sell, she understands that folks aren't interested and there's no need to make it unless she personally enjoys eating it. Doreathy has been known to employ the marketing strategy of creating demand through only offering a limited supply. For example, as Halloween approached, she made pumpkin empanadas, but she only made 12. She sold out quickly, and folks who missed getting one were encouraged to be there earlier next week, or place a pre-order.



Doreathy also recognizes the importance of booth presentation. She visits stand-alone retail establishments for her inspiration. She reasons, "If folks are familiar and comfortable buying baked goods out of a display case, why should I have to convince them to buy off a table." She invested in multi-shelf display cases that sit on tables that adjust to various heights. She has found that displaying her products at eye level has made a tremendous difference. She makes sure her booth is neat and clean with plenty of quality, colored signs. She decorates for the holidays and completely changes the booth around at least three times a year. This retail trick often leads to customers finding, and often buying, something they never noticed before.

Capitalization

Outfitting the kitchen was a major investment, but worthwhile for efficiency and consistent quality. For example, the labor-saving sheeter produces 300 crusts in two hours. The proofer ensures that temperature and moisture levels are maintained as called for by the various recipes. Doreathy used her personal credit cards to purchase the equipment. She never considered going to a bank, believing that age and gender would be prohibitive factors for obtaining a traditional loan.

A friend assisted her in writing a business plan. However, she likes to remember that it's a flexible plan. She says, "If you don't have a lot of guts, you shouldn't sell at the Farmers' Market." Just like farming, bad weather affects profit potential—people don't come out when it's rainy or cold. One unplanned turn of events generated a positive financial situation. When she purchased the farm 15 years ago, she bought 26 acres. In 2005, she sold nine acres of the property and was able to pay off the farm.

Carl Cantaluppi and Theresa Nartea, marketing specialist at N.C. A&T, helped Doreathy find grant funding. Carl had secured a grant to test 26 varieties of table grapes. Doreathy was interested in the project but didn't have the money for fence posts and trellising. Theresa was able to assist her with the grant to fund the trellises, and Doreathy planted the 662 vines.

Though Doreathy began keeping her records on the computer, she failed to make a back-up and lost her records when the computer crashed. Though she now knows how to back-up files, she prefers to keep records on paper.

Regulations

Doreathy anticipated the need to comply with food preparation regulations including regular inspections. The North Carolina Department of Agriculture and Consumer Services inspects the kitchen. They prefer a facility separate from the home's kitchen, so the remodeled garage suits well. In addition, her water is tested annually by the Health Department.

Her baked goods are wrapped in food grade cellophane and an ingredient label is adhered to each product. She posts a sign at her booth stating that nuts are used in the kitchen, to inform customers with nut allergies. Though most of her products do not contain nuts, the risk of residue or cross contamination is possible. Though she has attempted to cover any liability for allergy issues, there are other risks associated with selling food products. As a result, for financial protection, she carries a \$1 million insurance policy on her products. The annual premium of \$371 may seem like a lot, but she looks at it as if that \$371 were divided among every loaf, cookie, and empanada she sells.

Her advice to those intimidated by regulations is to get informed. All the regulations are posted online and she's found that her Cooperative Extension Agents are great resources for areas that need clarification.

Future Plans

Doreathy is now 70 years old and she figures that she only has 15 years left to work. In those 15 years, she has lots of plans. Her latest product innovation is the "Cup O Cookies™." She fills a 16-ounce clear cup with her gourmet cookies and puts a lid on the cup. She envisions her product and its ingenious packaging available in coffee shops where patrons could buy a Cup O Cookies™ to go with their cup o' coffee. She currently sells the Cup O Cookies™ at the Farmers' Market.

With help from the Extension office, she is applying for another grant. She hopes to purchase a dehydrator (which costs about \$12,000) to dry the table grapes and make raisins. Given that she has 26 different grape varieties, she sees the potential for a new product—Rainbow Raisins. The concept will be marketed toward kids as a fun, healthy snack. The grapes are different sizes colors and, obviously, have different tastes, so one might expect the raisins to be equally diverse. She's so confident in the product's success that she's already created a logo.

She also sees an opportunity to give back to the community by sharing the dehydrator with area farmers who always have excess produce that goes to waste. The farmers could dehydrate tomatoes, peppers, berries, apples, etc.

Even if the dehydrator never becomes a reality, she has plans to expand the table grape business by offering grape pies, jams, and jellies.

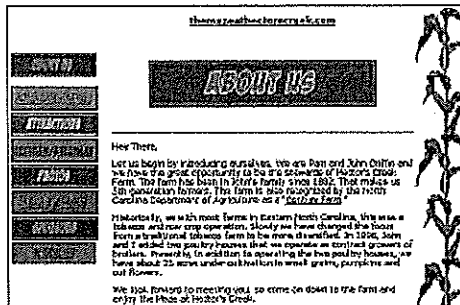
Doreathy recognizes the website holds a lot of potential for launching her bakery beyond the Farmers' Market. She's currently weighing the advantages and disadvantages (primarily in terms of labor and logistics) of staying small versus going "world wide." Whichever she decides, it seems a sure bet that her business will keep growing.



Feasibility Case Study 1.

Hector's Creek Farm

Fuquay-Varina, North Carolina



Executive summary

Pam and John Griffin wanted to generate additional revenue on their family farm, Hector's Creek Farm, to allow Pam to stay at home with their daughter Campbell. The elimination of the tobacco program prompted the Griffin's to explore ways to expand their farming operation to generate additional revenue and decided on agritourism. In addition, the Griffin's realized that no other corn maze was in their part of southern Wake County. After all their research, they thought a maze in the area could be profitable.

The Griffins developed a number of strategic alliances that strengthened their business. In addition to the North Carolina Cooperative Extension, Precision Mazes, and a professional business consultant, the Griffins developed relationships with CAT Tractor Company, MBV Motorsports, NASCAR, and Cape Fear Farm Credit.

The Griffins realized that they needed to explore how government regulation would impact their business, from start-up to operation. The Griffins understand that identifying and adhering to pertinent regulations eliminates misunderstandings and business interruptions due to unexpected regulatory requirements. After exploring these regulations, they determined that they were in compliance and ready for business.

The Griffins were starting a business where they had little experience. They had experience running a poultry farm but neither had any experience in the entertainment industry. They realized that they needed help and sought professional assistance. The first problems they encountered was their lack of experience in growing corn. Seeking out professionals allowed the Griffins to start their business and reduce their risk of failing.

Griffins developed a product to meet the specific needs of a newly targeted market: elementary school children. Griffins understand that to be eligible to participate in elementary school tours, they must develop a curriculum to meet specific state educational objectives. The market area, a

50-mile radius around Hector's Creek Farm, has an estimated population of 2.18 million people. The population is anticipated to grow 9% from 2005 to 2010. Their market area has an estimated 496,926 children under 18 years of age.

The Griffins could charge separate prices for each of the individual attractions or charge a general admission price for all guests. They calculated these prices by considering all possible costs attributed to the attractions and the entire farm tourism operations. Each attraction is charged a share of the total general expenses. They derive the share of each attraction by first combining the costs of all attractions and determining the percent share of each attraction's costs to the combined attraction costs. Based on the total cost, start-up and general costs, they are able to determine the break-even number of visitors and prices. If Hector's Creek Farm attracted 500 visitors, Griffins would have to charge each visitor \$70.05 for the operation to break-even. If Hector's Creek Farm's attracts 5,000 visitors, the charge would be \$7.00 to break-even.

Farm and enterprise history

In 1882, William Griffin purchased 46 acres of land in northwest Harnett County, North Carolina, which is still farmed today, five generations later. The farm originally produced tobacco, corn, and a few hogs. In 1998, the farm was purchased by John and Pam Griffin who named the farm Hector's Creek Farm after the nearby township and proceeded to add two poultry houses. In addition, they farm 25 acres of wheat, oats, and tobacco. Since its inception, the farm has tripled in size and now totals 150 acres.

In 1992, Pam and John were contemplating two very important decisions. The first was to adopt a daughter, Campbell Griffin, named after the college where they met. The second was to be able to raise Campbell on the farm. Once the tobacco program ended, they decided they needed to expand their operation to survive. Pam came across an agritourism operation and began to investigate the possibility of starting a similar operation.

Business idea development

Taking the plunge

The owners of Hector's Creek Farm realized no corn maze was in their part of southern Wake County. After all their research, they thought a maze in the area could be profitable. However, they learned that a farmer in Fuquay was also interested in building a corn maze. They also found out that someone already in the agritourism business thought Fuquay would be a good place for a corn maze. The Griffins knew that if they were going to be successful, they had to be the first to get the business in their



area. After three years of planning and research, the Hector's Creek Farm corn maze was opened in 2005. *Importantly*, prior to opening their doors, the Griffins had a plan.

Strategic alliances

Griffins have developed a number of strategic alliances that have strengthened the business. In addition to North Carolina Cooperative Extension, Precision Mazes, and a professional business consultant, the Griffins developed relationships with CAT Tractor Company, MBV Motorsports, NASCAR, and Cape Fear Farm Credit.

CAT provided the Griffins with a range of equipment needed to prepare, maintain and run their operation. CAT provided lights so that the maze could be open at night. They provided tractors that were used for the hay rides. The only caveat was that the Griffins park the tractors near the entrance to their farm when they were not being used.

Pam developed a relationship with MBV Motorsports and obtained permission to use the Number 10 Vavoline car in the maze as well as their NASCAR logo.

NASCAR did not provide any monetary support but allowed Hector's Creek Farm to use the NASCAR logo and images.

Cape Fear Farm Credit was very interested in the Hector's Creek Farm business plan and was supportive from the inception. The Griffins had developed a business relationship with Cape Fear Farm Credit from previous farm business activity.

Situational analysis

The situational analysis can be thought of as a comprehensive investigation into the business environment in which a company will be operating. The situational analysis can be separated into two different elements.

Industry Overview—This element primarily focuses on industry trends and should provide a general review of the industry. Stagnant or declining commodity prices have forced many farmers to look for alternative means of generating on-farm revenue to maintain their farming lifestyle. This need combined with people taking more and shorter trips, traveling more frequently by car, looking for new, diverse, and relaxing experiences, traveling as a family, and looking to "get back to their roots" has led to growth in the agritourism industry.

A significant factor is families looking for ways to spend quality time together and share an experience as a family. Other forms of entertainment may not provide an positive environment for family interaction. If a family goes to the movies, they sit in the dark, watching a movie, and do not have any interaction or communication. Silence is not the case when a family spends time together at an agritourism operation. In addition, most people are now three-generations removed from the farm and are looking for ways to regain that experience. They remember going to their

grandparent's or uncle's farm and good times they had. They would like to impart this experience to their children.

These factors have increased the popularity of agritourism over the past decade and resulted in an average 3% growth rate. This growth is significant as the total tourism industry has grown only 2% during the same time period.

Griffins took three years to investigate this market. They attended national association meetings to collect information. They decided that agritourism is a growth market, especially given the continual inflow of people from other areas. This increased population base will provide continued opportunity for the Griffins.

Regulatory and social implications—This element of the situational analysis focuses on government regulations and social trends that would directly or indirectly impact consumer demand for or consumer perception of the product. Regulations and social trends might have positive or negative product ramifications. For example, the new organic regulations stipulate that before a product can be labeled organic, it has to be certified. The social impact on product consumption could be the current public anti-tobacco sentiment.

Griffins did not experience any regulatory impositions. Harnett County still perceived agritourism as a farm activity. They did contact the Health Department and followed their rules on food preparation. The farm did not require any other permitting.

They did however, reach out to their neighbors to create good will. They try to include their neighbors in the activities, giving them free passes to the maze and even employ their services. Griffins bought insurance from one neighbor and have hired their son to do small grading work as well as other jobs.

Regulatory process

The old adage "Poor planning on your part does not necessarily constitute an emergency on my part" is a reality in business. Failure to investigate local and state regulations is not an excuse and may delay or halt the opening of an agritourism operation. Failure to investigate the implications of incorporating an agritourism operation into the family farm may alter its land use classification from agricultural to commercial, leading to devastating tax implications. The Griffins spent nearly three years investigating and planning their agritourism operation. As a result, their operation got off the ground without a hitch. The Griffins joined North American Farmers' Direct Marketing Association (NAFDMA) and started visiting agritourism operations in their area to obtain a better understanding of the industry and to see what others were doing.

The Griffins realized that they needed to explore how government regulation would impact their business, from start-up to operation. The Griffins understood that identifying and adhering to pertinent regulations would eliminate misunderstandings and business interruptions due to unexpected regulatory requirements. The Griffins were familiar with the Planning Department and Revenue Office from their previous farming operations. They relied on the Harnett County

Cooperative Extension to help guide them in the right direction. Extension provided them with a brochure listing the various departments and contact information they needed to contact.

Regulations

1. They checked on local zoning regulations to determine if their agritourism operation was in compliance.
2. They contacted the local health department to determine the regulations that would impact their business since they planned to sell food products.
3. They contacted the local health department to investigate restroom facility requirements.
4. They contacted their insurance carrier to see if their planned operation was included in their current policy, and if not, what type of insurance would they need to purchase to ensure they were covered.

Finances

1. They conducted an in-depth cost analysis and tried to assign a cost to each aspect of their operation. This enabled them to estimate their start-up and operating expenses. This is key in determining the amount of money they would need to start and operate the business. Failure to borrow too little can result in financial constraints and additional resources can often prove difficult to obtain.
2. They contacted Cape Fear Farm Credit to explore potential financing.
3. They contacted their local tax commissioner to determine if tax implications would arise as they were including a commercial (agritourism) operation on their farm.

As it turns out, they did not have any zoning or special tax issues: the addition of an agritourism operation is considered an agricultural enterprise. They did have to contact the local health department and adhere to regulations pertaining to serving food.

Griffins were fortunate in that they did not face significant regulatory concerns. However, their situation is most likely an exception rather than a rule. A number of issues need to be investigated to avoid problems in the future. Potential agritourism operators need to investigate the following issues to determine if they will impact the agritourism operation.

Business issues

- ☐ Business Licenses
- ☐ Business Organization or Structure

Taxes

- ☐ Sales and Use Tax Number
- ☐ Federal Employer Identification Number

- ☐ North Carolina State Tax Information
- ☐ Federal Self-Employment Tax

Regulations and permits

- ☐ Certificate of Occupancy
- ☐ Zoning
- ☐ Health Department Inspection
- ☐ Fire Department Inspection
- ☐ Environmental permits

Insurance

- ☐ Insurance

Labor issues

- ☐ Labor laws
- ☐ Workers Compensation
- ☐ Immigration Worker Policy

Health and safety

- ☐ OSHA
- ☐ Workers Compensation

Management and labor

The Griffins were starting a business where they had little experience. They did have experience running a poultry farm, but neither had any experience in the entertainment industry. They realized that they needed help and sought professional assistance. The first problems they encountered was their lack of experience in growing corn. They have grown other row crops but not corn. To make matters worse, growing corn for a maze is different from growing corn for food. They relied on the North Carolina Cooperative Extension agents and state specialists for information on how to successfully grow corn for the maze. They also provided a corn budget to facilitate financial planning for the maze.

The second issue Griffins faced was developing the maze. It was one thing to plant and grow the corn, it is something else to layout the design and cut the actual maze. The Griffins relied on Precision Mazes, a contact made at an earlier conference. They struck up a conversation and the relationship was formed.

The third issue was a lack of experience in running an agritourism business. The Griffins sought a professional business consult to help them develop a detailed financial analysis and marketing plan.

Labor is a concern for agritourism operations. They need for a number of polite, courteous, and safety conscious people for a short time while they're opened. You need to address this major obstacle facing prior to starting a business. Unemployment levels are very low, and many people are not interested in very seasonal work. Two good sources of seasonal agritourism labor are area high school students and retired farmers. These groups may be interested in working a few hours a week for a short period of time. The key is to identify these people well in advance of the opening.

Depending on the activities being offered at the operation, it may take up to 20 people to effectively service the patrons. Even if labor can be identified, finding people with the skills your are seeking may be difficult. As a result, generally some training is involved to ensure that the people you hire are able to correctly perform their jobs. Not every high school student or retired person can operate a tractor, make cotton candy, or paint faces. Training people so they can perform a task can be time consuming and should not be over looked.

Finding and retaining people who are presentable and have the social skills to interact with visitors is also key. Customer service is critical to developing a successful agritourism operation. A majority of agritourism visitors are children or families with children. Hiring people that are comfortable with and respectful while interacting with visitors is essential. If a customer has a bad experience with an employee with a bad attitude or is disrespectful, the customer will most likely not return and will definitely pass this information on to many more people.

Labor management may be the hardest part of an agritourism operation. The operator has to contend with new issues. These may include but are not limited to

- ✧ Developing an organizational structure,
- ✧ Developing a training program,
- ✧ Scheduling employees.
- ✧ Developing an effective communication system,
- ✧ Developing a compensation plan,
- ✧ Participating in workman's compensation,
- ✧ Conflict resolution, and
- ✧ Liability.

Market development/analysis

Market analysis

Market analysis is a critical component of evaluating the feasibility of an operation. Researching the market before starting a new business or expanding into a new market is important. A market analysis will provide information on a variety of aspects impacting a market. The following outlines the components of a comprehensive market analysis in relation to Hector's Creek Farm.

Target market

Defining a target market involves generating a detailed description or creating a stereotype of the people most likely to utilize a product or service. The target market can then be further broken down into segments. Griffins are targeting its corn maze to families. This target market can be further segmented into smaller groups. The first segment is the family with children: mom, dad, and children. This group also includes grandparents and grandchildren, as well. The other focus was school and day-care groups. Griffins did not get all the school groups that they wanted—an area where they need to improve. This market needs additional targeting to increase the customer base. Specific youth groups include neighborhood children, year-round schools, and YMCA programs. Once the target and market segments have been clearly defined, to design and market a product to this population is possible.

Griffins have developed a product to meet the specific needs of a newly targeted market: elementary school children. They understand that to be eligible to participate in elementary school tours, they must develop a curriculum to meet specific state educational objectives. In North Carolina, school field trips have to have an approved curriculum addressing specific educational goals. By clearly defining this market and understanding its requirements, Griffins were able to create a product to meet the specific needs of the elementary school field trip market. Further segmentation of the elementary school markets revealed that younger children (kindergarten through third grade) are subject to one set of curriculum requirements while older children (fourth and fifth grade) are subject to a different set of curriculum requirements. As a result of clearly defining and understanding this target market, Griffins were able to effectively market Hector's Creek Farm. The concept of target market refers to identifying a sub-segment of the total population that is most likely to use a particular product or service.

The more detailed information on the target market, the easier it is to design and implement an effective marketing strategy. As you obtain target market information and develop a target market profile, where to focus marketing efforts becomes apparent. By targeting those consumers that are most likely to purchase a particular product, maximizing marketing resources is easier.

Market area

The market area can be thought of as the geographic area where the business intends to operate, that is, a city block, between two rivers, or the globe. Defining the market area is important because it defines the geographic area where potential consumers live and/or work. The people in the market area are considered potential customers. If the population in the market area is not sufficient, you will have expanded the area or risk insufficient sales revenue. Defining the market area is important in determining the most effective marketing channels for reaching potential customers. For example, if the marketing area is Harnett County, it does not make sense to advertise in a publication that focuses on the residents of Onslow County.

Hector's Creek Farm determined (after opening) that the Holly Springs/Cary area would be one of their largest pools for visitors. The area has many transplants looking for outside family fun in the fall. They are generally from areas that have a longer history of this type of farm activity. Hector's Creek Farm is located in Fuquay-Varina, North Carolina, a location that places the farm

Table 1. Population estimates for 50 mile radius around Hector's Creek Farm

Population	Number
Population (1/1/2005)	2,174,904
Population (1/1/2010)	2,371,121
% growth (2010/2005)	9.0
Households	
Households (1/1/2005)	860,849
Households (1/1/2010)	962,816
% growth(2010/2005)	11.8
Age (years)	
Median Age	33.1
0 to 5	170,164
6 to 11	169,332
12 to 17	157,430
18 to 24	223,291
25 to 34	334,090
35 to 44	329,905
45 to 54	254,506
55 to 64	152,266
65 to 74	105,202
75 to 84	64,147
85 and older	19,479

Source: Easidemographics

in the middle of the Raleigh, Cary, Fayetteville, and Clayton city areas. The market area, assuming a 50-mile radius around Hector's Creek Farm, has a significant population estimated to be 2.18 million people (Table 1). The population is anticipated to grow 9% from 2005 to 2010. Significantly, the market area has an estimated 496,926 people under 18 years of age .

This estimate of the market area does not take into account tourists and people who are traveling through the area—numbers difficult to obtain. The Hector's Creek Farm market area has a significant population base from which to draw customers.

Product/service analysis

The product/service analysis should focus on the agritourism operation and its products, resources, strategies, and experiences. According to Pam Griffin, the activities offered at Hector's Creek Farm are in line with the groups that attended but they need more activities. Griffins have a rule of thumb that for every hour a visitor drives to get to the business, two hours of activities are needed. The experience must be worth the customers' travel time. As a result, Griffins are adding pedal carts, scarecrow making, and corn a box for this season. They are also planning on updating their pumpkin "chunkin'."

It is important to identify a product's strengths and weaknesses as well as how these relate to the competition. Griffins investigated the competing agritourism operations in the area. The three direct competitors are established, successful operations that have grown their businesses to include a large variety of products and activities. One common characteristic shared by the competition is that they provide their visitors with a high quality experience.

Griffins realized that the competing operations provided a quality experience; and to compete, they would have to provide a quality experience. Griffins decided to focus on a few activities and do them well rather than attempting a large number of activities and doing them poorly. As the business grows, Griffins will add new activities accordingly.



Hector's Creek Farm's focus is on its corn maze. Griffins chose a race car design because of North Carolina's long tradition of NASCAR. Pam indicated that "racing has deep North Carolina roots and in addition, Scott Riggs is from the Triangle area." In 2005, they featured a 9-acre corn maze cut in the shape of the #10 Vavoline race car. In addition to the maze, they offer a hay ride with the admission price. In addition to the maze and hayride, Griffins have created a number of activities to enhance the overall experience. They are targeting children as a key market, which is reflected in the following activities:

1. Pumpkin shooter - For \$1.00, visitors can shoot 3 mini-pumpkins at a target.
2. Flower patch - A wild flower patch provides visitors an opportunity to pick their own flowers. Visitors can pick all they wanted for \$5.00 which includes a 32 ounce Hector's Creek Farm cup.
3. Hay mountain - Rolled hay is stacked to provide a "hay mountain" for kids to climb and play on.
4. Culvert/pipe roll - Kids are able to get inside these $\frac{1}{2}$ pipes and roll down a hill
5. Inner tubes - Kids are able to jump on the tubes and roll down the hill.
6. Hay tractor - Kids are able to play on the tractor made of round hay bales.



