

Handouts

Direct Market Options- Considerations for Various Types of Operations

Farmers' Markets

- for a few dollars can set up shop in a prime location
- every market has its own rules and personality
- need to provide high quality products, choice
- minimal startup costs, advertising looked after by market itself
- flexibility as far as amount and types of products
- community of other farmers, as well as 'eaters'
- concentrated marketing time
- can take time to get to know characteristics of a specific market
- market rules can vary
- time taken up loading/unloading/loading/unloading/traveling
- need to be there consistently
- hours are limited and out of your control
- need to find ways to keep produce fresh and meat frozen throughout duration
- as a new vendor, may need to find a way to break the 'hold' of the established vendors
- check out markets ahead of time, if possible to get a feel of the market and what is already available at the market
- does your personality suit a farmers' market - a farmers' market vendor should be enthusiastic, knowledgeable, cheerful, gregarious, assertive and proud of their product

Community Supported Agriculture (CSA)

- payment in advance to help with cash flow and getting the season started
- know how much to harvest on market day
- easy to tailor production to the market
- close link to 'eaters' of food
- need to have a good variety of produce and the skills to grow a variety of items
- getting a balance of 'enough' but not 'too much' for each share
- may have labour help from members but will require good organization
- pressure to fulfill the commitment made to members
- mutual commitment of growers and eaters to local food and local agriculture
- farmer may need to give up some control and share decisions and work with share-holders

Roadside Stands

- location - is there any traffic, is the traffic slow enough to stop, at your farm or can you make arrangements with friends or family for a better location
- low marketing costs, low set up costs (can start with a table and few seasonal items)
- be there to collect money or use an honour system. Some direct marketers are quite successful with an honour system for eggs or fresh produce but you need to have clear price signs.
- be aware of zoning and planning restrictions

- hours of operation?
- maintaining quality throughout day
- may need a high demand item (e.g. sweet corn) to get people to stop
- operating costs will increase as you move to more elaborate physical facilities, insurance, labour to staff stand, advertising, parking, and move towards an on-farm market

On-Farm Market

- do you want to be a farmer or a store keeper?
- costs of setting up a facility, staffing costs, hours of operation
- may have a usable building on the property
- no loading/unloading, moving displays and products
- can fit with events and tours of the farm
- insurance
- maintaining family time and privacy
- finding time to get work done, if people are in and out all day
- parking, washrooms, etc.
- easy to keep frozen products like meat in good condition
- will you sell only your own produce or will you buy from other farmers, many on-farm markets stock products from other farms or related businesses
- you can set specific hours or days of the week to be open (e.g. Friday and Saturday) and leave yourself time to farm, but you will have to advertise those well and be prepared to turn people away outside of your operating hours

Destination Farm or The Rural Attraction or Educational Attraction

- insurance, staffing
- build around themes, festivals, educational tours
- are you going to charge for activities
- promotion costs
- does the attraction overtake the farm?
- location
- options include workshops, tastings, school groups, free classes
- does the 'rural attraction' add to or take away from the farm operation
- the North American Farmers Direct Marketing Association is a good source of information

Pick-Your-Own

- reduced need for seasonal labour and transportation
- parking, washrooms, insurance, advertising
- weather can affect sales
- lowest price of direct market options
- dealing with public on the farm, time taken from other jobs
- picking experience of customers, potential for a lot of damage
- traffic (foot and vehicle) in fields, even in wet conditions
- provide clear instructions, suitable containers and clear prices
- generally used for products which are time consuming to pick like strawberries, blueberries, raspberries, peas, beans, tomatoes
- U-Pick flowers are a new idea that can still attract some media interest

Restaurants

- at good restaurants can get a good price for good quality products

- may be interested in unusual products giving you a chance to learn how to grow/produce them
- potential for meat along with fresh produce
- may give you recognition in the menu or at the restaurant
- need to establish a good working relationship with the chef and find out their needs
- work out delivery details - when, how, how often
- payment may not be immediate
- how much they purchase may depend on how their business is doing in terms of attracting customers
- locally grown food is a hot trend at the moment, but what does it mean to specific chefs
- by the time a grower plants, grows and harvests a new crop, the chef may have moved on to the latest 'hot new vegetable'
- chefs sometimes end up leaving in mid-season
- if you grow something specifically for a certain restaurant, do you have any back up plans to sell the product if they decide they no longer want it

