



## Choosing Your Marketing Channels

### DETERMINING NEEDS

- Goals and timeline
- Evaluate assets and needs
- Get to know your market

### MARKETING CHANNELS – WHATS THE DIFFERENCE?

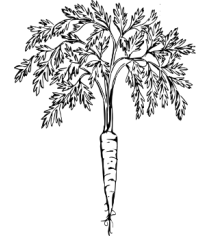
- Direct vs. Wholesale
- Direct Market pros and cons
- Wholesale Market pros and cons

### PREP FOR FARMER CHEF MIXER

- Checklist for Mixer
- Looking at logistics, product availability and pricing
- Certifications and regulatory info

*“Spirit and strength is important as long as it doesn’t blind you from reality.”*

### CHECKLIST



Your Name

\_\_\_\_\_

Your Farm Name

\_\_\_\_\_

List for Farmer Chef Mixer:

- Weekly produce sheets
- Wholesale Price List
- Order Schedule
- Delivery Schedule
- Example invoices
- Business cards or brochure

## HOW TO CHOOSE YOUR MARKET

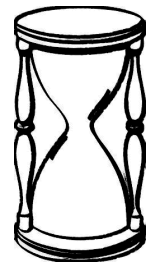
### UNDERSTAND GOALS AND NEEDS

**GOALS AND TIMELINE** Once you have specific goals in mind, you can more effectively weigh your alternatives and options to be sure you are making the best decision for you. What are you trying to accomplish? Why might you be considering a new market?

*“The question of market channel and scale is not just one of profit, it is also a question of ‘quality of life as defined by myself’. The important thing is to know what your life goals are or you will end up in a situation you never wanted that no amount of profit will justify.” – Wisconsin CSA Farmer*

### INVENTORY RESOURCES

**TIME** How much time you have to dedicate to different facets of your operation will help determine the best enterprise and marketing channel. An accurate record of how you spend your time helps you keep track of your efficiency and thus profitability in current market channel. How many hours a week do you currently spend marketing, propagating plants, haying, feeding animals, doing the books?



**PHYSICAL RESOURCES** Asking detailed questions about your physical resources will help you take stock of your assets and help you decide what market channel is the most realistic fit for your farm.



**MANAGEMENT AND LABOR** Labor can be one of the most difficult resource constraints to overcome and the most necessary in order to grow your operation. The amount of helping hands you have greatly affects how much product you can grow and which markets channels are the best fit. Do you have employees? If not, is there a seasonal or volunteer labor force available?



**LOCAL MARKETING OPTIONS** Think about how you want to market your products and consider your strengths. How much of your time are you interested in devoting to marketing? What is the overall community awareness of the local food system? Are you utilizing mechanisms for promoting local food as a whole?



**FINANCIAL RESOURCES** All farmers want access to funding. Thinking about your access to capital will help you determine if you will be able to acquire infrastructure necessary for certain marketing channels. Capital can be in the form of loans and grants.



Farm Service Agency (FSA) Loans

[www.fsa.usda.gov/programs-and-services/farm-loan-programs/index](http://www.fsa.usda.gov/programs-and-services/farm-loan-programs/index)

Aggie Bond Program

[www.oregon4biz.com/How-We-Can-Help/Finance-Programs/Aggie-Bond/](http://www.oregon4biz.com/How-We-Can-Help/Finance-Programs/Aggie-Bond/)

List USDA Funding Programs

[www.usda.gov/wps/portal/usda/knownyourfarmer?navid=kyf-urban-agric](http://www.usda.gov/wps/portal/usda/knownyourfarmer?navid=kyf-urban-agric)

**ANCILLIARY RESOURCES** Take stock of what supporting businesses exist in the community. What sources of information, suppliers, processors, or distributors exist?

- Are there distributors who work with small to mid-size producers (Agricultural Connections or Aloha)?
- Is there useful technology available that could help get your product to your customer (Food4All)?
- Are you within close proximity to irrigation supplies or are you paying shipping on that drip tape?