Griffins have also created a number of one-time special events revolving around sponsors:

1. October 1 Farm Bureau Day
2. October 3 Layefette Elementary School Relay for Life Walk
3. October 22 Cape Fear Farm Credit Day
4. October 22 Pig Picking; \$6.00/plate - starting at lunchtime
5. October 29 Midway Baptist Church Kids Fest

Hector's Creek Farm is able to differentiate its agritourism operation by subtly incorporating religion into the experience. The operators are devout Christians and want to provide a safe, family experience to their visitors. They also would like to expose their visitors to their religion in a subtle way.

The line in the movie, *Field of Dreams* ("build it and they will come"), does not necessarily apply in the real world. Determining a product's strengths and weaknesses and comparing them to consumer's preferences is essential. Griffins found that when developing an activity, it must be entertaining as well as convenient for customers to participate. Hector's Creek Farm included a flower-cutting garden as one of the activities. However, the flower-cutting activity was not conveniently located, forcing customers to leave the main activity area, resulting in low customer participation. Griffins realized that they needed to make all of their activities conveniently accessible so customers will be more likely to participate. They will include the flower garden in the same area as the other activities.

Pricing

Griffins used information they obtained from visiting similar operations to determine their product pricing. They are charging less than the three other corn mazes in the area in part because they feel they do not have as many activities to provide as the other operations. As they grow the business, Griffins will continue to add new activities, allowing them to raise their prices if they desire. Hector's Creek Farm has nine revenue generating centers on the farm:

1. Pumpkin "chunkin' " (3 for \$1.00)
2. Bottled water at the concession stand (\$1.00 per bottle)
3. Hotdogs (\$1.00 each)
4. Roasted corn (\$1.00 each)
5. Pumpkins (priced by size, average \$8.00 per pumpkin)
6. Corn maze and hayride (adults \$8.00)
7. Cut flowers \$5 for a 32 ounce cup of cut flowers
8. Shirts -\$15.00 each
9. Caps - \$7.00 each

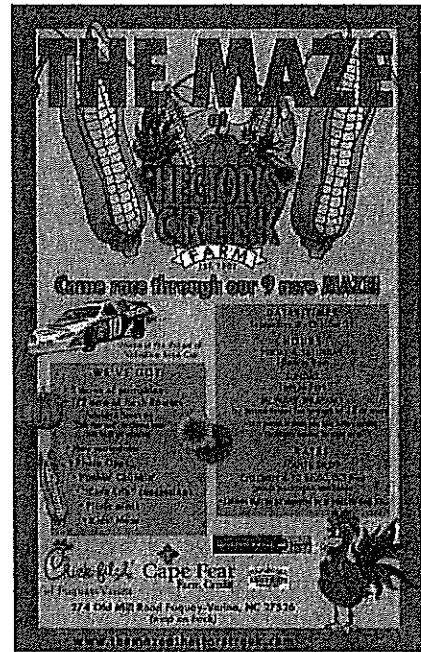
Marketing

Marketing and promoting the operation is one of the most difficult, time-consuming, and expensive components of developing a successful agritourism operation. However, if it is not done effectively, the success of the operation is doubtful. Griffins realized the importance of marketing and launched a multi-faceted marketing campaign. They utilized radio advertising, newspaper advertising, website, billboards, and banners. Griffins realized that if people were unaware of their maze, they would have no customers.

Radio advertising—Griffin's advertised on a local radio station that reached their target market. They advertised the corn maze for three months. The radio station was based in Fayetteville, but its broadcasts reached into southern Wake County. They were able to advertise for three months on this station whereas for the same money they would have only been able to advertise for one week on Raleigh station.

Newspaper advertising—Griffins purchased newspaper advertising in local newspapers. They also sought publicity and were blessed with numerous articles in area newspapers, even being written up in *The Wall Street Journal* and *Time Magazine*. The articles in the local newspapers were very effective and will be pursued.

Television publicity—Hector's Creek Farm was aired on three different television stations in the area. In addition, Griffins story was aired on the Speed Channel in an episode of "NASCAR Nation." Television publicity opportunities will be pursued again.



Billboard—In lieu of radio advertising in southern Wake County, the Griffins purchased billboard space at a busy intersection. They were not convinced that it was an effective marketing tool or cost effective. One reason was that the billboard was practically covered by tree limbs partially blocking its view. They did not use the billboard in 2006.

Vinyl banners—Griffins used banners in three locations. One was placed in southern Wake County near a major crossroad intersection. The other two were used in Harnett County closer to the farm. The banners appeared to be effective, and the Griffins plan on using more banners.

Website coupon—The website generated over 7,000 hits during the summer and fall of 2005. It featured a \$1.00 off coupon. They considered the website effective and will use it again.

T-shirts and embroidered hats—Griffins had t-shirts printed with the Hector's Creek Farm mascot and embroidered hats. They provided these items to the staff and made them available to customers. Sales of these items were good and will be offered. Additional keepsake items will be available.

Bottled water—Griffins purchased bottled water with their label and a \$1.00 off coupon on the back of the label. It was effective as evidenced by the number of coupons redeemed.

Direct mail to churches—Hector's Creek Farm offered a program called "Cultivating Readers" targeting children 4 to 12 years of age. They could read 15 books and get a free admission with a paying adult. This program was discontinued in 2006.

Hector's Creek Farm was placed on the 'splice line' for home schoolers and had several groups attend. This year, only one day will be offered at a discount.

To know an operation's target market and advertise in the most appropriate venue is critical. Griffins were aware of their target markets and advertised in the appropriate media. They advertised on a local Christian music station because they knew the station targeted families with children, a group they were also targeting. However, Griffins would most likely avoid marketing on hip-hop or alternative rock stations as these listeners most likely different from their targeted market. Griffins also focused on local newspapers for advertising as they realized that the majority of their business would be from local people, not folks traveling through the area. If you are going to advertise to hunters, you advertise in outdoor magazines and closely related trade publications since they are targeting the same group of people as you are.

Publicity is free and it works. Hector's Creek Farm was very fortunate in that it received significant publicity. Griffins indicated that the publicity the farm received was very effective in generating business, and they could not have purchased that type of exposure. Hector's Creek Farm was featured in a local newspaper. Fortunately, the local newspaper owned a number of smaller papers in the region and ran the article in those papers as well. This publicity exposed Hector's Creek Farm to a large number of people in the area, and it was free. Developing a list of media contact people is very important. Information regarding the business can be sent to these contacts as activities come into season or new activities are added. You send any news releases and story ideas that may be of interest to them. You want to invite them to participate in current

activities to get them excited about the operation. It is a good idea to follow up mailings or e-mail with phone calls because media contacts are busy may need reminding.

Signage is critical. Signs are very important to agritourism operations because they advertise 24 hours a day, 7 days a week, 365 days a year. However, the right sign is important as it creates a customer's first impression of the operation as well as provides information to new or potential customers about the operation. Choosing an effective location is extremely important. Hector's Creek Farm purchased billboard space at a busy 4-way stop intersection. However, two trees blocked the majority of the sign making it less than optimally effective. Griffins were able to convince the sign company to remove one of the trees, but the billboard was still partially blocked. They did not feel that the billboard advertising was effective.

Griffins had more success with placing banners at a local gas station. They placed these banners in highly visible area. Research shows that impulse stops can account for 20 to 45% of all business visits. As a result, an easily seen and readable sign has the potential to pay for itself many times over. In addition, Griffins use a series of smaller signs to direct customers to their operation.

Develop a mailing and e-mail list. Develop an accurate mailing list. Place a registry at the operation's check-in station and encourage visitors to register. In addition, potential visitor contact information can be purchased from direct mail companies, outdoor magazines, associations, and other sources of outdoor activities. An extensive and accurate mailing list can be an important asset to communicate to existing and potential customers any upcoming activities as well as keep the business in front of people

Satisfied customers are the most important key to success. Griffins have discovered the value of word-of-mouth advertising. They said that word-of-mouth was critical in attracting visitors and cited the old adage that one satisfied customer will tell a friend, while one dissatisfied customer will tell 20 people. Griffins emphasized the need to provide a quality product and satisfied customers and related a story about a rowdy group. The group was cursing and causing problems in the corn maze. Their activity was having a negative impact on the other visitors.

Griffins located the group and called the police to have them removed. They took necessary actions to ensure that their visitors would have a pleasant experience. Failure to address this problem and resolve it could have led other visitors to leave with a negative perception of Hector's Creek Farm and jeopardize future visits.



The Devil is in the details. Take care of small details to ensure that customers perceive the operation as professional. Make sure that your telephone is answered professionally ("Hector's Creek Farm" rather than "hello"). The answering machine should have a professional message as well. Return calls promptly. Griffins use personal and professional relationships to promote their business. They talked to their neighbors and gave them free passes. They joined the

Chamber of Commerce and talked with church groups and area retailers, to name a few. They started close to home at first and moved out gradually.

Note—Produce quality brochures and public relations materials. On brochures, less is more. Don't clutter it with lots of words. Use photos. Hire a graphic artist or get lots of feedback from other business people before the brochures are printed. Don't use a photocopier. Color is costlier than a black and white brochure, but it shows a commitment to quality and attracts a lot more attention.

Competitor analysis

Spy on the competition. See what other agritourism operations are doing. It is easy to stop by competing agritourism operations and grab a brochure, visit their web page or even take a tour or visit the facilities. Griffins admitted that their research could be considered primitive in the approach. It may be rudimentary, but participating in competing agritourism operation tours will provide insight into the running of the tour as well as the popularity of various activities. Observing how other operators direct the traffic flow around their operation can provide valuable information that can be incorporated into an agritourism business to make it flow smoothly. Traveling around the region and collecting information on other agritourism operations will allow you to monitor trends and create an exciting tourism experiences. Agritourism operators are continually adding new activities and developing additional revenue centers to entice customers to return.

Hector's Creek Farm does not have direct nearby competition but competes with agritourism operations within specific driving distances. Griffins believe that people will visit the farm which is closest to them. However, Pam has overheard people from the Holly Springs/Cary area remark that Hector's Creek Farm's nearest competitor, Ken's Corn Maze in Garner, was too far to drive.

Even though they did not have direct competitors in the area, they visited other area mazes and took note of what was offered and what was charged for the visit. Amazingly, the other operators in the area were very forthcoming about their operations and willing to share their experience and knowledge with Hector's Creek Farm.

Direct competitors

Hill Ridge Farms (www.hillridgefarms.com)

Strengths: Hill Ridge Farms has a number of activities covered under their general admission price. A \$10.00 per person admission price entitles visitors to a hayride and pumpkin. In addition, the general admission fee provides access to the farm animal corral, the fish feeding dock, a kiddie park, picnic grounds, live music, and scheduled events. In addition, Hill Ridge Farms has numerous revenue generating centers in addition to the activities covered by the general admission: corn maze, train rides, gem stone panning, giant slide, pony rides, general store, and concession area.

Weaknesses: Hill Ridge Farms has designed their operation to charge for additional activities. Not all activities have an extra cost in addition to the admission fee. The admission fee of \$10.00 is very high, especially when other activities on the farm have an additional cost. This pricing strategy may eventually arouse animosity with customers.

Ken's Produce and Garden Center (www.kensproduce.com)

Strengths: Ken's Produce and Garden Center has a number of activities to offer visitors. A general admission is the only fee. Ken's Produce and Garden Center is really focused on children, which is apparent when looking at the list of activities. The farm has a children's straw maze. It offers volleyball, miniature golf, horseshoes, frisbee golf, croquet, gourd checkers, and pumpkin bowling. A variety of creatures entertain the children and provide adults with photo opportunities. These creatures include a giant spider, caterpillar, and bumblebee.

Weaknesses: Ken's Produce and Garden Center is a very successful operation. However, they do not appear to be theme-oriented. While not necessarily a weakness, it might a point of vulnerability. By incorporating a theme to the corn maze, it may be possible to attract some of Ken's Produce and Garden Center traditional customers who are interested in the theme. The NASCAR theme would definitely be appealing to NASCAR fans who may choose to visit Hector's Creek Farm in lieu of Ken's Produce and Garden Center just because of the theme.

Indirect Competition

In addition to visiting agritourism operations in central North Carolina, Griffins have participated in the North American Farmers' Direct Marketing Association (NADFMA) annual conference in Boston. Part of this conference was a bus tour that visited farm market destinations highlighting the culture and environment of the region. At the conference, the Griffins met many people and took note of what they were doing and what they said they were going to change or add. More importantly, participants visited the most outstanding farm markets in North America. The markets they visit may not always be the largest, the newest, or the richest; but they are innovative, successful, and the most willing to share their secrets, their shortfalls, and their dreams for the future.

Conclusion

In addition, investigating the competition provides insight into how others are marketing their products and who their customers are. Competitors may not freely provide information on the success of their marketing campaign. However, you are able to gain valuable marketing information by attending functions involved with agritourism and even calling owners/managers outside your marketing area. More than likely, they will offer good advice to avoid potential pitfalls.

Financial

(Note: The numbers used are not actual numbers from Hector's Creek Farm)

Revenue

Calculating revenue is straightforward. Griffins estimated they had 5,000 visitors during their

Table 2. Revenue center units and sales

Revenue Center	No. of units	\$ per unit	Total (\$)
Pumpkins	2,500	8.00	20,000
Hayride and corn maze (people)	5,000	7.20	36,000
Pumpkin "Chunkin'" (3 gourds per person)	2,000	1.00	2,000
Cut flowers (32 oz cups)	20	5.00	100
Bottled water	1,000	1.00	1,000
Roasted corn	1,000	1.00	1,000
Hotdogs	1,000	1.00	1,000
T-shirts	200	15.00	300
Caps	200	7.00	140
Total			\$61,540

first year. They generated over \$61,000 in revenue its first year of operation (Table 2).

It is not easy to develop reliable estimates to evaluate the financial feasibility of an agritourism business. For one thing, start-up costs should be able to account for all expenses related to the renovation of the farm, parking, long-term signs, and labor costs during the start-up phase. These costs, however, are subject to changes as owners modify building plans and scope of business operation. When the business actually starts operating, revenue projections are also difficult to set-up due to the uncertainty in generating customer counts and the tendency of management to implement variable pricing schemes (where prices are likely to be adjusted downwards during periods of low numbers of farm visits). However, you need to develop the best estimates of financial performance to serve as a guide to developing and implementing business plans. Table 3 summarizes estimates of a start-up cost for Hector's Creek Farm featuring a corn maze, hay rides, a pumpkin launcher and concession stands:

Table 3. Start-up cost estimates

Expense	Cost Estimate (\$)
Grading Land Parking	1,500
Kids' Corral (play area)	1,500
Improving farm's appearance (cleaning up and painting)	2,500
Fencing restricted area	1,000
Employee training—8 workers, 8 hours training	512
Wagons	7,000
Safety chains, steps, side boards	500
Total	\$ 14,512

The financial plan is a helpful framework for the business owners to determine the most reasonable prices to charge for the individual attractions or for the entire farm visit. To be able to do this, the financial plan must take into consideration all possible costs involved in the start-up and operation phases of the business.

In the operation phase, aside from the costs associated with the individual attractions, you cannot easily assign general expenses to individual attractions. These expenses are for setting up facilities available to all visitors, the beautification of the farm premises, and marketing expenses to advertise the entire farm tourism business. Since these are general expenses, you need to assign a share of these costs to each individual farm attractions. That amount is then included in the calculations for determining the fee you charge customers who use each of the farm activities.

In this example, these general expenses include the beautification of 5 acres of the premises with landscaping and flowers, setting up portable toilets, tent (fair style), and marketing and advertising expenses. Also, the start-up costs need to be amortized or paid back by the business over the years. In this example, assume that the start-up costs of \$14,512 will be amortized over a period of 10 years, which translate to an annual amortization of \$1,451.20 (Table 4).

Table 4. Itemized general expenses

Item	Unit	Quantity	Cost/unit (\$)	Per acre cost (\$)
A. Flowers and plants				
Seed	Thou.	28	0.90	25.20
Fertilizer				
Nitrogen	Lbs.	120	0.29	34.80
Phosphate	Lbs.	70	0.25	17.50
Potash	Lbs.	70	0.15	10.50
Lime (Pro-rated)	Ton	0.3	31.50	10.40
Herbicides	Acre	1	62.64	62.64
Tractor/Machinery	Acre	1	18.07	18.07
Labor	Hrs.	2.1	8.00	16.96
Total for 5 acres				980.35
B. Marketing and advertising				
Radio	30 sec slot	270	10.00	2,700.00
Newspaper Advertising	2 x 5 space	10	50.00	500.00
TV advertising	15 sec space			2,500.00
Billboard		1	1,500.00	1,500.00
Shirts	Dozen	240	12.00	2,880.00
Caps	Dozen	240	5.00	1,200.00
Information signs on farm	Per sign	10	250.00	2,500.00
Directional signs	Per sign	4	25.00	100.00
Website	site	1	1,000.00	1,000.00
Total				14,880.00
C. Miscellaneous				
Portable Toilets		4	100.00	400.00
Tent (fair style)		1	2,000.00	2,000.00
Materials/Supplies		5	100.00	500.00
Total				2,900.00
D. Amortization of start-up costs	10 years			1,451.20
Total general expenses				20,211.55

You come back to this estimated total amount of general expenses when you are ready to calculate prices.

A. Corn Maze Operations

This attraction will have two sets of expenses: planting and operating expenses (Table 5).

Table 5. Itemized Corn Maze Expenses

Item	Unit	Quantity	Cost/Unit (\$)	Per Acre
A. Planting (9 acres)				
Seed	Thou.	28	0.90	25.20
Fertilizer				
Nitrogen	Lbs.	120	0.29	34.80
Phosphate	Lbs.	70	0.25	17.50
Potash	Lbs.	70	0.15	10.50
Lime (Pro-rated)	Ton	0.3	31.50	10.40
Herbicides	Acre	1	62.64	62.64
Tractor/Machinery	Acre	1	18.07	18.07
Labor	Hrs.	2.1	8.00	16.96
Interest on Operating Capital	Dollar	89.56	0.09	8.06
Total for 9 acres				1,837.17
B. Operations (8 weeks)				
Design	Job	1	1,500.00	1,500.00
Maintenance	Hours	40	8.00	320.00
Labor (3 workers, 25 hour/week, 8 weeks)	Hours	600	8.00	4,800.00
Flashlights	Flashlight	100	1.00	100.00
Batteries	Batteries	300	1.00	300.00
Total				7,020.00
Total Corn Maze Expenses				8,857.17

B. Hay Rides

The expenses expected to be incurred for the hay rides are

- 1 Labor: Two workers needed (one will be driving and the other monitoring the customers). These two will work for 25 hours per week and paid \$8 per hour. For 8 weeks, the total labor expenses will be \$3,200.00
- 2 Fuel: The estimated fuel expense is \$2.75 per gallon and the estimated average daily consumption is 1 gallon. The total fuel expense for the 8-week period is \$154.00.

Given these, the hay rides will incur a total cost of \$3,354.00.

C. Pumpkin Launcher

The expenses associated with the pumpkin launcher attraction are shown in Table 6.

Given these estimated expenses, you are ready to determine prices either for the individual attractions or for general admission. In the summary, you can choose to charge separate prices for the individual attractions or charge a general admission price for all guests. You calculate the prices by considering all possible costs attributed to the attractions and the entire agritourism operation.

Table 6. Itemized pumpkin launcher expenses

Item	Unit	Quantity	Cost/Unit (\$)	Total (\$)
Gourd	Gourd	3,000	0.10	300.00
Miscellaneous supplies				200.00
Machine		1	500.00	500.00
Labor (1 person, 25 hours/week, 8 weeks)	Hours	200	8.00	1,600.00
Total Pumpkin Launcher Expenses				2,600.00

Each attraction is charged a share of the total general expenses. The share of each attraction is derived by first calculating the costs for all the attractions and then dividing the cost of each attraction into the total costs for all attraction..

A break-even analysis is used to determine the minimum price that you might want to charge to at least be able to cover all expenses incurred. The break-even selling prices are calculated for each expected number of visitors.

The option to charge a general admission fee is derived by adding the total general expenses and the combined expenses of all attractions. This grand total is then divided by the expected number of visitors to the farm. The grand total of expenses is calculated as

Total general expenses 20,211.55
 Combined attraction expenses 14,811.17
 Grand total 35,022.72

All the information needed for the price calculations are summarized in Table 7

Table 7. Calculation of individual attraction and general admission prices

	Corn maze	Hay ride	Pumpkin launcher	General admission pricing option (\$)
A. Individual Attraction Expenses (\$)	8,857.17	3,354.00	2,600.00	
B. Attraction's Share of General Expenses (percent)	59.8	22.6	17.6	
C. Attraction's Share of General Expenses (\$)	12,086.63	4,576.92	3,548.00	
D. Total Attraction Expenses (A plus C \$)	20,943.80	7,930.92	6,148.00	
Break-even price for the following estimates of number of farm visitors (\$ per visitor)				
500	41.89	15.86	12.30	70.05
1,000	20.94	7.93	6.15	35.02
1,500	13.96	5.29	4.10	23.35
2,000	10.47	3.97	3.07	17.51
2,500	8.38	3.17	2.46	14.01
3,000	6.98	2.64	2.05	11.67
3,500	5.98	2.27	1.76	10.01
4,000	5.24	1.98	1.54	8.76
4,500	4.65	1.76	1.37	7.78
5,000	4.19	1.59	1.23	7.00

Conclusion

Hector's Creek Farm will have to attract 4,490 visitors to break even. Given the significant population base in their market area, being able to attract this number of visitors is not unrealistic.

APPENDIX A: Worksheet for Hector's Creek Farm

Now, Griffins can determine if the potential market and estimated share of the market are sufficient to allow them to break-even.

Table A1. Hector's Creek Farm's area target audience

	Elementary school	Home schooled	Church groups	Families, small children
Number	169,000	2,500	50	860,500

Table A2. Hector's Creek Farm's market area

Segment	Location or distance (city, county, or 45 miles)
Elementary school children	50 mile radius
Home schooled	25 mile radius
Church groups	Cary
Families with small children	50 mile radius
Other	

Table A3. Estimated number of target customers within Hectors Creek Farm's Market Area

Segment	Number of People
Elementary school children	169,000
Home schooled	2,500
Church groups(average of 20 children each)	50
Families with children < 18	860,000
Other	-
Total (sum 1 through 5 above)	1,032,500

Table A4. Number of potential customers visiting Hector's Creek Farm by percent

	1%	5%	10%	15%
Number	10,325	51,625	103,250	154,875

Table A5. Costs associated with starting and running Hector's Creek Farm.