Retail Outlets

- health food stores, other on-farm markets/stands
- not likely to be able to deal with supermarkets who more and more work through distribution centres
- need to maintain quality, sizing may be an issue
- time for delivery, time until paid, cost of delivery
- small capital investment to get started
- potential for frozen meat along with produce

Cooperatives

- direct market farmers can work cooperatively to sell their farm produce (e.g. the Quinte Organic Farmers Cooperative)
- share the expense and time of marketing
- increase variety/quantity at a farmers market, a farm stand, for restaurants or retail outlets
- do all farmers have the same understanding of quality
- are coop members able to provide the same knowledge and enthusiasm for the products of all members

On-line Marketplace

- farmers can sell without having to leave the farm
- the internet makes sourcing local so much more accessible to buyers
- social networking, such as Facebook, offers farmers a great way to stay in touch with customers
- customers can follow your farm year round if farmers post pictures or write a blog
- email and the internet helps farmers share the story behind what they are producing

Some 'Nuts and Bolts' of Direct Marketing:

*from Proceedings from the 24th Annual Organic Agriculture Conference, 2005
by Nancy Hislop and Ann Slater and from communication with Nancy, 2006.*

- never promise to produce and sell something you are not willing, or are not able, to do for a second, third or fourth time;
- have high quality standards for your product and keep the quality high as long as the product is on the 'shelf'. Only sell quality, as word of this will get around;
- only produce and sell a product that you believe in - your customers can tell;
- know your products and how they were produced;
- keep records of what is selling, or what is not selling, and of how much you are making on any particular product;
- keep displays neat, tidy and attractive;
- mistakes will happen - be able to laugh at yourself when they do happen;
- try to smile and be pleasant with everyone. It is hard work but it does pay off;
- you have to sell yourself and your farm as much as your product;
- have good communication/verbal/people skills;
- come up with some stock replies for the people who say things like 'This is priced too high' or 'I can buy this cheaper in the ... store' or 'If I buy more than one can I get a discount' or 'It's the end of the day, can you give me a cut rate';
- have a somewhat thick skin as people may give you thoughts about your product that you may not want to hear. This happens no matter how good your product is;
- do not be afraid to charge a fair-to-you price for your quality product;
- listen to your customers, they may give you ideas about new products;
- it takes time to build a customer base, this is also true when you are introducing new products to your regular customers;
- look for opportunities to do something that no one else is doing;
- consider what people want to buy not only what you want to grow or raise, this can vary from market to market. For example, you may want to grow heritage tomatoes because they taste best but the customers at your market may prefer round, red tomatoes.

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Top 10 Rules of Market Displays

from 'Special Report: Selling at Farmers Markets' produced by Fairplain Publications, 2009

Fairplain Publications Inc publishes Growing for Market

www.growingformarket.com

GFM, PO Box 3747, Lawrence, Kansas 66046

1. Have fun!
2. Plan ahead
3. Talk with customers
4. Keep it clean
5. Use three dimensions
6. Keep it simple and consistent
7. Brand your farm
8. Display your farm
9. Create a flow
10. Have a shelter

10 Tips to Avoid Market Fatigue

from Small Farm Canada, May/June 2010

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1. Shelter produce and yourself from the sun with a light-coloured canopy. Side curtains help too.
2. Water! Sprayed on veggies to keep them hydrated; gulped by you.
3. Rubber fatigue mat helps feet if market is on asphalt or concrete.
4. Perching on a high stool (or tailgate): rests the feet, yet keeps your face a customer height.
5. Make restocking easy by having back stock under the display counter.
6. Take a break, walk around: Make sure to check out your stall from the customer point of view.
7. Support other vendors and trade openly with them.
8. Don't complain. Be positive.
9. Pre-weigh and package high-selling items to avoid wasting time when market is busy.
10. Have a lot of change on hand.

“We’ll have no red tomatoes today!”

