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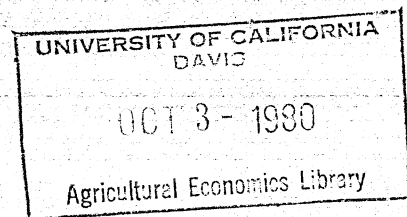
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The Potential for Direct Marketing
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Direct marketing during the past few years has captured the interest of the public and many farmers. From the customer's viewpoint, the reasons for this resurgence of an old method of food distribution are diverse and many. There are those who wish to return to a more simple life. There are those who put a high priority on products which are less highly processed and which have fewer additives than many items which they buy through traditional channels. Other consumer groups are looking for a source of fresh, high quality farm products. This may involve a selection of tree ripened or field ripened crops which are difficult to put through the normal wholesale-retail channels. It may also involve a choice of an alternative market that will provide them both with food and experiences which they enjoy--such as getting out into the country.

On the public side of this marketing equation there are questions about concentrated areas of production located at one side of the country producing many crops which are shipped across the country to concentrations of consumers on the opposite coast. In the process, large quantities of scarce energy are used to transport these products long distances. Many in these deficit producing areas are concerned whether adequate food supplies might indeed be available should the energy system be disrupted for either political or economic reasons or because of other emergencies. There are public concerns, too, about increasingly concentrated local and regional market concentration in the retail food sector.

From the farmer's viewpoint, small- and medium-sized farmers across the country experience difficulty in meeting the volume and uniformity requirements of large wholesale and retail buyers. These farmers see direct marketing as an alternative to some of the more traditional marketing methods where they can provide a mix of products and services directly to customers in their area. By definition, the greatest opportunities for direct marketing are for farmers who live near a metropolitan area where there are concentrations of people. These concentrations of people do not necessarily mean only the large cities, but may also include medium- and smaller-sized cities where the opportunities are just as great but for a fewer number of farmers.

In Ohio a direct marketing survey indicated the average sales per year of households who purchased from farmers was \$150 in 1978. If this average sale per customer per year is adjusted for numbers who do not normally buy from farm markets, a potential for direct marketing sales countrywide could be about \$4.5 billion per year in 1978. Customers in this survey, like one conducted by ESCS, did not differentiate farm produced sales from those who bought products and resold; neither did it differentiate products that some roadside markets sell which are not agriculturally based.

The three major methods of direct marketing in most instances--roadside, pick-your-own, and community based farmer markets--represent the greatest bulk of direct sales. Specialists associated with direct marketing estimate that route sales, deliveries to homes in the community, are declining both in absolute terms and in percentage of direct market sales. These specialists also indicate that pick-your-own marketing methods at the present time probably is one of the most rapidly growing methods of marketing directly to consumers. The popular crops in the midwest for pick-your-own, according to a survey made in Illinois, are strawberries, blueberries, blackberries, and raspberries for the small fruits; apples, cherries, and peaches for the tree fruits; and snap beans, tomatoes, sweet corn, greens, and peas for vegetables. Customers commonly drive an average of 20 miles to these pick-your-own operations with a market area, which is identified as including 90 percent of the customers, averaging about 30 miles in radius. These customers are family oriented, commonly bring a spouse and children, and perhaps some neighbors or relatives to pick the crop. Customers like pick-your-own operations because of price, freshness, and because they can select the grade and maturity of the items which suit their family.

Customers of roadside markets also tend to be family oriented, coming from a slightly larger than average household and from a trading area that is almost identical to pick-your-own. Roadside customers recorded the most important consideration in choosing the roadside market was product quality, reasonable prices, produce freshness, product variety, selection, choice, and courteous, friendly, and helpful people. In one study 39 percent of the customers shopped roadside markets once a week or more; 45 percent shopped one to three times a month; 12 percent once a month; and four percent less than once a month. It is apparent that repeat customers who come back week after week are an important aspect of roadside markets now with less emphasis on intercepting passing traffic. The list of products associated with roadside markets is long and identifies most of the horticultural products produced in a particular area.