Item	\$
Start-up costs	14,512.00
Corn maze	
<i>Planting (corn budget)</i>	1,883.17
<i>Operations</i>	7,020.00
<i>Total</i>	8,903.17
Hay ride	
<i>Labor</i>	3,200.00
<i>Fuel</i>	154.00
<i>Total</i>	3,354.00
Gourd laucher (labor, laucher, gourds)	2,600.00
General expenses	
Cut-flowers (5 acres @ \$980.35)	4,905.71
Marketing	14,880.00
Miscellaneous	2,900.00
Amortization of start-up costs (over 10 years)	1,451.20
Total	35,022.72

6. Hector's Creek Farm admission price

Griffins decided to charge an average admission price of \$8.00 per person

7. Break-even number of customers

Grand total costs ÷ Admission price

$$\$35,022.72 \div \$8.00 = 4,490$$

Appendix B: Regulations and business issues

The first thing that you should examine are the regulations and business issues that may impact an agritourism operation. These issues may be prohibitive or make the operation unfeasible. The following basic issues and other issues that may apply need to be investigated.

Business Licenses—Generally, any person or entity involved in commerce will need a business license.

Phone: 919 715-2864 or

Toll-free (in NC) 1 800-228-8443 or

Website: www.nccommerce.com/servicenter/blilo/redbook.

Sales and Use Tax Number—Businesses that generate sales are required to obtain a Sales and Use Tax number (AS/RP1 form) because North Carolina charges a basic sales and usage tax.

Website: <http://www.dornc.com/downloads/sales.html><http://www.dornc.com/taxes/sales/salesanduse.html>

Federal Employer Identification Number—Businesses with employees are required to obtain a Federal Employer Identification number (SS-4 form) along with a N.C. withholding tax number.

Website: www.irs.gov/businesses/small/article/0,,id=98350,00.html

North Carolina State Tax Information—Operating a business in N.C. will require paying N. C. state taxes in addition to Federal and local taxes. To find out more about the state taxes go to

Website: www.dor.state.nc.us/business/

Telephone: 1-877-252-3052

Federal Self-Employment Tax—Self-employed people are required to make payments of the self-employment tax. You are considered self-employed if you are in business for yourself, carry on a trade or business as a sole proprietor, or are an independent contractor.

Website: www.irs.gov/localcontacts/article/0,,id=98320,00.htmlwww.irs.gov/businesses/small/article/0,,id=115045,00.html

Telephone: 1-877-777-4778

Zoning—A business operating out of any building will need to be zoned for business use in that geographic area.

County website: <http://ncinfo.iog.unc.edu/library/counties.html>

City or Town website: <http://ncinfo.iog.unc.edu/library/cities.html>

Health Department Inspection—Businesses that involve the sale of food or lodging will generally have health inspection requirements.

Website: <http://www.ncpublichealth.com/>

Telephone: 919-707-5000

Environmental permits—Your business may require an environmental permit. Environmental permit information can be found under the Department of Environment and Natural Resources.

Website: www.enr.state.nc.us

Telephone: 919-733-4984

Insurance—Businesses need insurance for protection against fire, theft, and other losses. Businesses may require specialized insurance, some of which are required by law. Having an insurance specialist thoroughly analyze your business to determine your insurance needs is essential.

Sources: North Carolina Commission on Insurance

Website: http://www.ncdoi.com/Consumer/consumer_home.asp

Telephone: 800-546-5664

Unemployment Insurance—Businesses are required by the state to pay unemployment insurance tax if the company has one or more employees for 20 weeks in a calendar year, or it has paid gross wages of \$1,500 or more in a calendar year.

Website: <http://www.ncesc.com/business/default.asp?init=true>

Telephone: 919-733-7395

Workers Compensation—In general, if you employ more than 3 people in addition to the sole proprietor, partners, formulators of the LLC, executor of the estate, and bearer of the trust, you are required to have workers compensation insurance. It does not matter if these employees are full time, part time, regular seasonal, or family members.

Website: www.comp.state.nc.us/ncic/pages/bus&ind.htm

Telephone: (919) 807-2500

OSHA—The Federal Occupational Safety and Health Administration (OSHA) outlines specific health and safety standards employers must provide for the protection of employees. Some exemptions are found on the North Carolina website.

Website: <http://www.osha.gov/http://www.osha.gov/SLTC/agriculturaloperations/index.html>

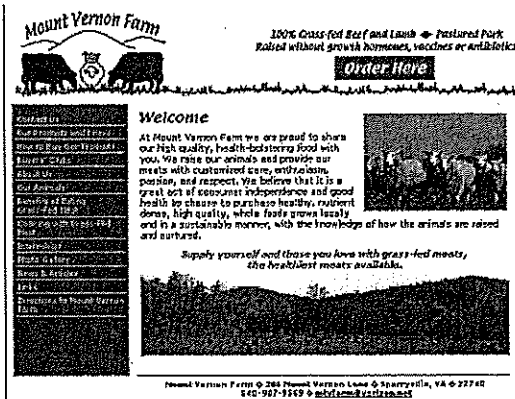
Telephone: 1-800-321-6742



Feasibility Case Study 2.

Mount Vernon Farm

Sperryville, Virginia



Executive summary

Mt. Vernon Farm is an 830 acre farm located in Sperryville, Virginia. Like many farms in Virginia, particularly Northern Virginia, Mt. Vernon faces the pressures of rapidly expanding suburban communities that put cost, political and cultural pressure on traditional farm enterprises. Mt. Vernon's owner, Cliff Miller, found a way to accommodate the pressures of suburban expansion and preserve his farm by adopting a pasture-based livestock production system in combination with direct marketing to consumers. The focus of this case study is Mt. Vernon Farm's pastured livestock operation.

Cliff Miller hired Becky Brown, an experienced pasture-based livestock producer, to manage his livestock operations during a two and a half-year trial period. Becky and Cliff had a good base of potential customers and strong professional networks which they used to develop the operation; at the same time Becky recognized that she lacked experience in direct marketing and made a particular effort to develop this area. Currently, they market through farmers' markets, on-farm sales, and buying clubs. Their promotional strategy is heavily reliant on word-of-mouth, a website, and personal contact with customers. Underlying the success of these media is their commitment to a premium quality product. Mt. Vernon sells more than 50 different pasture-fed beef, lamb, and pork products, and prices to be competitive with its direct competitors. They send their livestock to a USDA-inspected custom processing plant, Fauquier's Finest, and find their biggest inventory management problem to be a lack of product given limited production resources and strong consumer demand.

In establishing the business, Becky and Cliff developed a flexible business plan at the start of their work together; however, they did not establish a specific financial plan. They meet regularly to review problems and progress and to revise their plans as needed. The capitalization process for the enterprise was minimal as it was an existing operation and did not need many

additional investments in land or machinery. Becky is the primary operator and is assisted by part-time and hourly wage labor as well as interns.

Farm enterprise history

Mt. Vernon Farm is an 830 acre farm located in Sperryville, Virginia that has been in the Miller family since 1827. The farm is currently owned by Cliff Miller, who inherited it from his father in 2000. Prior to that, the land had been leased to crop farmers since the family ceased their long-standing dairy operations in the 1960s. When Cliff inherited the farm from his father, he contemplated how the ongoing uses of the farm aligned with his own personal social and environmental values. Along with economic viability, Cliff cared about the environmental, social, and aesthetic contributions that his farm could generate, and began to shift his mix of business operations to reflect these values.

The focus of this case study is Mt. Vernon Farm's pastured livestock operation, which is operated as a subsidiary of the overall farm operation. Cliff established the pastured livestock operation in 2003, raising a small herd of 3 to 4 beef cattle while he searched for a manager who had the technical expertise and commitment to the economic, environmental and other values that he sought to promote with the farm. Currently Mount Vernon produces pasture-fed beef, lamb, pork and chickens.

Business idea development

Situation analysis

Like many farms in Virginia, particularly Northern Virginia, Mt. Vernon faces the pressures of rapidly expanding suburban communities that put cost, political and cultural pressure on traditional farm enterprises. At the same time, many farm owners, such as Cliff Miller, seek a way to promote a dynamic agricultural sector and healthy open space.

Cliff found a way to accommodate the pressures of suburban expansion and preserve his farm by adopting a pasture-based livestock production system in combination with direct marketing to consumers. Pasture-based is a term used to refer to meat that has been raised on forage either exclusively or with some supplemental feeding. Other terms that are commonly used include "pasture-finished" and "grass-fed." Numerous aspects of pasture-based livestock systems have catalyzed their growing popularity. Pasture-based livestock systems satisfy consumers' demand for producing a high quality, high protein, healthy product with a pleasurable eating experience. They enhance environmental quality and the natural resource base, and make good use of resources both on and off-farm. On farm, they make the most of cattle's ability to convert grass to meat in a low input system, making efficient use of solar energy, improving soil nutrient cycling, conserving soil and water, and limiting reliance on non-renewable resources. Off-farm, pasture-based systems have a lower environmental impact than confined systems.

Pasture-based livestock production also offers economic returns that can enhance producers' economic well-being. The meat is a high-value product, and consumers are willing to pay a premium for specific quality attributes, allowing producers to pursue quality premiums rather

than compete to be the low-cost producer. Because pasture-based meat is often direct marketed at the local level, growers are in a position to reap more of the value along the marketing chain. In contrast, many cattle farmers in Virginia today operate cow-calf operations, and claim a small portion of the final value of the meat produced.

Market experience of the owners and operators

Cliff found the farm manager he sought in Becky Brown through mutual contacts working in the pastured beef market. Becky grew up on a mixed-livestock farm in Massachusetts, undertook a program in Environmental Studies which integrated many courses in agricultural production. While in college, she had the unique experience of a year-long internship program in New Zealand that exposed to her pasture-fed operations on numerous, diverse farms. Cliff and Becky decided to undergo a two and a half-year trial period during which Becky would operate Cliff's pastured livestock operation as his employee, at the conclusion of which time she could opt to buy-out the operation. Both shared largely similar views of what would constitute a successful experiment—one in which economic viability was sustained while the environmental and aesthetic aspects of the farm were also enhanced. In the context of these compatible objectives, Becky and Cliff did have some different perspectives on what would constitute an economically viable operation. For Cliff, who draws his income primarily from other sources, viability requires that the enterprise have the potential to be self-supporting over the long term. For Becky, who has the opportunity to derive her entire income from the operation, the concept of economic viability includes not only covering costs, but also providing adequate profit to compensate her time and expertise and provide a standard of living that would be comfortable over the long term. Thus, one of the key objectives to be achieved during the two year trial period was to explore the financial parameters of the pasture-fed livestock operation to determine its economic potential and the compatibility of Becky and Cliff's different viewpoints.

Market challenges

Mt. Vernon's market development process has evolved considerably over the few years that they have been in operation. Becky estimates that it has taken 2 to 3 years for the operation to really build up to a level that is economically viable, and that marketing costs consume about 30 percent of the value of their product sales. One of the most important lessons that they have learned is that effective marketing can require very large investments and that the payoffs are not always quickly forthcoming. Discussion with Becky highlighted several examples of this lesson. For example, they came to understand that marketing through the farmers' market exacted a significant cost of time, labor, human energy, and transportation. They quickly came to realize that unless they could clear a minimum level of sales, approximately \$1,500 per day at farmers' markets, their expenses would not be adequately covered. Likewise, they came to realize that effective marketing of pasture-fed beef requires large investments in the education of potential customers and again payoffs were not always guaranteed.

They learned three strategies to deal with these challenges. First, they developed a website (www.mountvernonfarm.net) that provides extensive information on the farm and its products, as well as the benefits of pastured meat and other issues that they typically found themselves

educating their clientele on. The website has been very effective in reducing the amount of servicing or “hand-holding” that their customers need. Second, they came to differentiate the potential of different customers. For example, they find that their customers who come out to the farm are “die-hard” customers—they are customers who are already convinced of the value and benefits of pastured livestock, so they require little marketing investment beyond good service and a high quality product. Likewise, they have developed an “eye” for the same sorts of customers at the farmers’ markets. Third, they came to realize that as they have developed their production system, the quality of their meat has improved. Producing high quality, consistent meat reduces the effort they need to make to market it because the meat “sells itself” by word of mouth. While some of these improvements to quality have only been made possible by their learning the nuances of the land and animals and adapting their production system to these, they have also learned that some of the pragmatic decisions they made early on had clear effects on quality. they learned to consider the value of these tradeoffs. For example, they used to slaughter their herd in batches on the basis of the age of the animal; now they inspect each individual animal to decide if it is, indeed, at an optimal stage for slaughter, and hold it over for the next slaughter date if it is not. This change has significantly improved the consistency and quality of their product, stabilizing their customer base.

Finally, they have found resources such as Eatwild.com, which provides producer directories and product information to consumers, to be a huge help with their marketing. Likewise, the current attention that the media is giving pasture-fed beef, such as recent articles in major outlets like *The New York Times* and *Time Magazine*, generally increases consumer interest in pasture-fed meat.

Summary of strategic development process

Becky and Cliff initiated their pastured-livestock activities with a confidence based on their knowledge of the unique benefits and quality of pastured-livestock, as well as a number of personal contacts in the community who made them aware of the latent demand that existed for their product. In this sense, Cliff’s long-established place in the community served as a valuable input to their initial efforts at developing their market.

They drew both inspiration and information from numerous sources of information. Apart from their own personal experience in pastured systems, they also adapted a mission statement and goals from Alan Savary’s book on pasture-based livestock systems.

Becky and Cliff worked together on developing business plans. Because the operation was essentially a trial, they undertook numerous pilot projects before deciding to make more significant investments in any projects. These projects allowed them to explore new ideas without making large capital expenditures until they had some reason to be confident that the ideas might pan out.

Becky’s background was a key input into the development of the enterprise. Her college thesis examined pasture-fed and continuous grazing systems. She also spent time learning about pasture-based livestock in Australia and New Zealand during her undergraduate program. Despite her background in pastured grazing systems, Becky continually sought out new sources of information that might help her to improve the productivity and efficiency of her operation.

One of the key areas Becky focused on when she first began work at Mt. Vernon was marketing, an area where she had little previous experience. She asked questions of other local producers, went to at least a half dozen conferences offered by Stockman's Grass Farmer, went to AI school, traveled to Colorado to tour pastured-beef ranches there, and likewise participated in seminars on business management, enhancing ranching profitability, etc. She took advantage of published material on pastured-livestock systems (such as books by Allan Nations, Joe Salatin, Alan Savary). She also sought out and developed a network of contacts and colleagues, as well as several mentors who she traveled with or visited to further her learning (key people playing this role include Cliff Miller, Gerald Frie, Alan Nations, Ridgeway Shen, Joe Salatin, Rob Ferfusen, and July Simpson). She also draws on the expertise of Virginia Cooperative Extension personnel in key areas such as pasture-management, fertility management, body condition analysis, and holistic veterinary care.

Market development process

Description of products

Mt. Vernon sells more than 50 different pasture-fed beef, lamb, and pork products, including some processed products such as bologna and sausage. (A full product listing is provided in Appendix A.)

Their labels show basic information about the product, as well as their name and contact information. Previously, they put their own labels on the meat and were able to include information about the pastured production processes and meat attributes. Their new processing facility offers a labeling service, however, that does not permit the inclusion of product attributes. In their view, the greatly reduced cost of the labeling (\$0.05/label compared to \$0.25/label) compensates for this constraint.

Pricing strategies

Mt. Vernon prices to be competitive with its direct competitors, while also keeping an eye on supermarket prices. In the beginning they sought to promote an ideal of making the meat affordable to nearly all who wanted it. However, they were not covering their costs in this way, and they had to adjust their prices to permit the economic sustainability of the operation.

Market distribution/logistics

Market composition

Mt. Vernon began marketing off the farm in October 2004. Currently, they market to about 30% of their product to five regular customers from the farm's business office, about 60% through farmers' market (one market with sales to about 20 to 40 buyers each market day), and another 10% through three buying clubs in the winter.

Processing and distribution

Mt. Vernon sends their livestock to a USDA-inspected custom processing plant, Fauquier's Finest, a relatively new plant. They have been having excellent results with it due to its reasonable costs, willingness to work with small customers, and ability to provide additional services such as aging, packaging, and labeling. Following processing, they bring the packaged and labeled meat back to the farm where it is stored in a freezer until it is marketed.

Inventory management

The primary problem that Mt. Vernon has had with inventory management has been a shortage of meat when customers want it. At times they do not have adequate inventory to justify trips to the farmers' market where they sell, and they sometimes go weeks without having meat available for sale on the farm. All they can do in these cases is to explain to customers that they simply don't have meat available.

In the beginning of their sales at the farmers' market, they undertook extensive inventory controls on farmers' market days, recording what product left the farm and what returned unsold. In time, they began to see that there was little payoff relative to the burden of this, particularly because there was no consistent pattern of what people would buy from one farmers' market to another. They currently focus on counting the cash box to determine their level of sales rather than focusing on inventory.

Promotional activities

In addition to direct social contacts, Becky and Cliff developed a brochure that they handed out to potential customers, released information on a local community listserv, and also had a field day on their farm. Though this field day was actually centered around the farm's fly fishing resources, it brought about 500 area residents to the farm, exposing them to the pastured livestock operation, and converted a number of them into customers! Other activities such as land stewardship that reflect their larger guiding philosophies without being tied directly to the livestock operation have also exposed people to the farm and its products.

Competitors analysis

Mt. Vernon's product is so highly differentiated that they have few competitors, and those that exist—like several other pasture-fed livestock operations in the area—are in some respects as much colleagues as competitors. They do not consider supermarkets, which market conventionally produced meat, to be a significant source of competition. In their view, consumers who purchase Mt. Vernon's meat have already rejected supermarkets as a source of meat.

Business start-up

Budgeting and financial management

Becky and Cliff developed a flexible business plan at the start of their work together; however, they did not establish a specific financial plan at that point. They also did not seek any legal council as they began to work together. They understood the first few years to be an experiment, at the end of which they would evaluate the financial condition of the operation, and so they did not start off with specific expectations. They have, however, maintained strict records using Excel® spreadsheets (since graduating from a system of notes maintained in file cabinets). They are currently in a position to monitor the financial flows, allowing them to maintain a realistic view of the financial status of the enterprise. In addition to helping them keep a close eye on their financial performance, the excel® spreadsheet that they have developed allows them to explore ideas such as different stocking rates or feeding regimes and get an idea of what parameters would have to change (such as productivity or age to harvest) to make new alternatives viable. Another part-time employee maintains the financial accounts and takes care of taxes using Quickbooks®.

Becky and Cliff have weekly planning meetings and meet four times a year to take a more in-depth look at their performance.

Capitalization process

Establishing the pastured livestock operation required minimal capital investment. The land was already available for pasture, although some fencing did have to be established. Machinery, barns, and a freezer for meat storage were already available. All financing was provided from the farm, and equipment was leased from the farm. Becky's salary and an intern's stipend were paid from farm resources. They also purchased a bush-hog to cut hay.

Labor

The operation was established with one primary person providing labor (Becky), and since then they have generally had a full-time intern working on the farm year-round with Becky, plus an additional intern or two during the summer. They also hired one worker on an hourly basis to run and maintain the machinery and equipment. Finally, a bookkeeper who does other work for the farm also maintains the financial records of the enterprise on a part-time basis.

6. Regulatory processes

Mt. Vernon found that the regulatory process was more easily navigated than they expected. At initiation, Becky assumed that the freezer would have to be inspected; however, after numerous tries she was never able to verify that and finally realized it was unnecessary. They have had someone from USDA stop by to inspect their scales, and also found that there were specific rules regarding where USDA labels were kept and how they were transported. In general, they have

found that county, state, and federal regulatory agencies and their agents have not been overly restrictive to their operation and that these agencies' representatives generally take an educational rather than punitive approach; that is they tend to educate them on issues that they have to deal with and give them a chance to adjust, rather than simply slapping on fines. Many of the regulatory processes are concerned with meat processing, packaging and labeling, for which the processor is responsible. Having a responsible processor has helped to ease any potential regulatory burden.

Production system

Since 2004 when Becky arrived on the farm, they have increased the scope of their operation, although they have decreased their herd size to ensure adequate pastureland for the animals. In 2004, they slaughtered 25 beef cattle; in 2005, 90; and in 2006, 100. They have also developed chicken, lamb, and pork operations parallel with the beef operation.

They slaughter beef twice a year, when their finishing herd is gaining approximately 1.7 pounds a day. They graze their beef cattle on fescue over-seeded with clover. They also have some orchard grass. They finish their beef on fields that also have some alfalfa. They stockpile fescue for winter feeding. They work with fescue largely because that is what was already established when they began grazing. They do not feel that it is ideal for pastured cattle since it is not good for finishing cattle on. As they proceed, they are working to minimize the fescue and maximize the diversity of grasses that they have; nevertheless, fescue is not easy to supplant.

Despite the importance of the beef operation, it has not been the most profitable of their enterprises. They find, in fact, that the hog and lamb operation carries the beef financially. At the time of the interview, Becky and Cliff were discussing changes to the beef operation because they found that raising calves through to finish was not financially sustainable because they did not have the land needed to operate on a large enough scale to be profitable while making adequate use of their labor.

Risk management

Production and market risk are two of the most important risks they face. They have a number of techniques to deal with production risk. For drought management, they have a plan culling the herd. Although in the recent drought, they chose to feed hay instead. They try to minimize the risk of infectious diseases by keeping the herd closed as well as promoting herd health through holistic measures.

Financial analysis

Mt. Vernon Farm gets its revenue from beef, lamb, pork, and culled cows (Table 1). The expenses reflect these enterprises.