Marketing to Restaurants - some thoughts

by Bob Garthson, Valley Pines Organics, Shelter Valley, Northumberland County

In the early summer of 2005, a woman, formerly ranked as the top female chef in Ontario and, at that time, the chef at a prestigious inn in Port Hope, came out to my gardens to check out the organic produce and then to buy. Over the course of the summer and fall, she came back a number of times to learn about and to purchase veggies and herbs, and on one occasion, to bring patrons to Valley Pines for a guided garden tour. I think that she learned quite a lot and, over time, we became friends.

She purchased a home in a village nearby and, shortly thereafter, married a man who owned a rural property and who was also interested in gardening. They established a tomato growing and marketing business which, by next year, is scheduled to become certified organic. In the summer of 2006, in addition to their own tomatoes, they took some of my produce to sell (at the established price for organics) to Toronto chefs, most of whom were "friends" of the woman. All of these chefs had expressed an interest in purchasing organic veggies. One chef came to Valley Pines for a garden visit.

On their first or second venture into the world of Toronto chefs, they were informed that not only were organic prices too high but also that only non-red tomatoes would be purchased hereafter. When the women asked her friend, the chef, what he was serving with her "overpriced" tomatoes, he replied "buffalo mozzarella" (8 x the price of tomatoes). When she suggested that fresh organic tomatoes could stand on their own, there was no reply. The chefs wanted my fresh "baby" organic veggies but they wanted to pay conventional prices.

The above experience had an obvious impact on the projected income for my friends' business. They have used the past year's lesson to revise (and to diversify) their plan for this year.

Based on this story and on my own experiences from (too) many years, I offer the following, in no particular order, with regard to "marketing to restaurants":

1. Become familiar with food (particularly "foodie") trends.
2. Cultivate, your established contacts as much as possible. With regard to chefs, the "top" ones in particular, there exists an intricate network of relationships and levels of status. Name and professional reputation mean a great deal but there is a "pecking order".
3. Wherever possible, have direct "experience" with/in the restaurants that you hope to sell to. How important is "fresh", "local", "organic", "certified", to the chef/restaurant. Get to know your client(s)/ decision-maker and his/her nutrition/environment philosophy as well as possible. If the chef implies that she/he is doing you a favour by buying your produce, you may want to reflect on the implications. If the chef is interested, primarily, in "following the trend", be cautious.
4. Know your "competition". If there is a well established business "relationship" between another organic farmer and the chef, it will be virtually impossible to do business. However, there may be specific produce (purple tomatoes) that you could grow and sell. If the chef/owner owns or has a financial interest in a "grow" operation, he/she may only want to purchase

difficult/time-consuming produce. (I have experienced this; "fresh gourmet beans only please for my consideration".)

5. Prior to making major investments in time and money, ask for an "agreement" that includes the specific produce/products, variety(s), volume, prices, delivery schedule. Based on certain factors, such as distance, accessibility, and your satisfaction with your "agreement", you may want to add additional items. Make sure that you can meet your commitments (barring crop failures or natural disasters). In the "food" business, particularly for small, local farmers, a bad reputation spells disaster.

6. You may want to share with the chef/owner an outline of your actual "costs" as an organic farmer. Many people, chefs included, are surprised when you add your salary/wages and transportation costs to your farm expenses. Very few chefs know much, if anything about farming.

7. Develop a long-term plan that may include new or value-added products (such as dried/powdered/processed herbs, garlic, shallots, fruit).

8. Explore the potential for being a member of a co-operative that has the capacity/potential for cost reductions, expanding the range and volume of produce/products and, as a result, adding new and potential customers.

Pricing Your Products

Setting prices is one of the most difficult tasks you will face as a direct market farmer!

Price Strategies:

Cost of Production:

You need to learn to track the expenses, including labour and a percentage of overhead, for each specific crop or type of livestock. This will give you an idea of the cost of production for each individual crop or meat item.

The Going Rate:

Check with other direct market farmers in your neighbourhood or farmers' market to find out their prices. Then keep your prices in line with their prices. Another option is to check supermarket prices. Your prices should not be below supermarket prices since you are selling higher quality products. Compare your prices to those of other farmers with high-quality produce, like yours. Some markets may have pricing guidelines, like no clear-out prices.