## GET TO KNOW YOUR MARKET

### OUTLINE TARGET MARKET

To outline your target market here are some helpful areas to examine:

- Geographic location of market
- Behavioral characteristics of consumers
- How large is the existing demand
- Number of potential customers
- Average purchase of buyer
- Can the market be expanded?
- What is the cost of transportation to your target market (factor this in)?
- Are there any middlemen services involved?
- What is the competition like?
- What prices does the market offer and how steady are those prices?
- What is your expected sales volume (min and max you could sell in a year)

### CLEARLY DEFINE WHAT YOUR PRODUCT IS

- Variety (Napoli or Red Cored Chantenay)
- Size (head lettuce or salad mix)
- Form (bulk beets or bunch)

*“The key to growing potatoes profitably is in the marketing of the crop. I cannot emphasize it enough: know your market before you plant the first potato. Know your target market and have your buyers lined up.”*

*– Jack Kennedy, Iowa vegetable grower*

## MARKETING CHANNELS

### DIRECT MARKETS

Farmers Market, Roadside Stand, Community Supported Agriculture (CSA), online sales

Direct marketing is well suited to the efficiencies of a small to mid-size farm. Selling products through a CSA or at a farmers market is time intensive but has the benefits of built in flexibility that comes with smaller operations and seasonal constraints. You are also able to communicate directly with your customers and have an instant feedback.

#### **Direct Marketing is most likely to be successful for:**

- Seasonal items and high value products (berries, greens, meat)
- Small and part time farmers within 20 miles of urban population centers
- Fruit, vegetable, meat, or dairy products that are not suitable for conventional wholesale and retail market outlets

*“It seems like our numbers show that the farm will work, but we often wonder if your energy will hold out until the farm and marketing systems are developed to the point that the farm “flows” better. I think this is one of the most underestimated problems with direct marketing – the marketing factor takes so much time and mental energy.” –Minnesota Market Farmer*

### WHOLESALE MARKETS

Grocery/retail stores, restaurants, hospitals, schools, wholesale distributors

From crop planning to bunch sizes and quality control, selling wholesale requires meeting the buyer’s needs and maintaining quality and consistency through attentiveness to details. Each wholesale market and buyer will have slightly different standards so you need to ask your buyers’ preferences for product characteristics (variety, grade, size, degree of ripeness) volume, type of packaging preferred and then pack accordingly. Consistency in these areas is of the utmost importance.

Buyers prefer to work with as few suppliers as possible and frequently look for suppliers who can supply a significant portion of their needs. Given these preferences, your ability to supply higher volume increase efficiency for both buyer and seller.

## DIRECT MARKETS

### Benefits

#### ***High profit margin per unit***

No middleman

#### ***Cash flow***

same day cash or prepayment that reduces the need for operating capital (for CSA)

#### ***Control over product pricing & marketing***

- Not dependent upon wholesale pricing
- No standard pack or grade
- Less stringent post-harvest handling requirements

#### ***Flexibility and diversity***

- Customers are more likely to work with any issues that come up throughout the season and you are better able to explain any issues to customers

#### ***Good market intelligence***

- Develop relationship with customers
- Low risk to test new crops and receive feedback
- Gratifying – you get to see your product from seed to plate

### Constraints

#### ***Effort per unit sold***

Farmers Markets and CSA's are time intensive. Being the farmer and the middleman means less time for farming and more time delivering products or running farmers market stand.

#### ***Low Volume***

- Small amount of sales
- Limited by the number of customers living nearby

#### ***Skilled marketing management***

- When the farmer becomes the retailer, they need to know about merchandising, display, quality control, pricing, packaging, etc.
- Competitive sales and product differentiation is constant

#### ***Agricultural production skills***

- Farming skills required to grow the diverse crop mix expected for CSA and farmers market
- Succession planting is a must and requires very careful planning (especially with CSA)

#### ***Customer service intense***

Dealing with customers day in and day out requires patience and an outgoing personality

## WHOLESALE MARKETS

### Benefits

#### ***Streamlined Logistics***

- Frequent delivery minimizes need for storage infrastructure
- Ability to maximize farm efficiencies and streamline operations

#### ***Large volume***

- Large order size allows the farmer to move more product (through less channels)

#### ***Buyer interaction minimal***

- Relationship is established pre-growing season and in-season marketing requirements are minimal
- Farmer spends less peak season time resources on marketing and logistics

### Constraints

#### ***Quality, Grading, and Product Specificity***

- Standard pack
- Consistent product, volume, and delivery
- Top quality often required
- Post harvest handling practices essential
- Attentiveness to detail
- Often requires specific time window for deliveries

#### ***Margins***

- Slim margins per unit (restaurants can be an exception)
- Slow to pay
- Price sensitive – once you've committed to a price it's difficult to change it
- Gross income per acre lower in wholesale than direct marketed. Make up for lower prices with higher volume.

