



# MARKETING 101

## Introduction to Direct Marketing of Farm Products

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### WHICH IS BEST FOR YOU?



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# What We'll Cover...

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- Presentation
  - Small groups
  - Marketing strategies cost/benefit
  - Prefeasibility study
  - Q & A
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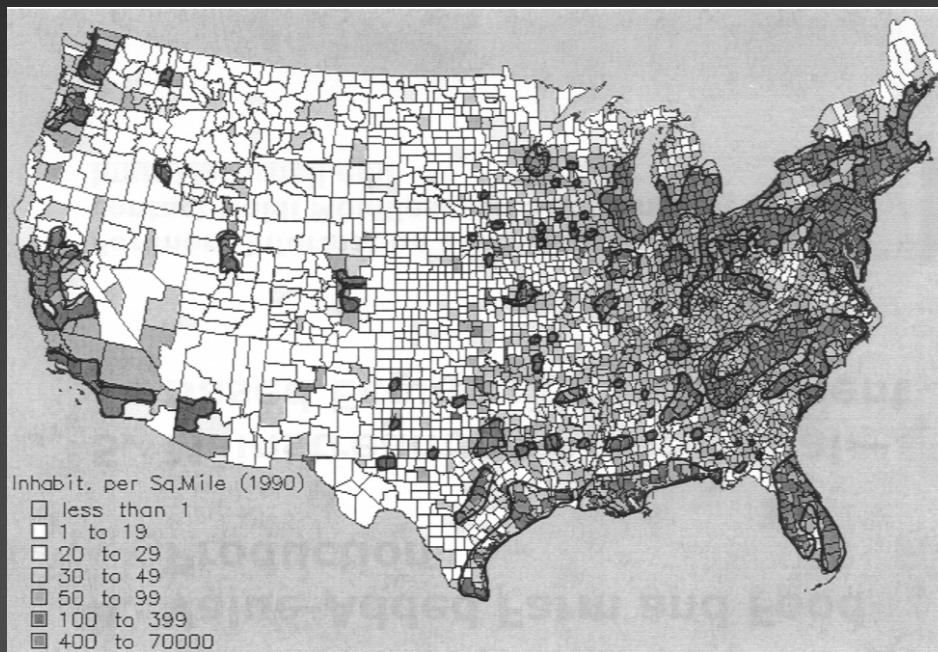
# Tell me about yourself:

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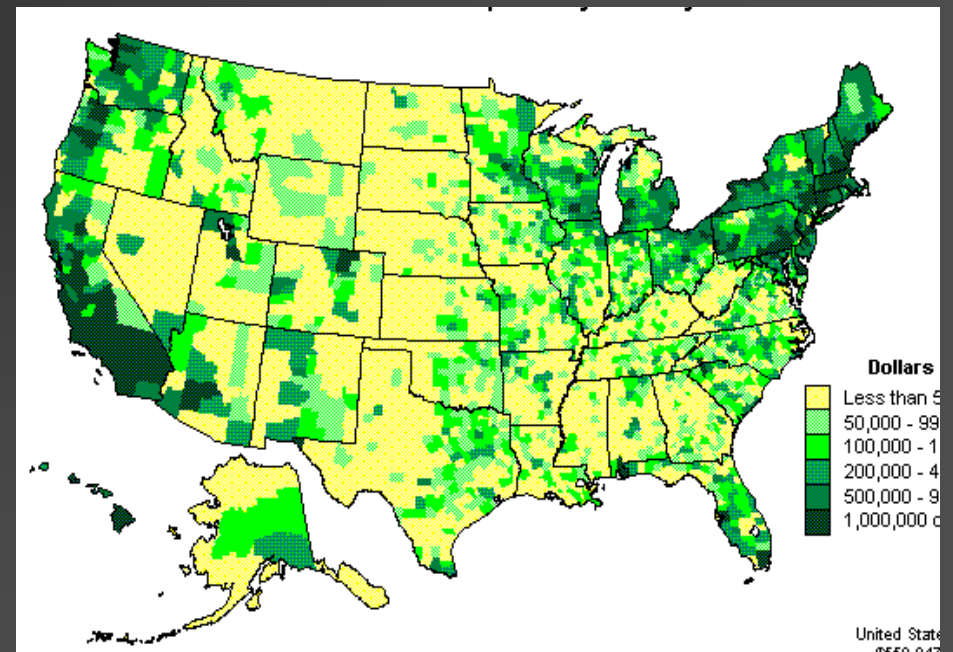
- What kind of farm?
  - Are you currently marketing? How?
  - What are your key marketing issues, questions, and concerns
-