Table 1. Breakdown of operating expenses and revenue, 2005

Revenue	\$
Beef	21,844
Lamb	19,442
Pork	5,097
Culled cows	33,446
Other	1,394
Total	81,223
Direct Costs	
Grain	2,995
Hay	1,550
Minerals	6,360
Health	780
Processing	26,170
Labels	11,005
Transport	1,750
Ads/marketing	1,200
Buy livestock	14,440
Seed	200
Fertilizer	5,200
Misc.	2,210
Total	73,860
Net revenue	7,363

Table A1. 100% Grass-Fed Beef prices by cut

Cut	Price per pound \$
Fillet	21.00
New York Strip	15.00
Porterhouse	15.00
T-Bone	15.00
Rib Steak	13.00
Boneless Sirloin Steak	11.50
Flank Steak	10.00
Mock Tender Steak	7.00
Shank Steak	6.00
Kabobs	7.00
Stir Fry	6.50
London Broil	7.50
Brisket	7.00
Eye of Round Roast	7.00
Loin Tip Roast	7.00
Round Roast	6.70
Boneless Chuck Roast	6.00
Rump Roast	6.00
Ground Beef	4.25
Hamburger Patties	6.00
Stew Beef	5.00
Short Ribs	4.00
Organs	3.00
Ox Tail	7.00
Soup Bones	2.00

Table A2. Hot dogs and beef bologna logs

Hot dogs, nitrate free, 100% grass-fed beef and pastured pork		Per package of four (\$)
All-Beef Hot Dogs		7.50
Beef & Pork Hot Dogs		7.50
100% Grass-fed beef bologna logs		Price per pound (\$)
Sweet Bologna		7.50
Beer Bologna		7.50
Cheese Bologna		7.50

Table A3. 100% Grass-fed Bulk Beef

Item	Price per pound (\$)
Whole (about 650 lb)	\$3.00 hanging weight
Half (about 325 lb)	\$3.20 hanging weight
Mixed quarter (about 160 lb)	\$3.45 hanging weight
40 lb. Variety pack	\$6.00 per packaged pound
Raw pet food pack customer specified	15% discount

Table A4. 100% Grass-fed Lamb

Cut	Price Per Pound, \$
Loin chops	15.00
Rib chops	15.00
Shoulder chops	12.00
Loin roast	13.00
Rack of lamb	12.00
Shoulder roast	9.00
Leg - boneless	10.00
Leg - bone-in	9.00
Kebabs	9.00
Sausage	8.00
Sliced shank	7.50
Whole shank	7.00
Neck slices	7.00
Ground	5.50
Organs	4.00

Table A5. 100% Grass-Fed Bulk Lamb

Item	\$ per pound hanging weight
Whole (50-60 lbs.)	6.00
Half (25-30 lbs.)	7.00

Table A6. Nitrate free no-spray, apple-finished, pastured pork

Cut	Price per pound (\$)
Tenderloin	10.00
Bacon	8.50
Thin Sliced Ham	8.00
Loin Chops	7.00
Sweet Italian Sausage	6.00
Hot Italian Sausage	6.00
Regular Sausage	5.00
Shoulder Roast	4.00
Spare Ribs	4.00
Hock	4.00

Table A7. Bulk pork

Whole	Contact us about pork in bulk pricing
Half	



Starting a New Enterprise¹

This tool is divided into two parts. The first part is designed for the interviewer himself/herself. Often by watching the clients behavior and listening carefully to his/her words, an interviewer can tell a great deal about the person being interviewed. Part one provides some guidance in helping the person being interviewed be more comfortable and focused. Part two is directed to clients. The questions and worksheet are to get them thinking about all aspects of their proposed plan. The take-home section is to help the client decide if he/she is willing and able to continue planning for this enterprise.

Part 1. How To Begin the Interview

When a person considering starting a new enterprise comes to you for help, you may find it difficult to know where to start asking questions. At this initial meeting the most important thing you can do is to build your client's trust in you. Everyone tends to judge others based on their dress, mannerisms, and ability to communicate. While sometimes it is difficult not to judge, you will find you can build trust faster and more easily if you simply listen and assess what they are trying to tell you as well as what they aren't saying. An important rule of thumb is to ask a lot of questions. Even the same question asked differently may help stimulate clients in their conversational brainstorming. Writing down a list of possible questions to ask will help you focus the conversation. (A checklist of questions is provided in Part 2.) Writing down your client's responses will help both of you as you work through the facets of creating a new enterprise.

Many factors can influence your meeting: time of day because some people are more alert in the mornings, while others are better in the afternoon; the mood they are in on that day; the mood you are in on the day of the initial meeting; their appearance and mannerisms. Being aware of these factors helps reduce any personality conflicts and helps to keep you from being judgmental.

Several things greatly enhance the chance of success for a new business venture and should be listened for during the initial conversation with the client. Not having all of these attributes does not mean the proposed idea will fail. They include, but are not necessarily limited to,

- ✎ a unique combination of resources such as a microclimate that allows for earlier production or people with special talents in selling and graphics,
- ✎ labor management skills,
- ✎ an ability to adapt to new situations,

¹ Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, Virginia and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State University, Raleigh, NC.

Adapted from material by Charles Hall, Department of Agricultural Economics, University of Tennessee, Knoxville, Tennessee

- ✗ strong organizational skills,
- ✗ a strong financial position,
- ✗ a commitment to the long term,
- ✗ people skills,
- ✗ marketing savvy,
- ✗ a quality control mindset,
- ✗ a well-articulated idea,
- ✗ strong family support,
- ✗ passion for the idea
- ✗ creativity
- ✗ diverse managerial abilities, and
- ✗ good financial and production records.

Not all of these are necessary or sufficient conditions for success, but they increase the likelihood of success.

Various signals indicate over-zealousness and a lack of proper perspective and forethought. If one or more of these ideas are expressed during the course of your conversations, you should treat them as caution signals. Keep in mind, however, that people will use words and phrases because the words and phrases sound good or they've been heard before. Hearing them does not mean the operation is doomed to failure. Ask questions to find out what is behind their words.

- ✗ "We already know it will work."
- ✗ "If we build it, they will come."
- ✗ "We've got a good name for it already."
- ✗ "Now all we need is a feasibility study."
- ✗ "Let's stop talking and just do something."
- ✗ "We don't have any competition."
- ✗ "We don't need to advertise, it will sell itself."
- ✗ "If someone else gets this idea first, they will take the market from us."
- ✗ "We just need to get it into a restaurant or major chain store."

Often the line between creativity (thinking around the corner) and stupidity (not seeing the corner) is a fine one. Weigh all information before you make up own mind and even then you must recognize that the client's decision is ultimately the one that counts. Sometimes what seems to you an absurd idea will somehow turn into a successful venture. Who would have thought it possible 20 years ago that it would ever be feasible to sell a bottle of water?

Part 2. Questions to Ask about the New Enterprise

What are the right questions to ask someone who comes in for help in evaluating the potential of a new farm enterprise? While diversifying products offers potential benefit, the extent to which farmers will increase net returns depends on their individual attributes, goals,

geographic region, technological feasibility, and competition. Be sure that your client writes down the answers as you work through the following questions. If he/she has previously written down his/her thoughts on any of these areas, having him/her bring that information to your first meeting will help facilitate discussion and make your time together more efficient for both of you.

The following list of suggested questions is long and may overwhelm your client. You may want to ask about broad areas rather than overwhelming your client with such a long list. Some of these questions he/she will not have answer to, but he/she will need to research the answers. The responses will give you some idea of the client's commitment to the new enterprise. Even after going through these questions, your client is still responsible for developing detailed budgets, financial statements, contingency plans, and a strategic business plan so that he/she can make a final decision as to whether the enterprise is feasible for his/her situation. A listing of other resources that can be used for more detailed analyses is at the end. When you have finished asking questions, have your client take the worksheet that is before "Resources" home to complete and bring back to your next meeting.

Personal and Family Considerations for Your Clients

- ☐ What are your goals and objectives for your business and personal life?
- ☐ Are your family members in agreement on this proposed venture?
- ☐ Do you have the resources (time, capital, knowledge, labor, land, equipment) you need to accomplish these goals and objectives?
- ☐ Are you willing and able to make any required sacrifices so that this enterprise will be profitable (time, life-style, privacy, personality changes, etc.)?
- ☐ What do you wish your business to look like five years from now?

Enterprise Feasibility

- ☐ Is this enterprise technically feasible for your location? Technically feasible means you have the soil, climate, and knowledge to produce your proposed product.
- ☐ How have you verified its technical feasibility, that is will it actually grow in your geographic location or can you obtain the necessary inputs for a value-added product?
- ☐ Is the proposed enterprise complementary or supplementary with existing enterprises or does it compete with them for resources (land, labor, equipment) and managerial time?
- ☐ What are your building, machinery, equipment, management, and labor requirements for producing the product?
- ☐ Is additional labor available in your area? Can you afford local labor?
- ☐ Do you have the necessary resources to produce the product?

Market Factors

- ☐ Have you clearly defined what your product or service is? Your description should include features such as size, quality specifications, varieties, and benefits to buyer.
- ☐ What market are you targeting? The target market includes alternative market outlets, the geographic location, and demographic and life-style characteristics of potential customers.
- ☐ Have you considered the number potential buyers, their annual per capita consumption, and average size of purchase?
- ☐ If a current market doesn't exist, can you create it?
- ☐ If a current market does exist, can you take some of that market from those already in it?
- ☐ Who are the competitors in your geographic region?
- ☐ What do you have to offer that makes you than better your competition? Is it possible to work with a competitor to offer a wider variety or selection of product?
- ☐ What is your expected sales volume? What is the minimum and maximum volume of product you believe you will likely sell in one season?

Profitability Considerations

- ☐ What start-up investment is required?
- ☐ Do you have or are you able to obtain the necessary start-up capital to establish the enterprise?
- ☐ How will you finance the annual operating funds necessary to continue the enterprise?
- ☐ How will varying yield and acreage affect profitability?
- ☐ How will the additional costs and returns of the new enterprise affect the cash flows for the business?
- ☐ How will the new enterprise impact the profitability of existing enterprises?

Risk Considerations

- ☐ What is the production, marketing, financial, human resource, environmental, and regulation risk associated with the new enterprise?
- ☐ How will investment of additional resources and the diversion of existing resources from present uses affect the financial risk position of the overall business?
- ☐ What are your contingency plans?

Legal, Regulatory, Permits, and Insurance

- ☐ What permits do you need?
- ☐ What employment regulations and taxes do you need to comply with?
- ☐ Have you selected a name for your business?

- ☐ What is your business structure?
- ☐ Have you filed for a tax identification number?
- ☐ Do you have to collect sales tax?
- ☐ Do you need any health department inspections or permits?
- ☐ What zoning regulations must you follow?
- ☐ Do you have adequate liability insurance?
- ☐ Do you need product liability insurance?

Miscellaneous Considerations

- ☐ Do you or someone in your family have the management skills required for the new enterprise?
- ☐ If you don't, what will it cost (in dollars and time) to acquire them or to hire someone to provide them?
- ☐ Does the enterprise require any special record keeping for managerial decision-making or regulatory compliance?
- ☐ Do you need a continuous supply of special production inputs?
- ☐ How many of those input suppliers are available and where are they located?

Checklist to complete before next meeting

Write out your goals for your new enterprise

Describe your products—features, benefits.

What market are you targeting? Where is this market?

What resources, machinery, equipment, labor, etc., will it require? Which of these resources do you currently have?

What are the start-up costs? Be as specific as possible. For example, trellis posts, trellis wires, labor to build, tractor and auger, number of bramble required, etc.

Do you have the necessary money to get the enterprise started? Where will you get the money?

What are your labor requirements? Where and at what cost will you find additional labor?

What production and financial risks might you face with this new enterprise?

List the insurance required for the new enterprise

General home and farm liability

Product liability

Special event insurance

What are the permits, inspections, zoning requirements for the new enterprise?

Do you need Good Agricultural Practices training (to reduce microbial risks in fresh fruits and vegetables) for you and your employees? Where do you get it?

If you require special inputs, can you get them? Where? For example, if you are organic, can you get the approved inputs?

List your contingency plans

Helpful Resources

The following resources provide information that will assist direct marketers in making more informed managerial decisions.

General Direct Marketing Resources

The Direct Marketing Guide for Producers of Fruits, Vegetables, and Other Specialty Products (PB 1711) is an overview of direct marketing strategies for the budding entrepreneur. This bulletin provides practical advice on selling through farmers' markets, roadside stands, and pick-your-own operations. Business planning, market research, advertising and promotion, and pricing are also discussed. <http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>

The ATTRA *Direct Marketing Business Management Series* website focuses on direct marketing alternatives with emphasis on niche, specialty, and value-added crops. It features farm case studies, as well as information on enterprise budgets and promotion and publicity. A new section discusses the implications of Internet marketing and e-commerce for agriculture. <http://www.attra.org/attra-pub/PDF/directmkt.pdf>

Profiles of Innovative Agricultural Marketing: Examples from Direct Farm Marketing and Agri-Tourism Enterprises by the Western Extension Marketing Committee. This publication examines 17 direct farm marketing and agri-tourism enterprises from the Western United States. The end of each section provides contact information for the enterprises examined and for the contributing authors. <http://cals.arizona.edu/arec/wemc/westernprofiles.html>

Direct Farm Marketing and Tourism Handbook, produced by the University of Arizona Agricultural and Resource Economics department, is designed to help individuals who grow or process food products market their products and services directly to the consumer. <http://ag.arizona.edu/arec/pubs/dmkt/dmkt.html>

Direct Marketing of Farm Produce and Home Goods, by John Cottingham, James Hovland, Jordana Lenon, Teryl Roper, and Catherine Techtman of University of Wisconsin Extension, discusses the different alternatives available through direct marketing. Some of the options addressed include pick-your-own, roadside markets, farmers' markets, subscription farming, home delivery, and selling to stores, restaurants, and other institutions. Topics covered in addition to marketing include financial planning, regulations, merchandising, and general management issues. <http://cecommerce.uwex.edu/pdfs/A3602.PDF>

The UT Center for Profitable Agriculture (CPA) was established to provide technical and educational assistance to agribusinesses, farmers and entrepreneurs in Tennessee who

may be considering business expansion or an initial market entry. The CPA website provides a multitude of links explaining the different facets of adding value to agricultural products. The Educational Resources section includes extension publications, fact sheets, presentations and slide shows, and other published documents. <http://cpa.utk.edu>

A PRIMER for Selecting New Enterprises for Your Farm, by Tim Woods and Steve Isaacs of the Department of Agricultural Economics at the University of Kentucky, is an excellent resource for detailed analyses in evaluating alternatives for new enterprises. It includes detailed descriptions along with questions and worksheets to aid in determining the feasibility of the proposed enterprise under consideration.. "PRIMER" is an acronym for Profitability, Resources, Information, Marketing, Enthusiasm, and Risk. http://www.uky.edu/Agriculture/AgriculturalEconomics/pubs/ext_aec/ext2000-13.pdf

Direct Answers for Direct Marketing is a handbook the helps you answer the questions that most direct marketing manuals tell you that you need to answer. Currently available from Gary Bullen, NCSU, email gsbullen@ncsu.edu or from Karen Mundy, Virginia Tech, email karenm@vt.edu.

Resources on Best Business Practices

In the Eyes of the Law: Legal Issues Associated with Direct Farm Marketing provides a brief introduction to legal issues that may affect direct marketing businesses to help avoid or minimize risk and liability. It is not intended to constitute legal advice or address every situation, since direct marketing can be as varied as creativity, ambition, intuition, and resources allow. <http://www.extension.umn.edu/distribution/resourcesandtourism/DB7683.html>

Facilities for Roadside Markets is valuable for anyone considering a roadside market or looking to improve or expand a current one. Selling produce from a roadside market can be satisfying and profitable, but only with careful planning. Three chapters cover site considerations (visibility and accessibility, utilities, drainage, zoning, and building ordinances); market layout (areas for sales, preparation, and shipping and receiving); and market structure and facilities (parking, lighting, fire protection, security, and more). <http://www.nraes.org/publications/nraes52.html>

Produce Handling for Direct Marketing is valuable for growers who sell seasonal produce at local farmers' markets or roadside markets. It describes post-harvest physiology, food safety, produce handling from harvest to storage, refrigerated storage, produce displays, and specific handling and display recommendations for over forty types of fruits and vegetables. <http://www.nraes.org/publications/nraes51.html>

Refrigeration and Controlled Atmosphere Storage for Horticultural Crops discusses general construction procedures for storage facilities, such as site selection, structural considerations, thermal insulation, vapor barriers, and attic ventilation. Different refrigeration systems are explained, including descriptions of equipment and operating procedures. <http://www.nraes.org/publications/nraes22.html>

ATTRA Farmer's Market Marketing and Business Guide is a resource for those farmers who want to organize a farmers' market or sell at one. <http://www.attra.org/attra-pub/PDF/farmmarket.pdf>

Marketing Specific Resources

How to Direct Market Farm Products on the Internet provides basic information and suggestions for direct farm marketers on selecting and tailoring a website to meet their marketing needs and goals, including: (1) reasons for considering using the Web for direct farm marketing, (2) how to develop a marketing plan, (3) how to research the market, and (4) how to set up and market the website. <http://www.ams.usda.gov/tmd/MSB/PDFpubList/InternetMarketing.pdf>

Choosing Your Market: A Direct Marketing Decision Tool for Small Farmers is an on-line workbook by Georgia Organics to help farmers identify the direct marketing strategies that will best fit their farms. It focuses on four of the major direct-marketing strategies: farmers' markets, on-farm markets, community supported agriculture, and internet marketing. It provides up-to-date, key information on these markets in the South and additional references to successfully meet the challenges and opportunities in direct marketing. <http://www.georgiaorganics.org/markettool/workbook.pdf>

Simple and Successful Vegetable Farming: How to Sell Your Crops: Marketing, by the Communication and Educational Technology Services, University of Minnesota Extension Service, describes various ways to market farm products. It includes wholesale marketing and direct marketing via farmers' markets or roadside stands. <http://www.extension.umn.edu/distribution/horticulture/DG7618.html>

Marketing Alternatives for Specialty Produce is an excellent guide for growers producing and marketing specialty crops. Worksheets are included to aid in estimating post-harvest costs. <http://extension.oregonstate.edu/catalog/pdf/pnw/pnw241.pdf>

What Can I Do with My Small Farm? Selecting An Enterprise for Small Acreages by Oregon State University Extension Service outlines different alternatives and characteristics needed for small farms to expand beyond the normal farming options. <http://smallfarms.oregonstate.edu/what/>

Marketing on the Edge: A Marketing Guide for Progressive Farmers, available from the North American Farmers' Direct Marketing Association (NAFDMA), includes topics on consumer trends, components of direct marketing, merchandising, advertising and promotions, and value added processing. Check the NAFDMA website for price and ordering information. <http://www.nafdma.com/Publications/Edge/>

Farmers and Their Diversified Horticultural Marketing Strategies: An Educational Video on Innovative Marketing, NRAES-139 (\$15.00 plus S&H/sales tax, 49-minute video, 1999) profiles vegetable, fruit, and horticultural growers who have pursued a variety of rewarding approaches adapted to their unique products and conditions. The video will help both new and established growers and their advisors carefully as they consider the marketing options that can enhance income and promote the sustainability of their farms. <http://www.nraes.org/publications/nraes139.html>

Government Resources

The USDA Agricultural Marketing Service homepage provides links to relevant information pertaining to, among other things, direct marketing and farmers markets. USDA's website can be daunting, so you are better off using one of the links below to get to a specific publication or section than just going to the USDA website.

Farmer Direct Marketing, developed as an extension to the USDA Ag Marketing Services Website, offers a plethora of links to direct marketing information sources.

AMS Farmers Market is another link off of the Agricultural Marketing Service homepage. This site offers links to farmers' market facts, the National Directory of Farmers Markets, resources and information, and a look into the USDA Farmers' Markets in Washington, D.C. In addition it has a link to an interactive children's section. <http://www.ams.usda.gov>

Community Supported Agriculture by CSREES, NAL, and the USDA is a website is dedicated to defining and locating a CSA farm and to further explain sustainable agriculture. For the CSA farmer there is a section to assist in locating specific resources and a set of direct marketing links. <http://www.nal.usda.gov/afsic/csa/>

Organic Produce, Price Premiums, and Eco-Labeling in U.S. Farmers' Markets by Amy Kremen, Catherine Greene, and Jim Hanson, Outlook Report No. VGS-301-01, April 2004, describes the significance of farmers' markets as market outlets for many organic farmers and recent shifts in relationships between organic growers, market managers, and customers. Market managers in more than 20 states answered questions by phone pertaining to the 2002 market season. Their responses provide insight into recent grower, manager, and customer decision-making and attitudes about foods advertised and sold

as organic at farmers' markets. The popularity of farmers' markets in the United States has grown concurrently with organic production and consumer interest in locally and organically produced foods. <http://www.ers.usda.gov/publications/VGS/Apr04/vgs30101/>

Tax Information for Businesses, a website provided by the IRS, is a good source of information for tax rules and regulations. The Small Business/Self-Employed web-page, also provided by the IRS, offers information and links for starting a business, employee records, employer id numbers, and many other aspects of owning and operating a small business. <http://www.irs.gov/businesses/index.html>

Association Resources

American Community Garden Association is a national, nonprofit organization that supports community greening in urban and rural communities. How to start a community garden or what benefits are gained by having a community garden, and other issues are addressed through this list of publications. A few of the publications are offered for a fee, others are available for free. <http://www.communitygarden.org/publications.php>

North American Farmers' Direct Marketing Association website is for family farmers, extension agents, and farm market managers to network with each other on issues affecting the profitability of direct marketing operations. This website has links explaining the benefits of membership, the purpose of the association, conferences, membership application form, and contact information. <http://www.nafdma.com>

Pickyourn.org and *Localharvest.org* (not case sensitive) offer free listings to small farms and farm businesses. These sites also allow prospective customers to search for farms and related businesses by state, product, etc.

Farm to School programs are appearing all over the U.S. These programs connect schools with local farms with the objectives of serving healthy meals in school cafeterias, improving student nutrition, providing health and nutrition education opportunities, and supporting local small farmers. <http://www.farmtoschool.org>

Legal and Regulatory Checklist for North Carolina¹

Regulations can have a significant impact on a business and need to be addressed up front. Small businesses, even home-based business, must comply with numerous local, state, and federal regulations. Avoiding or ignoring regulatory details may be easier, but it may come back to haunt you down the road.

The following areas provide some of the more common requirements impacting small businesses. This list tries to include all general applicable regulations; however, it cannot address all regulations since some are industry specific. *Ultimately, you are responsible for investigating and addressing the regulations that apply to your business. Failure to comply could result in legal consequences.*

Business Organization—Your business could be one of many legal forms. The most common are Sole Proprietorship, General and Limited Partnerships, C-and S-Corporations, and Limited Liability Companies. Each legal structure provides different organizational options that provide differing levels of liability protection and varying tax and liability. You should consult an attorney and/or accountant to help you decide the best form for your business. For information you can go to the Secretary of State website and scroll to the bottom of the page

Source: North Carolina Secretary of State
<http://www.secretary.state.nc.us/corporations/>

Business Licenses—Generally, any person or entity involved in commerce will need a business license. However, the State of North Carolina does not provide a single business license that will ensure compliance with the numerous state licenses, permits, and regulatory requirements. You must obtain the various licenses from the applicable agency and or governing entity (city, county, or municipality) where your business is located.