#### ***Planning and Marketing***

- Crop planning and setting up end buyer in advance is a must
- Don't always maintain farm brand and identity

## PREP FOR FARMER CHEF MIXER

### CHECKLIST FOR FARMER CHEF MIXER

When meeting with chefs and other wholesale customers, get down to the basics. What will you have to offer? When is it available? For how much?

Helpful items to have on hand:

- Weekly produce sheets
- Wholesale Price List
- Order Schedule and delivery Schedule
- Example invoices
- Business cards or brochure

### LOOKING AT LOGISTICS

As you build your relationship with wholesale buyers, consider communicating up front about logistics details to make in season sales go more smoothly. Wholesale relationship success is in the details!

**PRODUCT AVAILABILITY-** Product availability lists give your customers an idea as to when they can expect certain products. Both full season forecast and weekly product availability are helpful. We recommend weekly product availability sheets to be sent out on a consistent day with the order deadline clearly stated. Send them out on a consistent day with the order deadline clearly stated.

**EASE OF ORDERING-** What is the best way for someone to order from you? Email, text, phone? Set an order schedule and order deadlines for ease of consistency.

*"I find email is best for me, because it's nice to have a clear record of what they ordered but texts work well too if you have an established relationship, because you still have a written record of the order. Order over the phone can be hard because you don't have that written record and miscommunications are more likely." - Radicle Roots*

**DELIVERY SCHEDULE-** Set your delivery day. No one likes to be caught off guard, set a schedule and stick to it. For example, orders placed on Monday will be delivered on Wednesday.

**BILLING -** Most wholesale transactions in the fresh produce industry are made on credit and transactions are paid within 30 days of product delivery. Smaller or start-up growers often seek up front payment or cash on demand (COD). If this up front cash is a priority, you could consider offering a discount if the invoice is paid COD or within 10 days. Keep your invoice format consistent. We can't over emphasize the importance of documentation. Keep copies of your invoices so you are able to collect payment.



**PRODUCT PRICING** – The key to good pricing is good information. Know your break-even price and the related volume that you must sell to achieve it. Know prevailing market prices, the product quality relative to others and the purchasing options of buyers.

Rodale Institute offers a fantastic produce-pricing tool that is a great reference for when you are setting your prices. Look up pricing based on product type and market channel here: <https://rodaleinstitute.org/farm/organic-price-report-tool/>

## **CERTIFICATIONS & REGULATORY CONSIDERATIONS**

**FOOD SAFETY PLANS** – Not all restaurants require GAP/GHP (Good Agricultural Practices/Good Handling Practices) Certification but it is good to have a conversation about expectations for food safety management. GAP and GHP are voluntary certifications using systems-based approaches to minimizing risk of microbial contamination of fresh fruits and vegetables on the farm. The Food Safety Modernization Act (FSMA) Preventive Controls for Human Food rule is now final, and compliance dates for some businesses begin in September 2016. FSMA compliance and requirements vary depending on farm size and type. Farms covered by the rule (in full or in part) will have 2 to 4 years to come into compliance, based primarily on revenue thresholds.

For more information on GAP/GHP visit:

[www.oregon.gov/ODA/CID/ghp\\_gap.shtml](http://www.oregon.gov/ODA/CID/ghp_gap.shtml)

To find out how FSMA affects your farm visit:

<http://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm334115.htm>

<http://smallfarms.oregonstate.edu/microsites/food-safety-modernization-act>

**EGGS** – A producer is required to have an egg handler's license from the ODA Food Safety Division if the producer sells graded eggs to retailers, cafes, bakeries, hospitals, schools, or institutions.

**MEATS & POULTRY** – All slaughtered and processed meat and poultry sold in Oregon must be inspected by the USDA and slaughtered in USDA-inspected plants. For a list of USDA inspected plants, contact the Food Safety Division at the Oregon Dept. of Agriculture, 503-986-4720. For farmers, make sure and price your meats adequately. Have a conversation with chefs about selling cuts versus whole or half animals.

### Resources:

Gibson, Erik. Sell What You Sow The Growers Guide to Successful Produce Marketing. Auburn, California: New Word Publishing, 1994.

Slama, Jim and Diffley, Attina. Wholesale Success. Family Farmed. 2013.

Stevenson, Garry and Larry Lev. "Direct Marketing Introduction for Organic Farms." OSU Extension. 13 November 2015.

<<http://articles.extension.org/pages/18376/direct-marketing-introduction-for-organic-farms>>.

Visher, David. FACTS - Farm Agriculture Collaborative Training Systems.

Sponsored by the High Desert Food & Farm Alliance (HDIFFA)

Funded by ODA Specialty Crop Block Grant

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