# A Tale of Two Maps...

2000 U.S. Population Concentrations



1997 Direct Marketing Concentrations





# TYPES OF MARKETING

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Retail  
Direct Wholesale  
Wholesale

# RETAIL

Farmer



Final Customer

- CSA
- Subscription farms/  
Home delivery
- e-business
- Farm markets/  
Roadside stand
- U-Pick
- Farmers' markets
- Off-the-farm (e.g.,  
freezer trade)



Level of  
Complexity

# Off-the-Farm

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# Off-The-Farm

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## *PLUSES*

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- Most simple form of marketing
- Cash and carry
- Minimal advertising
- Word of mouth
- Customers come to you

## *MINUSES*

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- Pocket money
  - Interruptions
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**Farmers' Markets**

# FARMERS' MARKETS

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## *PLUSES*

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- Low cost
- Low risk
- Easy to start and exit
- Test market products
- Learn skills
- Share information

## *MINUSES*

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- Modest returns
  - Market politics
  - Volunteer time
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# U-PICK (PYO)



# U-PICK

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## *PLUSES*

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- Low cost
- Low risk
- Stay on farm
- Fewer crops

## *MINUSES*

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- Declining popularity
  - Deceptive simplicity
  - Liability
-

# Farm Market / Roadside Stand





# Farm Market / Roadside Stand

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## *PLUSES*

- Moderate risk
- Your own little store!
- Great range
- Local institution

## *MINUSES*

- Investment
- Zoning
- Space

Self Help Stand?

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# E-Business



## *PLUSES*

- Modest investment
- Market is increasing
- Seasonal
- Great for educating
- Convenient (secure credit cards or 800 #)
- Consider “drop shipping” for a giant

## *MINUSES*

- No get-rich-quick
- Time consuming
- Must keep updated
- Seasonal
- Cost-effective shipping is key to profitability

# Community Supported Agriculture



Members of West Haven Farm, a CSA in Ithaca, New York, work in the fields, [westhavenfarm.ithaca.ny.us](http://westhavenfarm.ithaca.ny.us).

# CSA

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## *PLUSES*

- Sense of community
- Income in the spring
- Educate the public

## *MINUSES*

- Complex organization
  - Low financial return
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# DIRECT WHOLESALE

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Farmer → Buyer → Final Customer

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- Institutions
- Grocery stores
- Restaurants
- Food co-ops



Level of  
Complexity

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# Hendersonville (NC) Community Food Coop

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# Food Coops

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## *PLUSES*

- Like farmers
- Educated market
- Tend to be flexible

## *MINUSES*

- Prefer organic
  - Price inelastic
  - Manager turnover
  - Politics
-

# Restaurant Agriculture



Mike Rogowski, Williamsburg, Brooklyn

# Restaurant Agriculture

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## *PLUSES*

- Good chefs love farmers
- Price premiums for quality
- Some flexibility

Slowfood.com  
Chefs Collaborative

## *MINUSES*

- Few good chefs
  - Late payers
  - Go out of business
  - Chef leaves
  - Can be fussy
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# SMALL GROCERY STORES



# Grocery Stores

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- Start with Mom and Pops (IGAs, country stores)
  - Offer samples and freebies
  - Sell only high quality
  - Small retailers want small packs
  - Provide references
  - Do your own merchandizing
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# Institutional Sales

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# Institutional Sales

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- Stick with small accounts to start
  - Offer value-added options if possible
  - Emphasize freshness and health
  - Develop relationship with dietician or menu planner
  - Consider training kitchen staff
  - Explain seasonal variation and benefits
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# Traditional Wholesale

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**Farmer → Reseller → Final Customer**

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- Cooperative
- Wholesaler/Distributor
- Auction



Level of  
Complexity

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# The “Middlemen”

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# Produce Auctions



**Leola Produce Auction  
in Lancaster County, Pennsylvania**

# Produce Auctions



# Wholesaler



Wholesaler  
Purveyor  
Shipper  
Broker  
Jobber

# Grower Cooperatives



# “Relationship Marketing”

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## ■ What it is *NOT*:

- Target marketing
- Guerilla marketing
- Marketing tactics
- Capturing markets
- Penetrating markets

## ■ What it *IS*:

- Educating/Learning
  - Building trust (social capital; civic capital)
  - Offering values (“values adding” marketing)
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# Top Secrets of Relationship Marketing

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- Talk to customers
  - Start small
  - ID secondary buyer or make donations
  - Be a trend spotter!
  - Sell only high quality
  - Use season extending technology, but...
  - Learn intensive production techniques
  - Always deliver what, how much, and when you said you would deliver
  - Consider VA convenience
  - Create a unique atmosphere in your stand
  - Consider agritourism
-