Source: Business ServiCenter
Phone: 919 715-2864 or
Toll-free (in NC) at 1 800-228-8443 or
Send fax to 919 715-2855
<http://www.nccommerce.com/servicenter/blio/redbook>.

¹Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

Adapted from material by Kent Wolfe, Department of Agricultural Economics and Applied Economics, University of Georgia, Athens, Georgia

Assumed Business Name (Fictitious Name)—If you do business under a name other than your personal or legal name or register as a business under a business name other than your legal or personal name or when a registered corporate name, partnership, or trademark mark, you are required to notify the public. For example, you're a sole proprietorship and use the name Toad Hollow for your farm, products, and advertising. The purpose is to protect the public by providing information in a public record of the identity of the identity of the business owner. Corporations doing business under their corporate name or those practicing any profession under a partnership name are exempt. You can obtain forms to register an assumed name from the Business ServiCenter.

Source: Business ServiCenter

Phone: 919 715-2864 or

Toll-free (in NC) at 1 800-228-8443

Send fax to 919 715-2855

<http://www.nccommerce.com/servicenter/blio/startup/nameinfo.asp>

Taxes

Sales and Use Tax Number—Businesses that generate sales are required to obtain a Sales and Use Tax number (AS/RP1 form) because North Carolina charges a sales and usage tax. North Carolina state sales tax is 4.5%. Food is excluded from the state sales tax but subject to local taxes.

Source: North Carolina Department of Revenue

Post Office Box 25000

Raleigh, North Carolina, 27640-0640

Telephone: 1-877-252-3052

<http://www.dornc.com/downloads/sales.html>

North Carolina State Tax Information—Operating a business in North Carolina requires paying North Carolina State taxes as well as Federal and local taxes. To find out more about the State taxes see

Source: North Carolina Department of Revenue

Post Office Box 25000

Raleigh, North Carolina, 27640-0640

Telephone: 1-877-252-3052

<http://www.dor.state.nc.us/business/>

Federal Employer Identification Number—Businesses with employees are required to obtain a Federal Employer Identification number (SS-4 form) and a North Carolina withholding tax number.

Source: Internal Revenue Service

<http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>

Federal Self-Employment Tax—Everybody is required to pay Social Security Taxes, even

if you are self-employed. The self-employment tax is a social security and Medicare tax primarily for individuals who work for themselves. It is similar to the social security and Medicare taxes withheld from the pay of most wage earners. For more information, including rates, contact Internal Revenue Service.

Source: Internal Revenue Service

<http://www.irs.gov/localcontacts/article/0,,id=98320,00.html>

Insurance

Insurance—You need insurance for protection against fire, theft, and other losses. Your business may require specialized insurance, some of which is required by law. Having an insurance specialist thoroughly analyze your business to determine your insurance needs is important. Remember, insurance may have limitations, waivers of coverage, and exemptions that you need to be aware of. Some of the most common business insurance are

Unemployment Insurance—You are required by the state to pay unemployment insurance tax if your business has one or more employees for 20 weeks in a calendar year or if you paid gross wages of \$1,500 or more in a calendar year. Rates and where to send your payments are found at

Source: Employment Security Commission of North Carolina

<http://www.ncesc.com/>

Workers Compensation—Workers compensation insurance is required if your business employs three or more people. It provides protection to workers injured on the job.

Source: http://www.ncdoi.com/Consumer/consumer_home.asp

Liability insurance protects your business from liability in the event someone or something is injured while using your product.

Property insurance provides protection for your property including equipment and buildings. A rule of thumb says “if you cannot afford to replace it, insure it.”

Business interruption or income insurance covers fixed costs when your business is not operational because of some type of damage. It covers taxes, utilities, and other continuing expenses.

“Key Man” insurance is often required if the company is borrowing money. It provides income if a critical member of your business becomes ill or dies and provides capital during the transitional period.

Automobile insurance is obvious: a vehicle owned by your business should be insured for both liability and replacement purposes. What is less obvious is that you may need special

insurance (called “non-owned automobile coverage”) if you use your personal vehicle for company business. This policy covers the business’ liability for any damage which may result for such use.

Officer and Director insurance covers the officers and directors of the business. You may want to consider this insurance to provide protection from any personal liability they may incur as a result of the actions taken on behalf of the business.

Home Office insurance covers you if your business is based in your home. You want to make sure your homeowners’ policy will cover office equipment.

Labor Issues

Labor laws—Federal and state laws regarding employee protection apply to all businesses that employ people. These laws encompass a variety of topics including state labor laws, work force availability, prevailing wages, unemployment insurance, unionization, benefits packages, and employment services contact your state government.

Source: ***U.S. Department of Labor***

Frances Perkins Building
200 Constitution Ave., NW
Washington, DC 20210
Telephone: 1-866-4-USA-DOL
<http://www.dol.gov>

Source: North Carolina Department of Labor

4 West Edenton Street
Raleigh, NC 27601-1092
Telephone: 919-733-0359
Fax: 919-733-0223
<http://www.nclabor.com>

Immigration Act—The Federal Immigration Reform and Control Act of 1986 requires all employers to verify the employment eligibility of new employees. The law obligates an employer to process Employment Eligibility Verification Form I-9. The Immigration and Naturalization Service (INS) Office of Business Liaison offers information bulletins and live assistance for this process through the Employer Hotline. In addition, INS forms and the Employer Handbook can be obtained by calling the Forms Hotline.

Source: U.S. Department of Labor

http://www.dol.gov/esa/regs/compliance/ofccp/ca_irca.htm

Occupational Safety and Health Administration (OSHA) outlines specific health and safety standards employers must provide for the protection of employees. It is important to minimize workplace risks and associated costs.

Source: U.S. Department of Labor <http://www.osha.gov/>

North Carolina State offers an on-line course designed to help businesses owners identify and minimize workplace risks.

Source: <http://www.ies.ncsu.edu/safetyhealthmgmt/>

Source: North Carolina Department of Labor <http://www.nclabor.com/osh/osh.htm>

Inspections

Certificate of Occupancy—Using a building may require a Certificate of Occupancy (CO) from the city or county zoning department. According to the North Carolina State website, all new buildings and existing commercial properties that are renovated or expanded or require a building permit are required to have a CO inspection before you can occupy the building. The building contractor is the responsible for notifying the fire inspector when the building is ready for the CO inspection. A CO checklist can be found at the Charlotte Fire Department's website

Source: Charlotte Fire Department

<http://www.charmeck.nc.us/Departments/Fire/Prevention/Certificate+of+Occupancy.htm>

Health Department Inspection—Businesses involving lodging or the sale of food and businesses such as hair salons will generally have health inspection requirements. To find out if your operations must comply with health department regulations contact the North Carolina Department of Health and Human Resources and your the local county Health Department, which is often the enforcement body for state health regulations and inspections.

Source: North Carolina Department of Health and Human Resources

<http://www.ncpublichealth.com/>

Fire Department Inspection—Businesses having regular entry and use of the facilities by the public, as well as housing flammable materials, will generally need a fire department inspection. Consult your local fire department for more information.

Environmental permits—Your business may require an environmental permit. Environmental permit information can be found under the Department of Environment and Natural Resources.

Source: North Carolina Department of Environment and Natural Resources

<http://www.enr.state.nc.us>

Zoning

Zoning—You will need comply with local zoning regulations for business use in your geographic area. Zoning regulations may also apply to a business in your home. Check

with your local city or county agency to determine if your business meets the current zoning ordinance.

Trademarks, Patents, and Copyrights

Trademarks can be a word, phrase, symbol or design, or a combination of these that identifies and distinguishes one product or business from another. Trademarks can be obtained at the state level and at the national level. National trademarks supersede state trademarks.

State registration of a Trademark—Department of the Secretary of State, Trademarks Section registers and renews trademarks and service marks in North Carolina under the provisions of Chapter 80 of the North Carolina General Statutes.

Source: North Carolina Department of the Secretary of State
<http://www.secretary.state.nc.us/trademark/ThePage.aspx>

Federal registration of a trademark provides nationwide protections for a \$325 registration fee (small entity). The trademark lasts indefinitely if renewed every 10 years. However, between the fifth and sixth year, an affidavit must be filed to keep the registration alive.

Source: U.S Patent and Trademark Office
<http://www.uspto.gov/main/trademarks.htm>

Federal Patent Registration—a number of different types of patents are available. So that you understand and file the patent correctly, you should seek professional help. Only attorneys and agents registered with the U.S. Patent Office may represent you in related matters and perform searches. You can obtain many types of patents. Provisional Patent Application, Non-provisional (Utility) Patent Application, Filing Guide Design Patent Application, Filing Guide Plant Patent Application, and International Application.

Source: U.S Patent and Trademark Office
<http://www.uspto.gov/web/patents/types.htm>

Copyrights—Protects your original artistic or literary work. A copyright prevents illegal copying of written matter, works of art and music, and computer programs. To ensure copyright protection, you, as the copyright owner, should always include notices on all copies of the work.

Source: Library of Congress Copyright Office
<http://www.copyright.gov/>

Uniform Code Council

If your business will involve selling products through retail establishments, you will probably need to get a Universal Product Code (UPC) bar code. Most retailers require these UPC codes on products, and you should have it incorporated into your label and/or packaging.

The UPC is obtained from The Uniform Code Council, Inc., which is not a government agency. The Council assigns a manufacturer's ID code for the purposes of bar coding.

Source: Uniform Code Council, Inc.

P.O. Box 1244, Dayton, Ohio 45401

(513) 435-3870.

<http://www.uc-council.org/>

Worksheet/checklist

The following checklist is targeted to new businesses, but much of it will apply to existing businesses adding new enterprises.

Business Structure

- ☐ Sole proprietorship
- ☐ S-Corporation
- ☐ Limited Partnership
- ☐ Other (specify) _____

Business name

- ☐ Assumed (fictitious, trading as, AKA, if not company or your name but totally made up)
- ☐ Real (your name or company name)

Business license

- ☐ Federal Employer Identification Number

Taxes

- ☐ Withholding
 - Social Security
 - Income (state and federal)
- ☐ Tax identification number
- ☐ Sales and use tax
- ☐ Local taxes
 - Real property
 - Personal property
 - Business equipment, inventory, etc.
- ☐ Self-employment taxes (federal)

Insurance

- ☐ Unemployment
- ☐ Workers Compensation
- ☐ Liability
- ☐ Buildings
- ☐ Equipment
- ☐ Business interruption
- ☐ Key man
- ☐ Vehicle
- ☐ Officers and directors
- ☐ Home office
- ☐ Other (specify)

Labor

- ☐ Workers permit for under 16 years old
- ☐ H2A and other immigrant workers
 - Housing
 - Required documentation
- ☐ OSHA notices
- ☐ Workers compensation notices

Health Department

- ☐ Inspections
- ☐ Licenses

Zoning

- ☐ Appropriately zoned for type of business
- ☐ Occupancy permit
- ☐ Signage
- ☐ Road access

Fire Department

- ☐ Inspections

Environmental permits

- ☐ Aquaculture
- ☐ Other (specify)

Other

- ☐ UPC required
- ☐ Building permits
- ☐ Building inspections for electrical and plumbing

Identifying Your Customers¹

Perhaps the most challenging problem when you start a new enterprise is finding out if you can sell your product, an especially challenging task if you have never directly marketed. No crystal ball can predict what a market will want. In fact, Edgar R. Fiedler said, "He who lives by a crystal ball soon learns to eat ground glass." However, market research provides information that will make projections about the future more accurate, and it helps you develop successful marketing strategies.

Part 1. What information you need

Two types of market research involve primary and secondary data. Primary data are anything that involves gathering information for yourself—by observing people; by counting things; or through surveys/questionnaires, interviews, or other direct means. Secondary data is assembling and analyzing data someone else collected and published. Chances are you will need to use both primary and secondary data to understand your market. Keep in mind that all data have limitations—no "perfect data" will be available to answer your questions completely and totally accurately. The result is that you will have to use the data judiciously.

Primary Data are especially important when you are considering an new enterprise, a new market, or a very small or local market for which published data aren't available. Furthermore, you are unlikely to find all the answers to your marketing questions using secondary data. Good primary data will be far more beneficial to you than secondary data because it focuses on local people and their economic and social conditions.

Good primary research can be extremely elaborate, sophisticated and expensive, but it can also be very simple and inexpensive in terms of dollars—time is a different matter. Having a small budget is no excuse for not conducting market research. Instead, be creative in developing the most cost- and time-effective method of collecting the information you need. Some common methods for conducting primary research are

✂ *Observation* involves counting the number of things or events that may be relevant to your marketing situation. For example, the number of roadside stands within a 30-mile radius of your farms, as well as specific locations, hours of operation, what they sell, what the quality is, how full the parking area is, etc. Observe the customers to learn about them: what they value, how they spend their money. Look at the kind of

¹Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

Adapted from material by Charles Hall, Department of Agricultural Economics, University of Tennessee, Knoxville, Tennessee

vehicles they drive, and how they are dressed (labels on clothes, watch, rings, etc.) what they drink (sodas, coffee, water) and the labels on these. How long do they spend at the market? If you're at a farmers' market, do they wander from seller to seller buying some produce here and other there, even if the first farmer had the same produce as they bought elsewhere? If you're in a grocery store check-out line—what magazines do they pick-up to look at while they wait? Do they buy them or put them back? What's the focus of these magazines? These observations tell you about consumers' lifestyles.

- ✂ *Talking to people* can be extremely informative. You might visit a local farmer's market a couple of times. Look at what people are buying and ask them about the product. You can ask
 - if they often buy it;
 - if they are satisfied with the quality and price;
 - if they would consider a different variety of the same product—for example, blue potatoes versus yellow potatoes, bi-colored corn versus white or yellow;
 - why didn't they buy that corn at the stand where they bought tomatoes since both farmers were selling corn and tomatoes;
 - how long does it take them to get to the market;
 - how often do they come to the market?
- ✂ *Network.* Join the local business group, trade associations like vegetable and fruit growers association, or whatever other organizations will bring you into contact with other business people. Run ideas by them. Ask what they are doing. A word of caution, don't join so many organizations in the name of networking that you don't have time for your own business.
- ✂ *Written or verbal questionnaires* work best for an existing business because you can ask your customers to complete them. What you will get from questionnaires is what other produce, meat, poultry, cheese, activities your customers would be willing to purchase. You will learn who your customers are. What you won't get is any really useful information from them about what your customers are willing to pay for an item—what they say and what they do with their pocketbooks are totally different. If you decide to use a questionnaire (see sample in Appendix A), remember . . .
 - Ask only for information you will use to make a decision.
 - Make your questions clear and to the point.
 - Keep your questions simple and short.
 - For oral questionnaires, keep paper and pencils at cash registers for clerks to write down customer comments.
 - If using a written questionnaire, keep it to one page, one side, and leave room for comments where appropriate—these can be made on the back.
 - When asking for ranking things like friendliness of employee, use an even number of choices or all your answers will be right in the middle.

- Have knowledgeable friends test the questionnaire for you—you don't want questions to be misunderstood or spelling errors because spell-check fails to differentiate between "you" and "your."
 - Try coding the questionnaire based on your test results.
 - Consider giving an incentive for completing a questionnaire—a coupon, a small bag of apples, etc.
 - Before you try analyzing your results, be sure you have a code number on the questionnaire which you also enter with the results. You need this so that you can go back and check a result that looks strange.
- ✂ *Experimenting* is not a good way to do primary research, sometimes it's intuition that goes along with it that makes it acceptable. A word of caution—try it on a small scale to see if it works. You really don't want to lose your shirt, as the saying goes, by investing all your time, energy, and money in your new enterprise. If it's something you can market at a farmers' market along with other things you produce, take it to see if sells. If it's an agritourism idea, add it to your existing array of activities. Don't expect whatever you offer to be the product that saves the farm—it might be just the opposite. And one season might not be sufficient to prove the value of the product.

Secondary Research is often the easiest and least expensive way to obtain market information. You can get several necessary types of information through secondary data. Most secondary data either will be national or by county/city or zip code. You have to use secondary data with the knowledge that it may not totally reflect your target market. Another difficulty with secondary data is putting it into a useful format. A word of caution about secondary research—the most useful may be lifestyle information, and it is the hardest to obtain without paying a huge amount for a professional questionnaire. However, you can get some of it for free if you are willing to make some assumptions about the people in your area.

- ✂ Population and demographic data provide information about the number of people within a given geographic area (city/county/zip code) and their demographic characteristics, such as income, age distribution, level of education, household size, ethnicity, race, etc. You want this information to estimate the total size of your market and to know how many customers of various ages, ethnicities, income, educational level, etc. you have access to. Demographic trends within your area can be analyzed using data from the *U. S. Census Bureau* and the *Bureau of Economic Analysis* websites and others such as *www.city-data.com*, which bases its information on census data, but you may find it easier to use.
- ✂ Information about your local and regional economy is usually available from local economic development agencies or county/city administrators' offices. These sources can tell you the number of various types of business establishments, the availability of support services and credit sources, and zoning and other regulations which may affect your operation and marketing strategy.

- ✂ Production data can *sometimes* be found for your region as well. It will show the existing level of production of the product/service you are considering, as well as production trends. However, if your idea is new or that product is simply not a major commodity for your region, little information will be available.
- ✂ Consumption data show the per capita level of purchases by consumers for a given product or service. This information may not be available for your particular product, and it is usually national not regional. This information comes from U. S. Department of Agriculture (USDA).

You have access to numerous sources of secondary data including the Internet, the Cooperative Extension, *USDA*, public libraries, the U. S. Census Bureau, U. S. Bureau of Economic Analysis (*BEA*); U. S. Internal Revenue Service (*IRS*), local Chambers of Commerce, local transportation departments, planning and zoning boards, economic development agencies, and trade and commodity associations. Extremely useful information often can be found in the most unlikely places. In fact, the most difficult aspect of secondary research may be figuring out where to find the information you need.

Planning market research

Your market research can be as complex and expensive in both time and money as your needs and budget allow, but keep your research targeted and cost effective.

- ✂ First, allocate a reasonable amount of time and money to this effort and plan to work within that allocation. What is “reasonable” depends on your judgment of the risks and rewards involved.
- ✂ Second, develop a list specific questions about your market that you feel you must answer before proceeding to develop the new enterprise.
- ✂ Third, define the specific type of data you need to collect to answer those questions.
- ✂ Fourth, determine which of that data are already available from secondary sources.
- ✂ Fifth, determine what primary research techniques you will use to collect data which isn’t already available.
- ✂ Sixth, seek assistance. You can save a tremendous amount of time and energy by enlisting the aid of competent professionals, and you need not spend a dime to do so. A small business development program or *SCORE* in your area has staff who can review your market research plans, suggest tactics, and even help in developing and analyzing questionnaires, if you choose to do one. A librarian can help track down the secondary data you need. Your Chamber of Commerce can help identify local resources available to help you design and carry out your market research.

Revisit your market research to decide whether you need to make changes in your marketing strategies.

Develop a Customer Profile

Learning about people who buy/will buy from you consists of developing customer profiles and dividing the market based on customers that have similar demographics and lifestyle characteristics (interests, activities, and opinions, and/or product usage characteristics).

To begin to build your customer profile, start with the easy part—secondary information. Your first decision is the geographic area you expect to draw customers from. You need a geographic area such as county or zip code so that you can get the Census data you need for demographic information.

Next, go to the US Census Bureau website and select Gateway to the 2000 Census and Summary File 1 (Figure 1). When you get to Summary File 1, select “Access to all tables and maps in American FactFinder,” detailed tables, and follow from the drop down menus for geographic type, state, and counties. Select the tables you want: population, gender, age, median household income either by itself or based on educational attainment, and educational attainment. For race and ethnicity, go to Summary Table 3, Table P7. You want median income because it’s midway between the highest and lowest income in the area. Average household income may be very much higher or lower depending on how many people have low or high incomes in the area and how much difference you find between the high and the low. For example, the median household income in 2005 from the American Community Survey (found at bottom of Figure 1) for New Hanover County is \$44,793, while the average household income is \$58,842. Two things to keep in mind with these data are 1. Census data are from 2000; 2. the American Community Questionnaire data are estimates using sophisticated computer models based on the 2000 Census, and these data are not calculated for all counties. They are the best you have available. You might be able to make some educated guesses about changes in income based on local economic conditions for example, a major employer moving into or leaving the area.

Once you have your demographic data, look at the types of stories and advertisements in your local newspaper. Do they focus on sports or fashion or social activities of the more wealthy or gardening or food? What are the most frequent ads on the local radio stations? What does the local newspaper say about gardening and food—you can learn a lot about what people are looking for in the market. Observe the people at the farmers’ market, the grocery store—what do they buy, how long do they spend shopping, how are they dressed, what do they drive?

For purposes of these tools, we make the distinction between lifestyle characteristics and psychographic characteristics. The names given to various characteristics are a function of the company compiling the information and how they define the groups.

Lifestyle characteristics reflect how customers allocate their time and resources. These characteristics include dress, athletic activities, political involvement, work habits, daily routines, eating and drinking characteristics, travel, community involvement, hobbies,

Census Data	
<u>Rankings and Comparisons (PHC-T)</u> Tables showing population change, comparisons with 1990, Race and Hispanic or Latino origin, and other topics for states, counties, and places	<u>Census 2000 Data Releases</u> - Demographic Profiles - Summary File 1 - Summary File 2 - Summary File 3 - Summary File 4 - American Indian and Alaska Native Summary File (AIANSF) - Congressional Apportionment - Congressional District Summary Files (108th) - Congressional District Summary Files (109th) - Congressional District Summary Files (110th) - Resident Population - Redistricting Data - State Legislative District Summary Files
<u>Census 2000 Briefs and Special Reports</u> Analytical reports on population change, race, age, family structure, housing, apportionment, and more	
<u>Publications Library</u> View or download published results from Census 2000 available in Portable Document Format (PDF).	
<u>Geographic Products and Information</u> Maps and digital geographic products for use in GIS and mapping software	
<u>1990 Census</u> Data and information from the 1990 Census	
<u>Selected Historical Census Data - 1790 to 1990</u> Data from previous censuses	<u>Microdata</u> - 1-Percent Public Use Microdata Sample (PUMS) Files - 5-Percent Public Use Microdata Sample (PUMS) Files <u>Selected Special Tabulations</u> - Worker Flow Files -- County-To-County -- Minor Civil Division (MCD) to County and County to MCD - Migration Data and Reports

Figure 1. Summary File 1, U. S. Census Bureau 2000 census website

and cultural endeavors. Some of these you can easily observe; others you may need to ask about in a questionnaire.