The numbers of community farmers' markets across the country have increased dramatically during the past two years. Customers indicate the same reasons for shopping these markets as they gave for pick-your-own and roadside markets. Customers of farmers' markets put a little higher priority on lower prices than did customers of roadside markets, but there was the same emphasis on the expectation of quality and freshness as the prime reason why they shop farmers' markets.

Farmers' markets as a sales outlet are attractive to the family who has a large garden or to the small farmer. These markets provide a location which offer products from several producers located in or near the town or metropolitan area. This does not necessarily limit the community market to only those farmers who sell small quantities. In many markets, farmers who have the highest daily sales are medium-sized and larger farms using the community market as one of the outlets for their produce. Some of these farmers sell at more than one community farmers' market, as well as selling pick-your-own and through their roadside market.

There is little information available about marketing costs by method of operation. One case study indicates that all of these methods of operation--roadside, pick-your-own, and community farmers' markets--have higher costs than farmers assume. According to this case study, of the three choices, when time and travel costs are dealt with, farmers' markets have the highest marketing cost of any of the three methods averaging 35 to 45 percent of the sales. Roadside markets have the next highest cost averaging between 25 and 35 percent of the sales dollar, and direct pick-your-own sales had the lowest cost by far--averaging from 7 to 10 percent of the sales dollar. By itself marketing costs are incomplete assessments as we cannot match these costs with average sales prices by marketing methods at the present time.

Most of the emphasis of Extension programs on direct marketing has concentrated on fresh fruits and vegetables. There are indications that this emphasis needs to be broadened to include nursery products, bedding plants, floral products, livestock products, poultry products, Christmas trees, fruit products, and dairy products.

Opportunities in direct marketing do exist over much of the country for increased sales associated with the three major methods of marketing. The opportunities are also related to the abilities of farmers to manage markets and to merchandise more effectively over the coming years. This would involve becoming more knowledgeable about, and skillful in displaying, pricing, market facilities, motivating and training employees, financial analysis related to operating results, adequate parking facilities, adequate market layouts, advertising, promotion, and other aspects of selling farm products and related services in a manner that customers enjoy and will return to week after week. There can be a payoff, for both farmers and consumers. The payoff is not automatic, but it is most likely to reward those who put emphasis on what to sell, when to sell, how to sell, and work as diligently at marketing as at production.

Economic and Social Consequences for Direct Marketing

The economic effects of increased direct marketing are largely concentrated at the micro, rather than the macro level. At the macro level, even from the most optimistic view, direct marketing will remain a very small part of our total food system. Direct marketing at the micro level, however, does offer an alternative to thousands of individual producers to participate in the market economy with increased income opportunities. From the customer's viewpoint direct marketing offers an additional alternative to our highly concentrated food system.

It is still an open question whether present and future energy costs will tip the balance from highly concentrated production areas located at great distances from individual markets to more localized in-season production near major markets. Additional reasons for taking a look at direct marketing in the east, especially in the northeast, are maintaining open space reserved for agriculture, assuring availability of food in these areas in time of emergencies and providing market access for small- and medium-sized producers located near population centers.

Programs Which Address Problems that Farmers Encounter in Developing and Managing Markets

There has been progress made during the past few years in developing Extension programs and supporting material aimed at problems farmers have in developing successful roadside, pick-your-own, and community farmers' markets. About one-third of the States now have organized regional or statewide workshops and conferences for producers. These audiences have, in many States, been one of the more enthusiastic and optimistic groups with which Extension specialists work.

Consumer Motivations and Responses to Direct Marketing

Consumer responses to direct marketing in many Extension surveys indicate that customers are attracted to direct marketing outlets because of freshness, quality, price and additional choice, in about that order. In Ohio, in areas where there was a concentration of farmers selling directly, per capita sales for direct marketing products averaged about \$20. The distribution of sales among farmers indicates about the same pattern as the production side. Many farmers sell a limited quantity while a relatively small number account for a major portion of the sales.