# Top Secret Tricks of Marketing

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- PYO: use classifieds
  - Only go after the high end restaurants
  - Romance your customer
  - Develop Point of Purchase materials (recipe pads, tent cards, shelf talkers, etc.)
  - Specialties should be premium priced
  - Get professional help with logo or brand name
  - Know the difference between promotion and advertising
  - Do not shotgun your advertising (try coupons)
  - Turn lemons into lemonade
  - Don't be stingy
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# HOW THE MARKET STRATEGY CHOOSES YOU

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Skills  
Location  
Product  
Resources

# 1. Skill Set

	<i>LEVEL OF IMPORTANCE</i>	
	<i>Retail</i>	<i>Direct Wholesale</i>
■ <i>Merchandizing</i>	high	medium
■ <i>People skills</i>	high	medium
■ <i>Multitasking</i>	high	medium
■ <i>Self discipline</i>	high	high
■ <i>Negotiating</i>	medium	high
■ <i>Flexibility</i>	high	high

## 2. Location

	<i>LEVEL OF IMPORTANCE</i>	
	<i>Retail</i>	<i>Direct Wholesale</i>
■ <i>Customers proximity</i>	high	moderate
■ <i>Visual Appeal</i>	high	moderate
■ <i>Highway access</i>	mod	moderate
■ <i>Safety</i>	high	moderate

# 3. Product

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	<i>Retail</i>	<i>Direct Wholesale</i>
■ <i>Volume</i>	mod	larger
■ <i>Variety</i>	mod	larger
■ <i>Quality</i>	high	mod-high

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# 4. Start-Up Resources

## LEVEL OF IMPORTANCE

*Retail*

*Direct Wholesale*

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■ <i>Sweat equity</i>	high	mod-high
■ <i>Marketing cost</i>	low-mod	low
■ <i>Land base</i>	smaller	larger
■ <i>Total investment</i>	low	mod

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# Small Group Exercise

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- Meet in affinity groups
  - Re-introduce (quickly)
  - Find 1 to 3 things you have in common
  - Discuss common issues
  - Report to large group
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# DIRECT MARKETING PROMOTION STRATEGIES IN NEW YORK STATE

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The most popular  
The most effective  
The most expensive