Psychographic characteristics relate to psychological ideas—how people view themselves, why they do what they do. These traits are related such characteristics as people being aggressive, gregarious, ambitious, creative, risk-taking, passive, depressed, abused, disciplined, competitive, resistant to change (Winston).

Frequently, psychographic and lifestyle studies lead to stereotypes like “soccer mom.” It is not easy to get these data, but they may be as useful to you as demographic data or production and consumption data that you find for a given product. Lesser and Hughes showed that psychographic information is generalizable from one market location to another.

Go to one of the lifestyle websites and look at what they have to offer. For some idea of the questions you might ask on a survey to identify lifestyles, take the test offered by SRI Consulting Business Intelligence (<http://www.sric-bi.com/VALS/types.shtml>). Remember the results will be this company’s interpretation of your answers. Another company will probably give you slightly different classifications to you answers. Can you adapt any of these questions to gain insights into your target customers?

Assume you would like to convert your family farm into a hunting plantation. Determine both the demographic and lifestyle characteristics of your target market—avid hunters and fishermen. Combining the demographic and lifestyle characteristics, you develop the following profile of your target market.

Demographic	
Race/ethnicity	White
Age	25-54
Education	High school
Median household income	\$63,200
Marital status	Married
Home ownership	Owns
Children	2

Lifestyle

NASCAR fan
Owns a Ford truck
Camps, fishes, hunts
Listens to county music
Owns boat
Listens to outdoor life TV shows
Belongs to NRA

The hunting example is only one way to characterize your potential customers.

Consider the characteristics of the following types:

☞ “Soccer moms” middle to upper class, drives SUV or minivan, doesn’t work, spends time driving children to numerous activities, of which soccer is only one. The children are involved in numerous activities from sports to music to dance or gymnastics. The constant busy schedule of the children

keeps the soccer mom on the road and leaves little time for food preparation or other domestic activities. Convenience is the most important criteria for these busy lifestyles.

- ☞ Home schooled families are found in any geographic area—cities, rural areas, suburbia. The families tend to be either religious or frustrated with public school education for various reasons. Some home schooling families are working, single mothers. In families with both parents, the top three occupational groups of homeschooling fathers were accountant or engineer (17.3 percent); professor, doctor, or lawyer (16.9 percent); and small-business owner (10.7 percent). [These occupations tend to put the families in the mid- to upper-class category.] According to the same survey, 87.7 percent of mothers who have chosen to stay at home and teach their children list “homemaker” as their occupation (Brian D. Ray, “Home Education across the United States,” Home School Legal Defense Association research study, March 1997, p. 12. cited at Isabel Lyman. “Policy Analysis: Homeschooling: Back to the Future?” Cato Institute. http://www.cato.org/pubs/pas/pa-294.html#N_34_). They often take their children on outings to local places—similar to public school field trips.

According to Danziger in *Why People Buy Things*, consumers purchases fall into four groups: utilitarian, lifestyle luxuries, aspirational luxuries, indulgences. Utilitarian purchases include aren’t necessarily needed, but they make life easier—microwaves, food processors, water purifiers. Lifestyle luxuries are practical as well as prestigious name brands. They include cars like BMW, designer clothes and accessories, fine china and glassware. Indulgences have emotional gratification as their primary justification. They include gourmet chocolate, books, flowers, magazines, entertainment. Aspirational luxuries express consumers’ values, interests, passions. They include original art, boats, fine jewelry; buying them offers emotional satisfaction. Danziger found only 39 percent

of respondents to a series of telephone surveys identified impulse buying as important in their decisions to buy (Table 1). Quality of life ranked highest and status lowest.

Table 1. Justification for purchases

	Percent identify as important
Quality of life	89
Pleasure	84
Beauty	83
Education	83
Relaxation	82
Entertainment	78
Planned purchase	75
Emotional satisfaction	74
Replace existing items	73
Stress relief	66
Hobby	66
Gift for self	54
Bought on impulse	39
Status	30

Source: Danziger, p. 60.

Remember, these definitions are just one author's labels for consumer buying characteristics. They compiled the information using three telephone surveys in 2000, 2001, and 2003. Telephone surveys are expensive. Finding work that someone else has done and made available will be your most cost-effective way of dealing with why people buy. You can also learn a lot from observation and reading about trends.

After you gather your information, create a table similar to the one that follows. This table will help you organize the information you have so that you can get a picture of your potential customers.

After you gather your demographic and lifestyle information, start looking for information on trends. A web search on food trends gives you a long list of possible articles. Narrow your search to something more specific like sweet and hot pepper trends or agritourism trends. These articles will probably be about other areas of the country or about the nation in general. Use the information to see how closely the demographic and lifestyle characteristics of your area match those described in these articles. If you are interested in agritourism for example, consider any activity on your farm where you have people who are neither family members nor employees. An agritourism presentation from Kansas shows the percent of people participating in various agritourism activities (Tolle). These numbers are probably national, the presentation doesn't say. From the lifestyle characteristics of your potential customers, you can get an idea of which activities will be most popular for your business. Another paper on using cheese as the basis for agritourism, says that studies show that agritourism has grown 30 percent in the U. S. from 1997 to 2007 (Dairy Innovation Business Center). These data are national,

Customer Profile Table			
Customers	County	County	Total
Total population			
Age			
0-9			
10-19			
20 - 25			
26 – 45			
45 – 65			
Over 65			
Male (over 19)			
Female (over 19)			
Race/ethnicity			
White			
African American			
Asian			
Mexican			
Other			
Educational attainment			
No high school			
Some college			
College degree			
Advanced degree			
Median household income			
Primary occupation (percent)*			
Blue collar			
White collar			
Professional			
* You may have to estimate these percentages based on your knowledge of the area.			

Observable lifestyle characteristics such as dress, vehicle, newspaper and magazine choices, etc*.

Vehicle driven	
Magazines looked at/purchased	
Ads in local newspaper and on local radio stations	
Vacation spots	
Other	

* You may have make some educated guesses based on the emphasis in the local newspapers and radio stations.

but as you look around your county and assess what is available for entertainment, see where you might fit in the expanding agritourism industry.

While knowing WHY people buy may be more important than demographic data, you may not be able to obtain the information without a lot of expense, time, and work.

Trends, demographics, and observation will be your primary sources of relatively low-cost information. You will have to draw your own conclusions about the impact of these results for your operation.

Part 2. How do you use the information?

To illustrate how to use the information you gather, consider yourself an agritourism farm in Johnston County, North Carolina.

Step 1. Define your geographic market area

You go to a map of North Carolina and find approximately where your farm is located (more on defining your market area in *Estimating Market Potential*). You decide a 30 mile radius is probably about all you want to tackle as a new agritourism operation. You put a dot on your farm and draw a circle with a 30 mile radius (Figure 2). You find that it includes Harnett, Wake, Wayne, and Wilson counties. Half of Sampson is also included, but you decide you might not get enough business from there to include it in your analysis. You also figure that most people in that area can get to your farm in an hour or less—probably the longest anyone would be willing to drive for entertainment (other than the beach!).

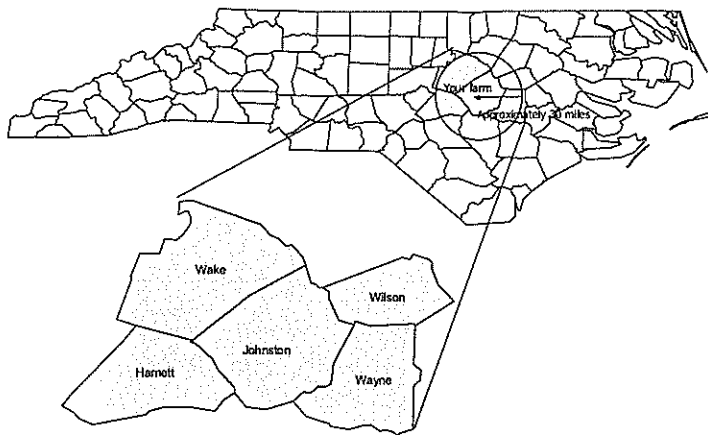


Figure 2. Target market area

The next thing you do is go to the U. S. Census Bureau and start collecting data.

After you have your demographic and lifestyle table, think about specific groups within these broader areas that you might want to target. For example, if you decide to do educational farm tours, contact home school parents, elementary schools, or older, depending on the level of your educational program. If you want strictly entertainment—a day in the country—target church groups, both youth and adult. Refine your general information, depending on what you believe will best suit your needs, abilities, and resources.

Customer Profile Table	
Customers	Harnett County
Total population	100,634
Age	
0-9	14,894
10-19	14,793
20 - 25	24,756
26 - 45	22,139
45 - 65	14,994
Over 65	9,057
Male (over 19)	31,204
Female (over 19)	32,756
Race/ethnicity	
White	62,574
African American	20,208
Asian	595
Hispanic	5,179
Other	2,469
Educational attainment	
No high school	14,271
Some college	12,589
College degree	5,347
Advanced degree	1,951
Median household income \$	38,142
Primary occupation (percent)*	
Blue collar	40
White collar	50
Professional	10
* You may have to estimate these percentages based on your knowledge of the area.	

Observable lifestyle characteristics such as dress, vehicle, newspaper and magazine choices, etc.*
Dress: casual, good, but not expensive
Vehicles: trucks, SUVs, economy cars, Fords, Chevys, Hondas, Toyotas dominate
Newspapers: local
Magazines: Sports Illustrated, food, gardening, diet
Church: parking lots of Baptist, Presbyterian, Methodist, Unitarian full on Sundays
* You may have make some educated guesses based on the emphasis in the local newspapers and magazines.

Worksheet

Define your geographic market area (zip codes, counties, driving times, circle—be specific about area).

Define your target customer (school children, Asians, church groups, etc.)

Fill in as much of the following table as you can for your geographic location/locations.

Customer Profile Table			
Customers	County	County	Total
Total population			
Age			
0-9			
10-19			
20 - 25			
26 - 45			
45 - 65			
Over 65			
Male (over 19)			
Female (over 19)			
Race/ethnicity			
White			
African American			
Asian			
Mexican			
Other			
Educational attainment			
No high school			
Some college			
College degree			
Advanced degree			
Median household income			
Primary occupation (percent)*			
Blue collar			
White collar			
Professional			
* You may have to estimate these percentages based on your knowledge of the area.			

Observable lifestyle characteristics such as dress, vehicle, newspaper and magazine choices, etc*.

* You may have make some educated guesses based on the emphasis in the local newspapers.

Appendix A. Sample questionnaire

1. Have you completed a survey for us previously? ☐ yes ☐ no
2. Are our employees
Friendly ☐ yes ☐ no Courteous ☐ yes ☐ no
Helpful ☐ yes ☐ no Dressed appropriately ☐ yes ☐ no
3. How would you rate our produce? ☐ Excellent ☐ Good
☐ Satisfactory ☐ Poor
4. What products do you buy most often?
5. What time of day do you usually shop at our market?
☐ Before 11 a.m. ☐ Between 11 a.m. and 3 p.m.
☐ Between 3 p.m. and 6 p.m. ☐ After 6 p.m.
6. Is the information we provide clear and useful? ☐ yes ☐ no
7. If you answered "No" to question 6, what can we do to improve it for you?
8. What don't we grow that you would like to have?
9. What can we do to improve our service to you?
10. Do you have children or grandchildren living in your home? ☐ yes ☐ no
11. What community or sports groups do you and your family participate in?
 - 1.
 - 2.
 - 3.
12. What are your hobbies?
 - 1.
 - 2.
 - 3.
13. Do you read the local newspaper? ☐ Yes ☐ No
14. What are your three favorite magazines?
 - 1.
 - 2.
 - 3.
15. What is your gender? ☐ Male ☐ female
16. Please give a range in which your household income falls
☐ Under \$20,000 ☐ \$20,000 to \$29,999 ☐ \$30,000 to \$39,999
☐ \$50,000 to \$75,000 ☐ \$40,000 to \$49,999 ☐ Over \$75,000

Thank you for your help. Please ask the cashier for your coupon.

Appendix B. Helpful References and Websites for Conducting Market Research

- Census of Agriculture – http://www.nass.usda.gov/Census_of_Agriculture/
City-Data.com – <http://www.city-data.com>
Dairy Innovation Business Center. “Cheese Tourism in Wisconsin: Issues and Prospects.” Found at <http://www.dbicusa.org/resources/finalversiondbiccheesetourismreport.pdf>
Danziger, Pamela. *Why People Buy Things*. 2004. Do search on Pamela Danziger.
Economic Indicators – <http://www.census.gov/cgi-bin/briefroom/BriefRm>
Horticultural Business Information Network – <http://www.utextension.utk.edu/hbin>
Lesser, J. A. and M. A. Hughes. “The Generalizability of Psychographic Market Segments across Geographic Locations,” *Journal of Marketing*, Vol. 50, No. 1. (Jan., 1986), pp. 18-27 found at <http://links.jstor.org/sici?sici=0022-2429%28198601%2950%3A1%3C18%3ATGOPMS%3E2.0.CO%3B2-2>
MapStats – <http://www.fedstats.gov/qf/>
SRI-Consulting Business Intelligence. <http://www.sric-bi.com/VALS/>
Stat-USA/Internet – <http://www.stat-usa.gov>
The Right Site offers numerous free demographic profiles—www.easidemographics.com/cgi-bin/login_free.asp
Tolle, F. *Agritourism: The New Frontier*. Oklahoma Agritourism. Found at <http://www.k-state.edu/projects/wmf/pdffiles/AgritourismPresentation.pdf>
USDA Economic Research Service Briefing Rooms – <http://www.ers.usda.gov/Briefing/>
Winston, W. J. *Psychographic/Lifestyle Aspects for Market Targeting*. The Haworth Press, Inc. 1984 Go to Hawthorn Press at <http://www.haworthpress.com/default.asp> and do a search for the book.

Product, Price, Place, and Promotion¹

The essence of marketing is putting the right product in the right place, at the right price, at the right time. On the surface marketing is easy: you just need a product that a sufficient number of customers want, sell the product at a place customers visit, set the price that match the customer's perspective of the value of the product. However, the hard part of marketing is knowing what customers want and being able to produce the product at a price the customers are willing to pay. All four elements must fit together. Any one of them being wrong may cause your business to fail. You could have the best product in the world but market the product in the wrong place where no one would buy your great produce. The 4Ps or market mix is a good place to start. "The 4-Ps of Marketing" or the marketing mix are product, what you have to sell; price, how much it costs; place, where someone can buy it; and promotion, which tells potential customers about it. This tool gives an overview of these elements of marketing.

Before you start planning your 4-Ps, develop a marketing budget. Marketing does not need to be inexpensive. A marketing budget will help you put limits on your spending. It will also help you when you evaluate your efforts to see where money was allocated and spent.

Product

Product includes every characteristic of your product (what you produce to sell)—both tangible and intangible. The tangible characteristics include quality, appearance, packaging, logo (brand, trademarks, etc.), guarantees. The intangible characteristics are consumers' perceptions of your product and your operation: taste—every customer likes or dislikes certain tastes—smell—again, every customer likes or dislikes certain smells. How you or your employees deal with customers will reflect on the image of your product. Even if they like the product itself if they have been treated poorly, they may not come back to buy more. People purchase products for many different reasons: to fill a need, to fill a desire, to use as a gift or souvenir, and so forth. Where they buy them and how often depends on why they are buying them. Products that meet needs like food are purchased often and frequently from a grocery store because of price. Products that fill desires may well be impulse purchases. Specific products purchased as gifts or souvenirs are not sought, but they are the result of the salespersons actions, advertising, or special discounts. These unsought purchases describe impulse purchases as well. For your specialty honey, you may target tourists and people looking for a unique gift. Keeping in mind who you want to target will help you with how you package.

¹ Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

A package conveys an image to your customers. A product has to be packaged according to what your target market expects and wants. For example, if you package your specialty honey in a non-descript jar with an unimaginative label, you won't catch the eye of the tourist or gift-seeker.

How would you describe your product? What are its characteristics? What benefits does it offer to the buyer? Will your customers recognize those benefits? What's unique about your product? When and how can the product be used? How is it distinctive from your competitor's product? Can your competitors easily copy your product? Can the buyer afford your product? (Determan). The big question is, "Why will someone buy your product?"

Product Analysis

Product	Characteristics	Benefits

Price

Pricing works to create a product's image. For example, you are marketing a very high quality specialty honey. You need to price it accordingly to help enhance the perception that it is a high quality product. Consumers have a perception that expensive products are of higher quality than less expensive, competing products. This perception is evidenced in the adage, "you get what you pay for." Pricing is a balancing act between charging too much, which may lead customers to believing your prices are out of line, and not charging enough, which may lead them to believe the product is of lower quality. You will have to set a price that will generate sufficient revenue to cover all your costs of production and create real value for consumers. The questions to ask are, "Is my product a high end or low end product? Or is it the same as everyone else's?" The answer becomes your pricing objective. How do you perceive your products? Will your customers perceive them the same way?

In addition to creating an image, pricing can result in a reaction from your competitors. If you price your products too low compared to your competition, you risk having others lower their prices. With profits from farming already low, it doesn't make sense to price below your competition and reduce everyone's revenue. However, if your price is high, competitors may see you making a profit and enter the market to take advantage of the high price. The result of that strategy is to drive your price down as well as theirs. Know your competition's prices, even if you don't know their costs. Only if your products are better or different in some significant way, will you be able to obtain a higher price for them.

Putting a low price on your product, on that just covers your cost of production, may expand your market, but it may also create an image of poor quality. If it's a new product, one unfamiliar to many people such as lavender honey, a low price may create a willingness in people to try it. If, however, it's a product that several others have such as mixed flower honey, a low price relative to your competition may attract people to your honey rather than someone else's. A low price is basically a price floor—a price below which you cannot afford to sell the product without hurting your operation, image, and other producers.

A high price, while implying something of good quality, may mean you price yourself out of the market. A totally unique product can be priced higher than a product that many producers sell. For example, at a farmers' market with 20 farmers, 15 of them sell Yukon Gold potatoes. You are the only producer to sell fingerlings—a gourmet type potato, and your fingerling potatoes are yellow, red, and blue. You can charge a higher price than the producers selling Yukon Gold. However, the risk you run is that you make the price so high that you have priced your product beyond the willingness of buyers to pay. Putting a high price on a product to increase profits may be a goal, but a word of caution—you may not sell enough at that price to make any difference in your total revenue from that product. Setting a high price that still encourages customers to buy is putting a ceiling on what the market will accept at that price.

The third pricing objective is to simply price at the same level as everyone else because you cannot offer anything better than or different from anyone else.

The questions to ask when considering your pricing objectives are

1. How much must you charge to cover your cost of production?
2. How much will someone be willing to pay for your product if he/she can buy it elsewhere for less or the same price?
3. What makes your product different enough so that you can charge a higher price?
4. Will charging a lower price attract more customers resulting in more revenue than if you sold fewer at a higher price?
5. What are others in the market charging?

Service goes a long way toward creating the image of a high end product. That service also has a cost to it—the time and perhaps money you invest. For example, a customer buys your product and finds something wrong with it. He/she brings it back to you and complains. Because you want your customers to view your products as high end, you spend the time talking to him/her to find out exactly what the problem is. You want to be able to correct the problem for future sales, but, more importantly, you want your customer to leave feeling good about your products. If he/she leaves feeling dissatisfied, he/she will tell all his/her friends how bad your product is. If the customer leaves satisfied with the solution, others will know you stand behind your product. In addition to discovering the source of the dissatisfaction, you offer to replace the product or refund his/her money. These actions take time. If you succeed in setting things right, you will have a happy customer who will return.

Place

Place refers to where and how you make your product available to customers. Place involves communicating with prospective customers. Place also plays an important role in determining a product's overall image. Descriptions of different market outlets, their advantages, disadvantages, and legal requirements are found in *Direct Answers for Direct Marketing*, Chapter 3, Which Direct Marketing Outlet Is Right for You?

You have many market outlets from which to choose:

- ☐ On-farm market
- ☐ Roadside market
- ☐ CSA
- ☐ Farmers' market
- ☐ Restaurant
- ☐ Internet
- ☐ Specialty stop

As you consider the possible market outlet for your product, ask yourself

- ☐ Is the market the right one for the product? Can you sell your specialty honey at a farmers' market or would it sell better at a specialty shop in a tourist area?
- ☐ How will you get it to the market? Do you have to provide the transportation or shipping? Can potential customers come to directly you for the product?
- ☐ Do you like to deal with people? Do you have someone working for you who does? Can you afford to pay someone to sell your product if you don't sell it on the farm?
- ☐ What are the legal issues associated with the market you choose? What is your liability at that market? Do you have any fees to pay to use the market? What do they cover?
- ☐ Will the customers come to the market you are considering? Is it the market where customers would think about looking for your product?

Promotion (and Advertising)

Generally, in marketing terms, advertising is any paid form of non-personal communication for a good or service by an identified sponsor. Promotion is an incentive or activity to get the customer to buy the product or service NOW. For direct marketers whose business is small, most forms of advertising do not work. Look at your options carefully so you don't waste money. Having made that observation, you may still find some advertising is useful. Obviously, some methods are more costly than others. You'll need to choose very carefully and learn what works and what doesn't. What doesn't work, you stop using. If you set up an advertising budget, you'll be better prepared to determine how much you are willing and able to spend on any specific type of advertising.

Promotion can take the form of writing articles for the local newspaper about honey, taking a hive display section to the local schools and explaining how honey is made, inviting newspaper writers to visit and write about your operation, making samples available. Advertising can be as simple as well designed and places signs or as complex as television spots. You can use the internet—always a good option even if you don't sell over it.

Promotion and advertising and the related topics of customer and public relations are a huge topic: For a more detailed description of them, go to *Direct Answers for Direct Marketing*, Chapter 6. How Will You Reach Your Customers?

Market Planning: An Example

Product

Your product is specialty honey made from a variety of different pollens. You decide to bottle your honey in two sizes. The smaller one is nine ounces in a bee shaped jar. The larger one is a pound in a multifaceted jar (Figures 1 and 2, respectively).