Considerations when setting price:

- post your prices on signs
- be a price setter not a price taker
- do not be afraid to price for profits
- customers looking for food direct from farmers generally want quality first and then price
- ask for fair, honest prices
- price influences how your product is perceived
- do not use 9's pricing, if you want to build an image of quality products, 5's pricing gives a better perception of quality
- consider the appropriate unit of pricing, e.g. a dozen corn or a single cob
- when you have lots of an item consider 1 for .50 and 3 for \$1
- the selling price may be a compromise between what you need to cover all your costs and what the customer is willing to pay
- the price may reflect the quality, uniqueness, service, convenience, location of the market, season, selection, customer response

Evaluating Price:

- you should have a few complaints
- if product is moving slowly try and figure out is it the price or can you do more to create interest in or build the value of your product in customer's minds

A note about cheap prices:

One of the biggest complaints farmers have about new growers and hobby growers at farmers' markets is that they too often come to the market and sell their produce way too cheaply. This hurts other farmers, the market's image and in the end yourself. The same guidelines can apply to an on-farm market or even a CSA - do not undersell other farmers and damage their business and do not create an image of high-quality local food being 'cheap'.

As direct marketers, our aim should be to capture the retail price of our food and to strive to run a financially sustainable direct market operation. By competing with other farmers through quality and variety, rather than on price, we will all benefit and build respect for local, organic, quality

food. For a new direct marketer it may take time to build a customer base, but it will come if you maintain your quality.

For those customers, and there will be some, who complain that your prices are too high, be prepared to say this is what I charge and this is what I have to charge to stay in business.

Wholesale Pricing:

When you are selling to restaurants, retail outlets or other farmers for their farm stands, you may need to offer a wholesale price. Some considerations for setting a wholesale price:

- what is your cost of production
- go with the market, your customers may tell you the prices they are paying for non-local produce from distributors
- check supermarket prices, a general rule of thumb is that supermarkets mark up produce 130 to 140 percent, so multiply your price by 1.3 or 1.4 to see what the expected retail price might be

Pricing Resources:

The EFAO website has a page with farmers' market and on-farm prices from different regions of the province. There are price lists for both fresh produce and meat. www.efao.ca

Karen Maitland, (519) 822-8606, at the EFAO office can send you a paper copy of the price list or can hook you up with an EFAO phone advisor to discuss prices, sizes of bunches, etc.

www.newfarm.org has organic prices on major produce items from several cities in the U.S.

Resources on Direct Marketing

Ecological Farmers of Ontario – bimonthly newsletter, phone and on-farm advisory service, direct market price listings on website, courses, workshops, bi-weekly events calendar. Membership \$45/year or \$120 for three years. Website: www.efao.ca. Telephone: 1-877-822-8606

Canadian Organic Growers – publishes The Canadian Organic Grower four times/year. Subscription \$35 or more annual gift to COG. Library. Practical Skills Handbooks including 'Crop Planning for the Organic Vegetable Grower' and 'Record Keeping for Organic Farmers: How to Get and Stay Certified'. Website: www.cog.ca. Telephone: 1-888-375-7383.

Organic Agriculture Centre of Canada – Website: www.organicagcentre.ca. Research articles, research abstracts, news articles and extension information on organic agriculture including Consumer Behaviour and Marketing, Marketing Challenges and Opportunities, and Surveys and Trends.

Foodland Ontario- website has information and recipes on fruits, berries, vegetables, meats, eggs, honey and maple syrup. Website: www.foodland.gov.on.ca.

Ontario Commodity Organizations also have recipes available for their commodity. These can be ordered or downloaded to hand out to customers.

Lamb – www.ontariosheep.org

Pork – www.ontariopork.on.ca

Beef – www.makeitontariobeef.ca

Chicken – www.chickenlover.ca

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Appropriate Technology Transfer for Rural Areas (ATTRA) based in Arkansas, maintains the National Sustainable Agriculture Information Service and has put together hundreds of factsheets on a wide range of issues, including direct marketing. <http://attra.ncat.org/>

The Organic Farmer's Business Handbook A complete guide to managing finances, crops, and staff – and making a profit. Richard Wiswall. 2009. Chelsea Green Publishing. White River Junction, Vermont.