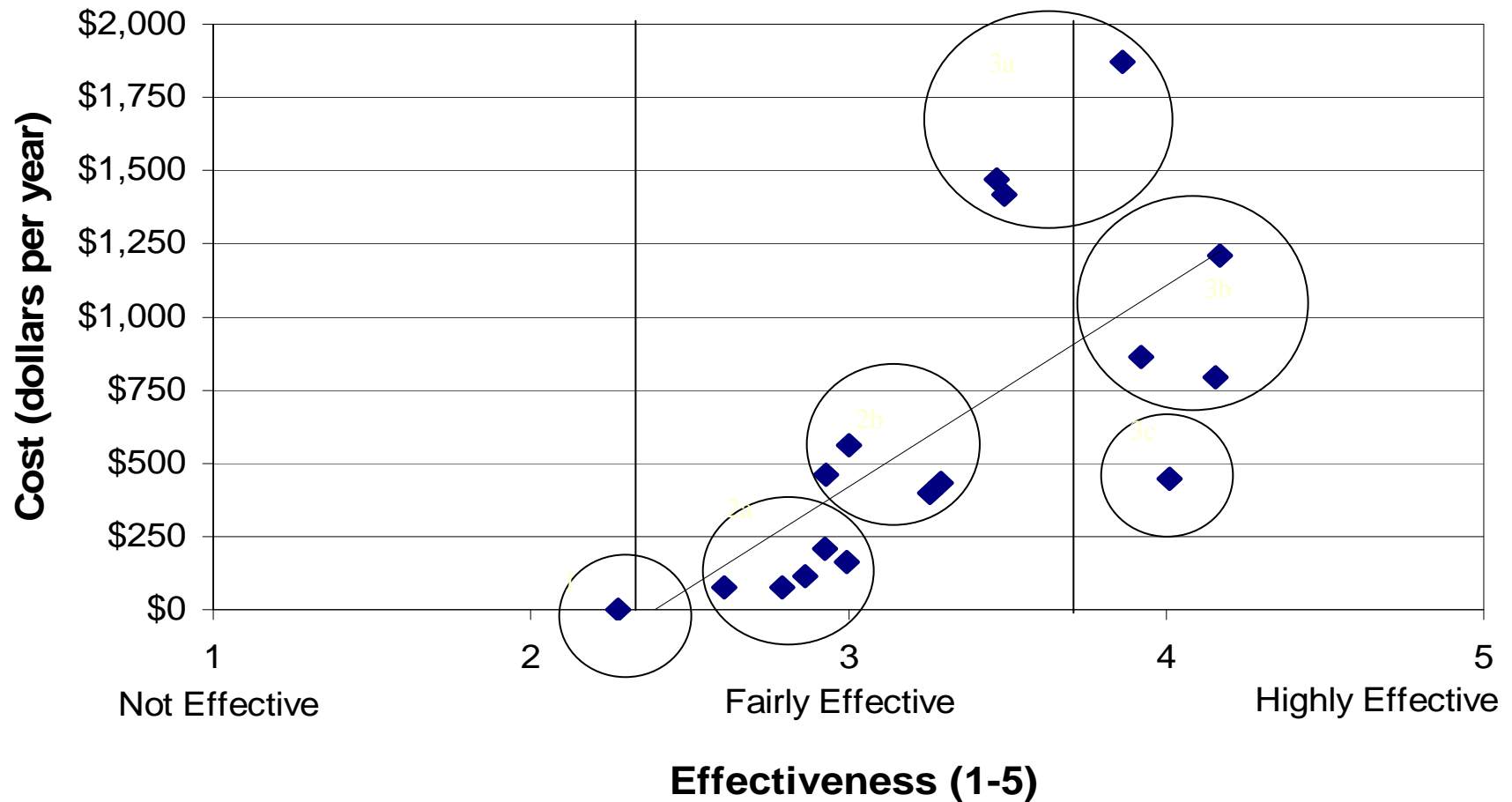
# Types of Promotion Used

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- Sign
  - Newspaper
  - *Farm Fresh Food* guide
  - County guide
  - Brochure
  - TV
  - Ag association
  - Direct mail
  - WWW
  - Chamber of Commerce
  - Radio
  - Yellow Pages
  - Newsletter
  - Tourism association
  - Magazine
  - Motorcoach tours
-

# Marketing Cost-Benefit Analysis

## Effect by Cost (Scatter Plot)



# Type of Promotion by Popularity

## Sorted by Number of Businesses Using Each Promotional Methods

	N	E	\$
Sign	485	4.0	\$448
Newspaper	402	3.5	\$1419
<i>Farm Fresh Guide</i>	320	2.3	\$0
County guide	271	2.8	\$78
Brochure	242	3.9	\$863
TV	216	3.9	\$1,870
Ag association	213	3.0	\$163
Direct mail	189	4.2	\$795
WWW	158	3.3	\$398
Chamber of Com	150	2.9	\$207
Radio	136	3.5	\$1,469
Yellow Pages	127	2.9	\$463
Newsletter	113	4.2	\$1,210
Tourism assoc.	71	3.3	\$432
Magazine	63	3.0	\$562
Motorcoach tours	45	2.9	\$115
<b>Mean</b>	<b>199</b>	<b>3.3</b>	<b>\$622</b>

# Type of Promotion by Effectiveness

Sorted by Effectiveness			
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# Type of Promotion by Cost

Sorted by Cost			
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# Risk Management Strategies

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- Conduct prefeasibility assessment
  - Consider biosecurity problems
  - Talk with insurance agent
  - Visit operations similar to what you have proposed
  - Examine overall financial position
-

# Prefeasibility Assessment

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- Involve the ENTIRE family (do a reality check)
  - Set goals and objectives
  - Inventory resources and skills
  - Examine market opportunities
  - Study potential competition
  - Conduct partial budget analysis
-

# Partial Budget Analysis

ITEMS THAT ADD TO  
CASH FLOW

Added Returns

\_\_\_\_\_  
\_\_\_\_\_

+

Reduced Costs

\_\_\_\_\_  
\_\_\_\_\_

= Total Added Cash Flow

\$ \_\_\_\_\_

ITEMS THAT REDUCE  
CASH FLOW

Reduced Returns

\_\_\_\_\_  
\_\_\_\_\_

+

Added Costs

\_\_\_\_\_  
\_\_\_\_\_

= Total Reduced Cash Flow

\$ \_\_\_\_\_

= Change In Cash Flow

\$ \_\_\_\_\_

# Information Resources

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- FoodRoutes.com
  - USDA Direct Marketing website
  - ATTRA.com 800-346-9140
  - Eric Gibson (Sell What You Sew)
  - Southern SARE
  - Southern Federation of Cooperatives
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