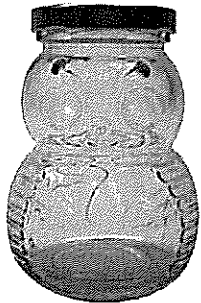


Figure 1. Bee jar



Figure 2. Multifaceted jar

You describe your specialty honey as being local, all natural, and based on the pollen from which the honey is made—buckwheat, lavender, and orchards. You face competition from the grocery stores, but they don't sell local honey. You have competition from one other apiary in an adjoining county, but he/she only sells clover and mixed honey.

Price

As far as price goes, you need to cover your costs, but you don't want to make your price so high that no one will buy your honey, even as a gift. When you looked at the prices over time from USDA (http://www.nass.usda.gov/Statistics_by_State/New_York/Publications/Statistical_Reports/honey.htm), you find that it varies from year to year, but in 2006, it averaged \$1.94 for North Carolina. "Prices are based on retail sales by

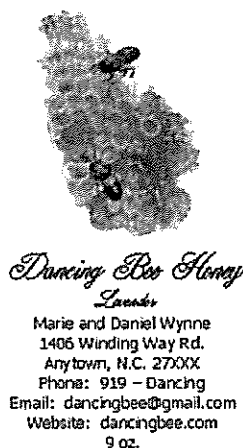
producers and sales to private processors and cooperatives. State level honey prices reflect the portions of honey sold through retail, co-op, and private channels.” March 2007, NY Honey Production, NASS. Since the price is an average for all types of honey marketed through both wholesale and retail outlets, you decide, based on your cost of production and these prices, that you will well your buckwheat and orchard honey 9 oz. jar for \$5.99 and the 16 oz. jar for \$8.99. The lavender honey you decide to see for \$6.99 and \$9.99 because it is harder to find sufficient lavender to produce the honey. While an even number for price would make it easier to calculate change and require you keep fewer coins, you know that psychologically \$5.99 seems to be a lot less than \$6.00.

Place

You decide to sell you honey at a Saturday farmers’ market in Oldtown because you want to interest tourists in buying it and you think you’ll have better success attracting them at a farmers’ market. You decide to use a combination of a table and crates to make your display attractive. Since you’re using glass jars, you know you can’t stack it more than two or three high or someone will knock it over. You also decide to take a display hive section to show customers how the bees work and to attract customers. You have an educational poster that describes your pollen sources and tells about the nutritional value of the different kinds of honey. You plan to participate in any local festivals and fairs.

Promotion and advertising

Since the flavor of your honey probably isn’t familiar to people, you decide to have samples of each kind. You have your signs telling people about the honey. You include on your label your farm name and address, specialty honey and the type, and the weight. Your price signs are done on a blow-up of your label with the type of honey shown and the different prices.



Honey jar label

Honey type	Price	
	8 ounce	1 pound
Lavender	\$6.99	\$9.99
Buckwheat	\$5.99	\$8.99
Orchard	\$5.99	\$8.99

Price sign

You plan to use word of mouth, your samples, and your web page to advertise. You also plan to participate in local festivals to get the word out.

Worksheet

Where do you plan to sell your product?

Product Analysis

Product	Characteristics	Benefits

- A. Where do you live—primarily urban or rural area?
- B. Does your product need to be in a specialty store?
- C. Can it be sold on the farm?
- D. Will you sell at a farmers' market?
- E. Do you want to interact with your customers?
- F. What legal or inspection services are needed for the market?
- G. Will your potential customers look for your product at this market?

Price—high price, low price value, convenience, uniqueness

☒ What is your variable cost?

☒ What is your total cost?

☒ What are your pricing goals?

- High price—what do you expect to accomplish using a high price?
- Low price—what do you expect to accomplish using a low price?
- Same as everyone else?

☒ Will you use a break-even method to price?

☐ Will you use a margin?

☐ Will you use markup?

What promotion and advertising outlets might you use?

☐ Samples

☐ News releases

☐ Educational information

☐ Newspapers

☐ Teaching a class at local school

☐ Trade and association shows

☐ Internet

☐ Word of mouth

☐ Other (specify)

What will be the cost of the various types of promotion?

What do customers look at for information?

How will you evaluate its effectiveness?

References

- American Express. Open for small business. Found at *http://www133.americanexpress.com/osbn/Tool/biz_plan/description/pricing_tool.asp*
- Determan, Michele. Marketing 101—Some basic marketing theory. Found at *http://www.determan.net/Michele/mposition.htm*
- Moses, Jeffrey. The Scientific Way to Determine the Price of Your Products or Service. 2005. Found at *http://www.nfib.com/object/IO_19659.html*
- USDA (*http://www.nass.usda.gov/Statistics_by_State/New_York/Publications/Statistical_Reports/honey.htm*)

Estimating Market Potential¹

Market potential is an estimate of the amount of money you can expect to make from the product or service you plan to market. *Your estimate will only be as good as the information you use and the assumptions you make.* There are seven pieces to estimating market potential:

1. Define your market segment;
2. Define the geographic boundaries of your market;
3. Define your competition;
4. Define the market size;
5. Estimate market share;
6. Determine the average annual consumption; and
7. Estimate an average selling price.

Estimating the market potential will allow you to determine if the market will support your business—that is cover your costs and pay you a salary. Generally, the market potential is the most net revenue that you will realize from your enterprise. One way to use your market potential analysis is to change your assumptions and see if you can still cover your costs. You can either lower your expectations of the number of people who will buy from you, or you can raise your price. Write down the assumptions you use to estimate your market potential and the changes you make to those assumptions.

To illustrate the concepts discussed, we use an agritourism example of a farmer wanting to add a corn maze and educational tour.

Define your market segment

Think of the target market as the customers who are most likely to buy from you. They are generally described using demographic variables: gender, age, education, and income. They are also described using psychographic variables: lifestyle, interests, and belief system variables. You might have more than one target market. Think about the food industry. It has a number of target markets such as organic, vegetarian, dieters, and any combination of these consumers and more. Develop specific profiles for each of your target markets using demographic and psychographic (lifestyle) variables. When you target a market, you are effectively dividing it into segments based on characteristics of your buyers.

¹Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

Adapted from material by Kent Wolfe, Department of Agricultural and Applied Economics, University of Georgia, Athens, Georgia.

The *first* method of describing your target market segments is using a set of demographic descriptors like

- ✧ age
- ✧ marital status
- ✧ household income
- ✧ gender
- ✧ race/ethnicity
- ✧ education

Describing your target market with these demographic variables is important. Use your demographic profile to determine how many people fit your profile using various demographic data sources (Appendix A). Because creating a demographic profile alone may be too general to provide specific enough information to accurately determine your market potential, look at lifestyles and, perhaps, psychographic data (“**Tool Identifying Your Customers**”). Lifestyle observations, by telling you something about what people spend their money on, will help you better estimate the percent of all people who might buy what you are offering.

After you define your target market, put a geographic boundary around where you intend to operate. This boundary can be as small as a city block; it can span the area between two rivers; or it can be the entire world. The geographic boundary defines the area where potential consumers live, work, and/or play. Since not everyone in the defined market area will be a customer, you need to compare your target market profile to the population in the market area. Market areas are defined in a number of ways. Some methods are easy to get data for while others are more difficult and require the services of a marketing professional.

Define the geographic boundaries of your market

A market area is generally defined by geography, ring analysis or radius, trade area, or drive-time.

Geography is the simplest form of defining a market area. It defines the market area by using landmarks or some jurisdictional boundary to define the market area such as

- ✧ neighborhoods (based on U.S. Census block data),
- ✧ zip codes,
- ✧ city or county boundaries,
- ✧ Metropolitan Statistical Areas (MSA),
- ✧ state (multi-state) borders,
- ✧ nation,
- ✧ continent,
- ✧ world.

One of the limitations with data is that if you want to do ring analysis or drive time analysis, the data you need will focus on political boundaries, for example, counties/cities, zip codes, and the like, not on a circle on the map or a driving distance. Don't discount these options, however. Accept that your data will not cover the exact area you want. Keep in mind that some information is better than no information. You can find sources for geographic market area information in Appendix C, Section A.

A **ring or radius market area** is created by drawing circular ring a specified number of miles from your business location. This technique is as simple as taking a road map and drawing a circle with your operation at the center. The ring analysis allows you to evaluate the demographics of people residing within a pre-defined distance from specific location. However, the ring analysis may include obstacles such as large bodies of water or mountains that make access to your location difficult. You can find sources of ring study information in Appendix C, Section B.

Drive-time analysis is a more sophisticated analysis than the radius analysis since a number of variables are used to estimate of the time it will take to drive to a given location. The analysis uses speed limits, road type, vehicle, time of day, and congestion. Customers may be willing to drive 15 miles, but given traffic conditions the 15 miles may take only 20 minutes to travel. A customer may be willing to travel 15 minutes, but in a heavily congested area, 15 minutes may translate in to a considerably shorter distance. As a result incorporating these driving related variables may give you a better estimate of the market area than by using a ring study. You can find sources of drive-time analysis in Appendix C, Section C.

Define your competition

Another piece of the puzzle is your competition. You need this information for several reasons. First, you can tell if they really are competition or if their market is different from yours. By evaluating how your competition advertises its business, you can determine the markets it's targeting. For example, if they are advertising in *Southern Living*, readers tend to be affluent, middle age individuals. However, if they are advertising in the sports section of a metropolitan newspaper, they are probably targeting males. You can also learn how your competition gets their product/service to their customers. Second, a competitor analysis can show you packaging preferences. Are they producing family packs or individual serving sizes of their processed food product? What type of packaging material are they using? Third, you can learn about their pricing strategy. Are their products value priced, or are they priced for the high-end market? Are they focused on convenience, quality, or quantity? You accomplish these activities by evaluating the products and services your competitor provides. You can find sources of competitor information is Appendix E and in "**Tool Evaluating the Competition.**" Continuing the agritourism example, you find who your competitors are in the market and what they are offering. You find three other operations with corn mazes. One has a petting zoo and a pumpkin cannon included in their price. The other two operations offer the corn maze as one of several activities including pick-you-own pumpkins and apples,

hay rides, a haunted house—each priced separately. You decide that you will offer the corn maze and an educational tour of the farm. Each participant will get a small bag of apples at the end of the tour. The tour includes a hay ride around the farm with stops at various picture signs that point out production practices used and crops grown.

Define the market size

Once you have defined the market area and target market, calculate the number of potential customers for your business. This step provides you with an estimate of the number of potential customers in the market. The total market potential will typically have to be adjusted downward to account for those who will not buy from you. Typically, you would start with the total population with specific characteristics, such as gender, income, age, number of children in household, etc., in your target area. Then estimate what percentage of consumers would use your products or services. The demographic information you need is readily available; sources are found in Appendix A.

Assume your farm is an agritourism operation. You want to offer a corn maze as well as something educational. Decide you will target children in kindergarten through third grade. Your target market area is Wake County which has 45,700 children between five and nine years of age. Therefore, N (number of potential customers) = 45,700. You found this number in the U.S. Census for 2000.

However, not all children under nine will visit any agricultural facility. Your next step is to adjust the 45,700 to get more accurate estimation of the actual market potential. A survey of elementary school teachers showed that only 60 percent of kindergarten through third grade teachers are willing and able to take an agriculturally related field trip in the next year.

As a result, the 45,700 kindergarten through third graders needs to be adjusted downward by multiplying by 60 percent. This calculation results in an adjusted market potential of 27,420 potential students.

$$\begin{aligned}\text{Number of Potential Consumers} &= 45,700 * 0.60 \\ &= 27,420\end{aligned}$$

Determine the average annual consumption.

Next, determine how often your target market segment uses your product or service. This figure will have a significant impact on the estimated market potential. For instance, is the product purchased frequently, occasionally or infrequently? Obviously, the more frequently the product is purchased, the larger the market potential. An abundant amount of consumption information from the government as well as industry trade associations is available. USDA collects volumes of disappearance data for a multitude of commodities. They then convert it into per capita annual usage (consumption) estimates. You will find sources of consumption information in Appendix D.

The quantity of what you are selling would vary based on the product being sold. For example, if you sell honey, the same customer may buy it five times in a season. If, however, you are selling hayrides, a customer may only buy one in a season. For the educational hay rides and corn maze you are offering, you probably assume that each student would only come once with his/her class. If you offer the same package on weekend or for special events like birthday parties, a student might come two or three times.

In the agritourism example, usage would be how often these school groups will take an agriculturally based field trip this school year. The same study of elementary school teachers indicated that they will take only 1 agriculturally based field trip this year. Therefore, you use 1 as your estimate of use of agriculturally based field trips or Q (quantity used) = 1.

Calculations for Estimating Market Share

Market share is the percentage of a market (either in number of units sold or revenue) accounted for by an individual business. This figure is important because it provides insight into how much of the total potential market you might capture. If the market share is not large enough to support your business, you have a problem. Also, if the number of units needed for the business to break-even financially is known, you can determine what share of the market you have to have for your operation to achieve this break-even point (see *Direct Answers for Direct Marketing*, Chapter 8 How Do You Estimate Your Price?)¹ Be careful not to estimate an unrealistic market share. The result will spell financial problems.

Estimating market share is difficult because of the lack of information. Some trade associations or market research publications and stories will supply some basic market share information, but finding directly applicable information for your business may be impossible. Estimate various scenarios based on what information you have. Remember to write down the assumptions you use so that you can go back later and revise based on new information.

Assume the same three existing agritourism operations in your market area. What percent of the total market you might be able to acquire? Since data on agritourism in the area are not collected, you won't be able to come up with an accurate number. However, for planning purposes, you can guesstimate a market share. In this example, it is the number of units sold, that is number of students going on the farm tour, that are being calculated.

First, you assume that each of the competing businesses in your market area has an equal share of the potential market or 33.3 percent of the total 45,700 children between five and nine. Next you assume that if you enter this market, you will take an equal part of each existing operation's business. Your goal is to capture 25.0 percent of the total. To calculate the market share for each of your competitors, use the formula

$Market\ share = 100.0\% \div \text{number of competing businesses.}$
 $Market\ share = 100.0\% \div 3$
 $Market\ share = 33.3\%$ for each of the existing agritourism businesses.

To assume you can will get 25.0 percent of the market (assuming you divide the existing market evenly four ways) is probably unrealistic since your business is new, and the others have existing customer bases. You can easily change your assumptions. For example, assume that can capture 3.3 percent from each of the three existing operations. You would then have 10.0 percent of the total potential market.

But you decide that the other operations don't have 100 percent of the total potential market because a percentage of the potential market will not come to any of the operations. Reduce the 100% by whatever you estimate the real potential market to be. Using the earlier example, the total population of 45,700, you estimate that only 60.0% of those children would probably be able to go on a field trip. When you do the calculation, you find only about 42,958 ($45,700 * 0.60 = 27,420$) would actually go to an agricultural field trip. You decide to use this lower number, 10.0 percent—the market share for your first year. You find you will have about 2,742 ($27,420 * 0.10 = 2,742$) children. If you charge \$8.00 per child, you will gross \$21,963 ($2,742 * \$8.00 = \$21,963$) from the corn maze and farm tour. If you have done a reasonably good job of estimating the break-even number of units you have to have, you will be able to tell if what you plan is feasible.

The market potential is the number of potential buyers, an average selling price, and an estimate of usage for a specific period of time. The general formula for this estimation is simple:

Estimating Market Potential

$$MP = N \times MS \times P \times Q$$

Where:

MP = market potential

N = total number people

MS = market share—percent of consumers *buying from you*

P = average selling price

Q = average annual consumption

You have the following pieces of information to use in calculating the market potential for your agritourism operation:

Total number of consumers (Wade County census)	45,700
Market share* (based on information from teachers times your estimate of how much you of the market you think you can capture from your competition)	0.06
Average selling price (your cost production)	\$8.00
Average annual consumption (number of visits/student based on teachers' survey)	1

$$\begin{aligned}MP &= N \times MS \times P \times Q \\MP &= 45,700 \times 0.06 \times \$8.00 \times 1 \\MP &= \$21,963\end{aligned}$$

(*To calculate the percent of consumers buying from you, multiply the percent of consumers who are potentially customers by the percent of the market you expect to capture from your competitors.)

Keep in mind that your market potential estimate is only as good as the assumptions you make and the data you use. You are better off estimating on the low side and setting your price to cover your costs. If your estimate of market potential is low, you will show a profit above your costs. If, however, your estimate is too high, you may find it difficult to pay your bills at the end of the season.

Market Potential Worksheet

1. Describe your customers for each of you target market areas

Market area 1. Demographic Characteristics (examples)	
Gender: Male or Female	
Age or age group	
Education	
Household Income	
Marital Status	
Children in Home	
Other (specify)	
<i>Lifestyle Characteristic</i> , i.e., type vehicle, dress, etc.	

2. Market Area (Where are they from)

Where is your market area county/city or zip code	
	Location (county/city/zip code)
1. Market area 1	
2. Market area 2	

3. Total number of people within target market area

How many people matching your demographics live within the defined market area?	
Market Area	Number of people (target market)
County 1	
County 2	
Total number of people	

4. Consumption Figures (how often is the product consumed and how much of the product is consumed.)

How much product is consumed by your target customers?	
Market Area	Consumption or usage (pounds)
1. Market area 1	
2. Market area 2	
Total all market areas	

5. Competition (number of competitors, products/services offer, and at what price)

Who is your competition?		
Competitor	What offer	Price
Competitor 1		
Competitor 2		

6. Calculating market share

What percent of total potential customers go to the competition?			
Competitor	Number of customers	Percent of market	Market share (customers X percent)
Competitor 1	X		
Competitor 2	X		
Total all competitors			

7. Totaling your information

Market Potential

Numbers you need to estimate your market potential	
Total number of potential customers	
Total consumption (usage)	
Total market share	
Your price per customer (\$)	
Market potential (\$)	

Estimating Market Potential: $MP = N \times MS \times P \times Q$

Where:

- MP = market potential
- N = total number customers
- MS = market share
- P = average selling price
- Q = average annual consumption (usage, number of times individual would attend)

Your numbers

- N =
- MS =
- P =
- Q =
- MP =

Appendix A: Demographic Information Sources

- ✂ A Guide to Sources of Information - <http://www.loc.gov/rr/business/marketing/>
- ✂ Advertising Age -Database related to advertising - <http://adage.com/datacenter/>
- ✂ U.S. Census Bureau - www.census.gov.
- ✂ QuickFacts - <http://quickfacts.census.gov/qfd/index.html>
- ✂ American FactFinder.- <http://factfinder.census.gov>
- ✂ The Right Site offers numerous free demographic profiles
www.easidemographics.com/cgi-bin/login_free.asp
- ✂ Development Alliance - Religious affiliation - www.adherents.com
- ✂ Demographics USA - www.tradedimensions.com , published by Market Statistics
Reference: Click on Demographics
- ✂ USADATA - fee based service- <http://dtg.usadata.com/geography> /<http://www.usadata.com/>
- ✂ Trade Associations - Trade associations collect information on their members or the customer group their members are interested in. This information generally includes lifestyle information. Contact a trade associations that represents your industry and inquire.
- ✂ Universities - Collect and publish applied research that includes lifestyle information.
- ✂ Electronic and Print Media - Collect information on their subscribers, including lifestyle information. Contact them and ask about the possibility of advertising with them and request a subscriber profile.

Appendix B: Sources of Lifestyle Information

- ✂ Claritas - Some information is free, have to pay for detailed reports. Lifestyle Profile by Zip code www.claritas.com/MyBestSegments/Default.jsp?ID=30&SubID=&pageName=Segment%2BLook-up
- ✂ Advertising Age -Database related to advertising - <http://adage.com/datacenter/>
- ✂ Trade Associations - Trade associations collect information on their members or the customer group their members are interested in. This information generally includes lifestyle information. Contact a trade associations that represents your industry and inquire.
- ✂ Universities - Collect and publish applied research that includes lifestyle information.
- ✂ Electronic and Print Media - Collect information on their subscribers, including lifestyle information. Contact them and ask about the possibility of advertising with them and request a subscriber profile.

Appendix C: Sources of Geographic Market Area Information

Section A: *Geographic Information*

- ✂ A Guide to Sources of Information: <http://www.loc.gov/rr/business/marketing/>
- ✂ Claritas—some information is free, have to pay for detailed reports:
www.claritas.com/MyBestSegments/Default.jsp?ID=0&SubID=&pageName=Home
- ✂ U.S. Census Bureau: www.census.gov.
- ✂ QuickFacts: <http://quickfacts.census.gov/qfd/index.html>
- ✂ American FactFinder: <http://factfinder.census.gov>
- ✂ Demographics USA: www.tradedimensions.com , Click on Demographics
- ✂ USADATA—fee based service: <http://dtg.usadata.com/geography> /<http://www.usadata.com/>
- ✂ Advertising Age—Database related to advertising: <http://adage.com/datacenter/>
- ✂ U.S. Census Bureau: www.census.gov. Other Census data sources.
- ✂ QuickFacts —<http://quickfacts.census.gov/qfd/index.html>
- ✂ American FactFinder: <http://factfinder.census.gov>
- ✂ The Right Site offers numerous free demographic profiles:
www.easidemographics.com/cgi-bin/login_free.asp
- ✂ Development Alliance—Religious affiliation: www.adherents.com

Section B: *Ring Information*

- ✂ The Right Site offers numerous free demographic profiles:
www.easidemographics.com/cgi-bin/login_free.asp
- ✂ TetraFLy—Ring study reports: www.terrafly.com/TP/reports.html
- ✂ ESRI Mapping Software—fee service: www.esri.com/software/busmap/about/ringstudy.html

Section C: *Drive Time Analysis*

- ✂ Spatial Insights—fee based service: www.spatialinsights.com/catalog/default.aspx?category=18
- ✂ Empower Geographics—fee service: www.empower.com/pages/services_drive.htm
- ✂ Imaptools—demonstration service—more sophisticated for a fee: <http://imaptools.com/demos1/?tab=3>
- ✂ ESRI Mapping Software—fee service: www.esri.com/software/busmap/about/ringstudy.html

Appendix D: Sources of Consumption Information

- ✂ The U.S. Bureau of Labor Statistics—Consumer Expenditure Survey information on consumers www.bls.gov/cex/
- ✂ Bureau of Economic Analysis: www.bea.gov
- ✂ Census Bureau's Survey of Income and Program Participation (SIPP): www.sipp.census.gov/sipp/sipphome.htm
- ✂ The American Customer Satisfaction Index focuses on goods and services from major companies in a limited industries: www.theacsi.org
- ✂ Surveys of Consumers: www.sca.isr.umich.edu
- ✂ Demographics USA: www.tradedimensions.com/prod_dus.aspx published by Market Statistics Reference: DANA, KLMR REF HF5438.4.S87
- ✂ USADATA—fee based service : <http://dtg.usadata.com/geography/>
- ✂ USDA—Food consumption data sets: www.ers.usda.gov/data/foodconsumption/FoodAvailSpreadsheets.htm/
- ✂ ERS—Food Consumption, Prices and Expenditures <http://usda.mannlib.cornell.edu/data-sets/food/89015/>
- ✂ ARS—What we eat in America: www.ars.usda.gov/is/pr/2004/040923.htm

Appendix E: Sources of Competitor Information

- ✂ Sites USA—fee service: <http://www2.sitesusa.com/data/merchantwizard/>
- ✂ Allows a ring search: www.superpages.com
- ✂ Yahoo directory: http://dir.yahoo.com/Reference/Phone_Numbers_and_Addresses/Businesses
- ✂ Use white pages to determine competitors in your market: www.Whitepages.com
- ✂ Use yellow pages to determine competitors in your market: www.yellowpages.com
- ✂ Trade associations
- ✂ Trade shows
- ✂ Chamber of commerce and their websites
- ✂ Magazines and Journals targeting your specific industry
- ✂ Websites
- ✂ Advertising
- ✂ Fliers
- ✂ Visiting the business

Calculating your price

Know what it costs to produce your product. Not just the input costs of seed, land preparation, fertilizer, etc, but also the cost of your management time and labor. Once you know these costs, you can calculate your breakeven price—the price at which you cover all your costs of production. You can use the breakeven price as the price for your product or you can add something to that breakeven price. You can also calculate either your mark-up price or your margin. More information on how to determine your price is found in *Direct Answers for Direct Marketing*, Chapter 8. Determining Your Price.

Costs are broken down into variable costs and fixed costs. Variable costs will change with how many acres you produce and harvest. They are the costs you pay as you go along—seed, fertilizer, pesticides, labor, etc. Fixed costs are long term costs that you may not be able to easily attribute to a specific crop—land, equipment, advertising, telephone, electricity, etc. Other fixed costs like trellising, fruit trees, brambles, cows, etc. are paid for over more than one production season. Once you have invested in these inputs, you have to pay for them whether you produce or don't produce. The best example of variable and fixed costs is machinery. The variable cost of machinery is fuel, repairs, maintenance. These vary based on how much the machinery is used. Fixed costs is the insurance, taxes, depreciation, and the interest on the loan you might still be paying. You have these costs whether you use the machinery or not. Depreciation is simply allocating the replacement cost over a period of time. Labor could be either variable or fixed depending on whether you keep the workers employed only when they are needed or year round whether you need them or not.

Developing start-up budgets will help you determine how long it will be before you realize a profit from your investment. In other words, how much money do you need to have before you can sell your product and how long before you will be able to repay that money? It makes no difference if the money is borrowed or yours. Start-up budgets may cover more than one year. If you produce trellised apples, for example, it will be four years before you harvest: the first year is preparation, second year is planting, the third year is training and maintenance, and the fourth year is the beginning of harvest. The following budget is a start-up budget for honey.

¹Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

Adapted from material by Charles Hall, Department of Agricultural Economics, University of Tennessee, Knoxville, Tennessee

Initial resource requirements (first-year establishment based on a 10-hive unit in a 50-hive production system).

Item	\$
Apiary sites	
10 Package bees (3 lb each) plus shipping	500.00
Capital investment	
Brood boxes, frames, and foundation	467.00
Top, bottom, and inner covers	250.00
Supers with frames and foundation	623.00
Protective clothing	40.00
Hive and tool/smoker	35.00
Feeder	23.00
Queen excluders	57.00
Fume board	25.00
Extractor	950.00
Bottling tank (300 lb) with cover & strainer	715.00
Uncapping tank	195.00
Uncapping knife	67.00
<i>Total equipment investment</i>	<i>3,442.00</i>
Building	
Adapting and upgrading existing facility	1,500.00
<i>Total start-up cost</i>	<i>5,442.00</i>

Source: Frazier, M., G. Greaser, T. Kelsey, J. Harper. "Alternative Agriculture: Beekeeping." Penn State University 2001. Found at <http://agalternatives.aers.psu.edu/default.asp>

How long will it take you to cover these start-up costs? Whether you produce anything or not, these costs expenses must be paid.

Calculating price

Production budgets help you calculate your variable costs for the year. In your production budgets, try to allocate some amount of the fixed costs to each crop you produce. Many producers use a percentage of the total fixed costs based on the acreage of the crop. Julie, who has 1 acre of tomatoes, 2 acres of brambles, and seven acres of trellised apples, allocates 10 percent of her fixed costs to tomatoes, 20 percent to brambles, and 70 percent to apples. You can other methods, but this one is simple.

In the bee example, a typical production will look like the one below. Assume that weights 0.625 pounds and that from 10 hives that pollinate lavender, you get 600 pounds of honey, which will fill 960 8-ounce jars. Your budget will help you know how much you need to charge to cover your variable costs, your total cost, and what you will have left to help repay the startup costs.

To calculate a break-even price, you assume you know how many units you can sell. Alternatively, you can try different amounts that you might sell and see how much your

Sample Honey Production and Pollination Budget (established operation)

Summary of estimated costs and returns for 10 mature hives.

Item	Unit	Amount	Receipts or costs per unit	Total receipts or costs (one crop)	Your estimate
Receipts					
Honey (extracted)"	pounds	600	\$2.00	\$1,200.00	
Pollination fee'					
Spring	hives	10	\$30.00	\$300.00	
Summer	hives	10	\$25.00	\$250.00	
Wax	pounds	5	\$2.00	\$10.00	
<i>"Total receipts after establishment</i>				\$1,760.00	
Variable costs					
Bees (replacement bees)'					
Package (3 lb)	hive	2	\$45.00	\$90.00	
Queens (replacement)	queen	2	\$12.00	\$24.00	
Parasite and disease control					
Terramycin	6.4 oz pkg	2	\$4.75	\$9.50	
Varroa chemical control	pkg of 10	4	\$28.00	\$112.00	
Fumidil-B	2 gm bottle	1	\$27.00	\$27.00	
Menthol	10 1.8 oz packs	1	\$21.95	\$21.95	
Sugar	pounds	50	\$0.50	\$25.00	
Jars	cases of 24	21	\$10.10	\$212.10	
Labels (supplier & quality id)		500	\$0.10	\$50.00	
Chemical for fume boards	quart	1	\$16.50	\$16.50	
Paint	gallon	2	\$22.00	\$44.00	
Buckets	5 gallons	10	\$5.00	\$50.00	
Vehicle (fuel, maint., depreciation)	miles	150	\$0.45	\$67.50	
Marketing (advertisement)	one year	1	\$100.00	\$100.00	
plus bee management and production information					
Registration fee (\$20) for two years	one year	0.5	\$20.00	\$10.00	
<i>%blot variable costs</i>				\$859.55	
Fixed costs					
Brood boxes with frames and foundation				\$46.70	
Top, bottoms, and inner covers				\$25.00	
Honey supers with frames and foundation				\$62.00	
Protective clothing				\$4.00	
Hive tool/smoker				\$3.50	
Feeder				\$2.30	
Queen excluder				\$5.70	
Fume boards				\$2.50	
Extracting equipment (based on 50 hives)					
Extractor (\$945)d				\$94.50	
Bottling tank (300 lb with covered strainer) (\$715)d				\$71.50	
Uncapping tank (\$195)d				\$19.50	
Uncapping knife (\$67)"				\$6.70	
Upgrading existing facilities (\$1,500)''				\$75.00	
<i>Total fixed costs</i>				\$418.90	
Total costs				\$1,278.45	
Returns					
Returns over variable costs				\$900.45	
Net returns				\$481.55	

'Retail price. 'Rental fee may vary depending on the crop. *Estimated 20% loss each year. 'Depreciate over 10 years. 'Depreciate over 20 years.

'Building may not be necessary. Sideline beekeepers often convert a garage, basement, or outbuilding into a honey house.

price changes. Assume your honey costs you \$3.56 per 8 ounce jar—\$1.43 variable costs and \$2.13 fixed costs. The formula to calculate a break-even price is

Break-even price = Per unit variable cost + (Annual fixed costs ÷ projected units sold)

Break-even price = \$1.43 + (\$1,278 ÷ 960)

Break-even price = \$1.43 + \$1.33

Break-even price = \$2.76

The more you think you can sell, the lower your price can be after you cover your variable costs because you are spreading the fixed costs over more units.

Both markup and margin require you to choose a percent that you want to increase your total costs by.

Markup is the amount the cost is raised to achieve the desired selling price. Using the same example as above you decide to consider using a markup. You decide you want to add a 30 percent markup to that your calculation would be

Markup amount (in \$) = Total Cost X Percentage markup

Markup = \$2.76 X 0.3

Markup = \$0.83

Selling price = \$2.76 + 0.83

Selling price = \$3.59 per 8 ounce jar

Margin is the percentage of the selling price above the cost of producing the product. You decide you want a margin of 30 percent. Your calculation would be

Selling price = Total Cost ÷ (1.00 - Margin percent)

Selling price = \$2.76 ÷ (1.00 - 0.30)

Selling price = \$2.76 ÷ 0.70

Selling price = \$6.70 per 8 ounce jar

Even though you are starting with the same costs, using a markup gives you a much lower price than using the selling price method. Check to see what specialty honeys are selling for elsewhere. It might be that an average of the two methods provides a better alternative to just selecting the higher price.

A study from the University of Chicago School of Business and the Sloan Institute found that prices ending in 9 sold product than prices ending in any other number for the same product. Consumers think they are getting a bargain, even if they are not. If you want to sell something for \$8.00 a pound, price it at \$7.99 a pound. However, if everything you sell ends in 9, you lose the effectiveness of it.

Consider three things when you are trying to price your products: your cost of production, how much consumers would buy, and your goals for your operation. These three elements determine whether you price high, low, or the same as everyone else.

Worksheet

What are your pricing goals: high price, low price, same as everyone else?

Will you have product to sell in the first year?

If you have no product to sell in year one, in what year will product be available?

How much are your startup costs? The items suggested will change based on what you are producing.

Startup costs		
Item	Units	Cost (\$)
Irrigation		
Pump		
Pipe	Feet	
Drip tape	Feet	
Sprinklers		
Equipment		
Transplants		
Containers for transport		
Other (specify)		

How much are your variable costs? The items listed and units will changed based on what you are producing.

Variable costs per acre

Item	Unit	\$/per unit	Total cost/acre (\$)
Seed	Pounds		
Fertilizer (specify)	Pounds		
Herbicide (specify)	Gallon		
Insecticide (specify)	Gallon		
Other pesticides (specify)	Gallon		
Labor (production)	Hours		
Fuel, oil, maintenance	Acres		
Scouting	Hours		
<i>Harvest and post harvest costs</i>			
Labor	Hours		
Grading	Hours		
Packing	Hours		
Transportation	Hours		
<i>Total variable costs</i>			

How much are your fixed costs? The items listed and units will change based on what you are producing and how you decide to organize your operation.

Fixed costs

Item	Units	\$/unit	Total cost (\$)
Tractor	1		
Equipment			
Interest on loans	%		
Telephone	Monthly		
Electricity	Monthly		
Insurance	Annual		
Taxes (real estate)	Annual		
Taxes (machinery/equipment)	Annual		
Other			

Total fixed costs

How much do you think you will be able to sell in the first year of production?

What will be your breakeven price?

Break-even price = Per unit variable cost + (Annual fixed costs ÷ projected units sold)

What percent mark-up will you use?

What will be your price at that percentage markup?

Markup amount (in \$) = Total Cost X Percentage markup

What percent margin will you use?

What will be your price at the percentage margin?

Selling price = Total Cost ÷ (1.00 - Margin percent)

References

Frazier, M., G. Greaser, T. Kelsey, J. Harper. "Alternative Agriculture: Beekeeping."
Penn State University 2001. Found at <http://agalternatives.aers.psu.edu/default.asp>

Evaluating the Competition¹

A necessary component of any market research is a thorough assessment of the competition. Studying your competition helps you determine the volume of similar products and services already in the marketplace, the strengths and weaknesses of your competitors, and the specific types of buyers being served by your competitors. This information may help you identify niches in the marketplace where you can meet a market demand that is not being met. It can also help you determine what percent of the total possible customers you might expect to have. Use the following four steps to evaluate your competition.

Step 1. Identify the Competition

When identifying competitors, use a broad interpretation. Assume you plan to sell grass fed beef. Your competition is all other farmers in the market who are also selling grass fed meats, the local grocery stores, health food stores, and even the Internet. These outlets are all competitors. If you want to become an agritourism attraction, your competition is other agritourism operations, the beach, Kings Dominion, national and state parks, and so forth. However, your most direct competition is going to be other agritourism operations in the area. These operations are what you should be most concerned with.

Step 2. Determine Areas of Competition

Areas of competition involve price, quality, location, customer service, convenience, range of products/services, marketing strategy, delivery/turnaround time, etc. Why do your potential customers have a need for your product/service rather than your competitors'? What do your potential customers consider before making the purchase? These factors are the areas of competition you need to focus on.

Competitor Analysis Worksheet						
Competitor	Products/ services offered	Price	Quality	Location	Customer service	Convenience

¹Karen Mundy, Department of Agricultural and Applied Economics, Virginia Tech, Blacksburg, VA and Gary Bullen, Department of Agricultural and Resource Economics, North Carolina State, Raleigh, NC. September 2007.

Adapted from material by Charles Hall, Department of Agricultural Economics, University of Tennessee, Knoxville, Tennessee

Step 3. Obtain the Information

You learn about your competition in a number of ways: by visiting their businesses, using their products or services, paying attention to their customer service, surveying their customers, or interviewing them directly. Some competitors may refuse to share any information with you, but some are quite helpful. What suggestions can you provide that can decrease direct competition or even be of mutual benefit? Other ways you can learn about your competition are to

- ✂ Ask an employee to periodically become a competitor's customer. Have this person gather brochures, catalogs, price lists.
- ✂ Read their ads carefully.
- ✂ Read your trade magazines or newsletters, paying close attention to new products/ services being offered, customer service policies, etc.
- ✂ Be visible at professional meetings. People love to talk about their businesses: what's new, what's working for them.
- ✂ Network, become acquainted with industry leaders, buy them coffee, and *listen*. Listen for what's not said as well as what is. Getting to know other people in business for themselves provides you with support, a potential source of information for identifying and solving problems, and an idea of what problems and successes you might face.
- ✂ Attend your industry trade shows and conferences, paying careful attention to the issues being discussed in groups and individually.
- ✂ Survey your customers. Develop a simple questionnaire that asks what they like and don't like about your business and how you compare with the competition. You'll learn a lot about your business and your competitors.

Step 4. Prepare the Analysis

Once you've identified your competitors, chosen the areas you want to compare, and obtained the information, compile a chart to compare yourself to each of your competitors. In what areas are you strong? Where do you need to focus more attention?

How Put It Together

Knowing what your competition is doing will help you do something different so that you aren't competing with them directly. As an agritourism operation, you'll never compete with Kings Dominion, but that kind of competition is probably a poor goal anyway. For this example, assume you decide on educational tours during the week with the possibility of being closed to the public on the weekend or open for market purchases only. Your educational tour will target high school age students so that you can teach something about food production and the environment. To find who your competitors are go to the North Carolina Department of Agriculture and Consumer Services (NCDA&CS) website, <http://www.ncagr.com/> and then to the General Store. There you find a list of activities that the agritourism operations engage in. Access a list either by topic or by county. In Johnston County where you are located, you find eight operations

offering school field trips or summer camps. One of them targets K – 3, one is a winery, one a museum, another targets special needs people. None seem to do exactly what you are interested in. However, don't discount the museum, which offers demonstrations, hands on activities, and celebrations of various types. Next check out the other counties you expect to draw from. Wilson County has an operation that might compete directly with you for some customers.

What you learn from this exercise is that you have some competition, but only the educational hayride may provide direct competition for school tours.

Competitor Analysis Worksheet						
Competitor	Products/ services offered	Price	Quality	Location	Customer service	Convenience
Pumpkin Patch	Pumpkin hayride and educational tour, free pumpkin,	\$10/person	Has great pumpkins for kids	15 miles from you	Well trained employees	Rides convenient to pumpkin patches
Glowing Grape Winery	Specialty wines, winery tours	Individually priced	Relatively new, unknown	10 miles	Well trained employees	Lots of walking
Ole Time Farm	Museum, produce, hands on demonstrations	Individually priced	Excellent	15 miles	Excellent	Tailored to customers
Little Acres	Produce, tours, gleaning	Individually priced	Excellent	5 miles	Tailored to meet special needs customers, excellent	Tailored to customers

Worksheet

Identify your geographic market area.

Who are your competitors? What do they offer? Complete the table.

Competitor Analysis Worksheet						
Competitor	Products/ services offered	Price	Quality	Location	Customer service	Convenience

References

- Govindasamy, R., M. Zurbruggen, J. Italia, A. Adelaja, P. Nitzsche, and R. VanVranken.
Farmers' Markets: Consumer Trends, Preferences, and Characteristics. New Jersey
Agricultural Experiment Station P-02137-7-98. June, 1998. Found at [http://
aesop.rutgers.edu/%7Eagecon/pub/FM_CN.PDF](http://aesop.rutgers.edu/%7Eagecon/pub/FM_CN.PDF)
- TetraFLy—Ring study reports—www.terrafly.com/TP/reports.html.

Drive Time

- Spatial Insights – fee: www.spatialinsights.com/catalog/default.aspx?category=18.
- Empower Geographic's—fee: www.empower.com/pages/services_drive.htm.
- Imaptools—demonstration with more sophisticated for a fee: [http://imaptools.com/
demos1/?tab=3](http://imaptools.com/demos1/?tab=3).
- ESRI Mapping Software—fee service: [www.esri.com/software/busmap/about/
ringstudy.html](http://www.esri.com/software/busmap/about/ringstudy.html).

Suggested Resources

To access these resources click on the website listed

Chapter 1. What is “Direct answers for Direct Marketers”?

To Market, To Market

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

Direct marketing guide for producers of fruits, vegetables, and other specialty products

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

Direct marketing

http://attra.ncat.org/new_pubs/attra-pub/PDF/directmkt.pdf?id=Virginia

Chapter 2. What should you produce?

To Market . . . to market . . . Seven steps to a marketing plan for horticultural products

<http://www.reap.vt.edu/publications/reports/r29.pdf>

What do goals mean to a business?

<http://www.ext.vt.edu/cgi-bin/WebObjects/Docs.woa/wa/getnews?cat=tt-news-fnu&issue=199706>

A PRIMER for selecting new enterprises for your farm

http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf

Evaluating a rural enterprise

http://attra.ncat.org/new_pubs/attra-pub/PDF/evalrural.pdf?id=NorthCarolina

Identifying new enterprises: A checklist of factors to consider

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

Chapter 3. Which direct marketing outlet should you use?

Choosing your market

<http://www.georgiaorganics.org/markettool/>

Farmers' markets

http://attra.ncat.org/new_pubs/attra-pub/PDF/farmmarket.pdf?id=Virginia

Critique checklist for roadside markets

<http://agmarketing.extension.psu.edu/Retail/chklistRdSideMkt.html>

Chapter 4. Who will be your customers?

Conducting market research

<http://ohioline.osu.edu/cd-fact/1252.html>

Where to find information for doing marketing and business studies

<http://www.extension.iastate.edu/agdm/>

Chapter 5. What do your customers want?

Food and agriculture: Consumer trends and opportunities

<http://www.ca.uky.edu/agc/pubs/ip/ip58a/IP58a.pdf>

Consumer demand for fruit and vegetables: The U.S. example

<http://www.ers.usda.gov/publications/wrs011/wrs011h.pdf>

From supply push to demand pull: Agri strategies for today's consumers

<http://www.ers.usda.gov/Amberwaves/november03/pdf/supplypush.pdf>

Chapter 6. How will you reach your customers?

Promoting your business

<http://www.agmrc.org/agmrc/business/operatingbusiness/promotingbusiness.htm>

Advertising: An investment in your business

<http://ohioline.osu.edu/cd-fact/1276.html>

Creating a winning display for your farm products

<http://72.14.209.104/search?q=cache:PW0IGKcHOtQJ:s142412519.onlinehome.us/uw/pdfs/A3811-2.PDF+creating+winning+display+farm+products&hl=en&gl=us&ct=clnk&cd=1&client=firefox-a>

Direct marketing of fresh produce: Understanding consumer interest in product and processed based attributes

http://agecon.lib.umn.edu/cgi-bin/pdf_view.pl?paperid=21912&ftype=.pdf

The Internet as a marketing tool

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2491/F-566web.pdf>

Chapter 7. How can you plan for profits?

Using enterprise budgets to make decisions about your farm

<http://cru.cahe.wsu.edu/CEPublications/pnw0535/pnw0535.pdf>

Twelve steps to cash flow budgeting

<http://www.extension.iastate.edu/agdm/wholefarm/pdf/c3-15.pdf>

Financial record keeping for farmers and ranchers

<http://pods.dasnr.okstate.edu/docushare/dsweb/Get/Document-2483/F-302web.pdf>

Chapter 8. How do you set your price?

Pricing horticulture products

[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex918/\\$file/845-4.pdf?OpenElement](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex918/$file/845-4.pdf?OpenElement)

Selecting an appropriate pricing strategy

<http://muextension.missouri.edu/explorepdf/agguides/agecon/G0649.pdf>

Estimating breakeven sales for you small business

<http://www.ces.purdue.edu/extmedia/EC/EC-725.pdf>

Break-even pricing, revenue and units

<http://www.extension.iastate.edu/agdm/wholefarm/pdf/c5-180.pdf>

Chapter 9. Directory of marketing regulations, licenses, permits, taxes, and insurance

Starting a small business: Licenses and regulations

<http://www.bizmove.com/starting/m1a6.htm>

Recreational use of private lands: Associated legal issues and concerns

http://www.nationalaglawcenter.org/assets/articles/mceowen_recreationaluse.pdf

Zoning limitations and opportunities for farm enterprise diversification

http://www.nationalaglawcenter.org/assets/articles/branan_zoninglimitations.pdf

Laws and regulations

<http://www.sba.gov/library/lawroom.html>

Agricultural alternatives: Agricultural business insurance

<http://agalternatives.aers.psu.edu/farmmanagement/startbusiness/>

[AgBusinessInsurPM7.pdf](#)

