Alternative Marketing Channels for Small and Medium-Sized Farms

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January 29, 2007
Three Take Home Messages About These Markets

- A question of **mindset** – different way of thinking about their businesses
- In most instances, requires farmers taking on **additional roles/jobs**
- Must recognize that the success of their businesses will generally depend on **working well with others** (loss of independence).
A Tale of Two Food Systems

MAINSTREAM

Fringe
Alternative Marketing Categories (FRINGE)

- **Direct marketing** – Selling products directly to customers
- **Semi-direct marketing** - Products generally have identity preservation
Alternative Markets: It’s Not About Food as Food

- Food as pleasure
- Food as entertainment
- Food as a way of building community
- Food as a means to reduce environmental impact of consumption
Alternative Markets:
Need to Recognize That…. 

For Your Customers, Buying Through These Channels Represents:

- A complex decision
- A lifestyle or business-style decision
- A decision based on past experiences
Successful Alternative Markets Are a Team Effort

- Consumers are creatures of habit.
- Having good experiences encourages them to seek out similar opportunities.
- Strong alternative markets channels handling diverse offerings help ALL producers (*professionals*).
Direct Marketing Advantages

- Farmer sets price (for good products & service can get attractive prices)
- Opportunity for instant feedback from customers
- Cash sales and immediate payment (in most instances)
- Many consumers want local/regional farms to succeed
- Even quite small farms can be profitable
Direct Marketing Requirements

- Personality & patience to work with people
- Willingness to take on new jobs including marketing, advertising, customer relations, regulations, etc…
- **No free lunch** -- long hours and additional sources of stress
Major Types of Direct Marketing

- Farmers’ markets
- Faith-based marketing
- U-Pick
- Roadside stand/market
- Community Supported Agriculture (CSA)
- Agri-tourism/Entertainment farms
Types of Farm Direct Marketing

Farmers’ Markets

- Inexpensive to enter
- Good prices
- Builds customer base—can advertise your other activities
- Can sell at one or many
- Each market works differently
Farmers’ Markets

Fresh Food...
Farmers’ Markets

...Direct from the Farmer
Farmers’ Markets

Support Small Farms

EATWELL FARM
FRANCES x NIGEL WALKER AND SONS
SUPPORT A FAMILY FARM
WE GROW WHAT WE SELL!
Farmers’ Markets

Build Communities
Farmers’ Markets
Beyond Produce

Nursery stock

Cut flowers
Farmers’ Markets
Beyond Produce

Breads & Pastries

Cheese
Farmers’ Markets
Beyond Produce

Seafood & Meat
Types of farm direct marketing: Faith-based marketing

- Marketing coupons or vouchers through religious organizations
  - Integration of lower-income households
  - Excellent means of raising visibility of local farms
- After church service sales

“That’s My Farmer” campaign
Types of Farm Direct Marketing

U-Pick

- Customers do the harvesting
- Higher than wholesale prices
- Management intensive during season--both plants and people
- **Gain base of committed customers**
- Liability issues
Types of farm direct marketing

Roadside Stand/Market

- Can be a stand or a building -- honor system (coffee can) to several employees
- **Access is a key factor**
- Seasonal or all year
- Can blend in agri-tourism
Types of Direct Marketing

CSA - Community Supported Agriculture

- More recent innovation
- Provides financial security for farmer and quality food for consumers
- Customers pay in advance
Types of Direct Marketing

CSA-Community Supported Agriculture

- Generally $400 to $500 per share
- Farmer provides selection of food on regular basis
- Takes good management and people skills
- Has been excellent start-up strategy for organic farms
Types of Direct Marketing

Agri-tourism

- Often appeals to **customer desire to experience a farm and its activities**
- Variety of approaches:
  - B&B
  - Corn mazes
  - Hay rides for pumpkins, Christmas trees, etc.
  - Cattle drives etc..
- Need to deal with legal issues
Types of Semi-Direct Marketing

- Farm to retail (stores and restaurants)
- Farm to institution
Types of Semi-Direct Marketing

Farm-to-Retail Connections

- Many retail food businesses (grocery stores, restaurants) buy from farmers because they attract customers by featuring locally produced food.

- Key requirements:
  - Adequate supply
  - Long season
  - Excellent quality
Saturday, February 16       $75

An aperitif
Warm salt cod and new potato salad with cress and black truffle vinaigrette
Stradette al sugo di porro: Piemontese cornmeal pasta with leeks and Parmesan cheese
Grilled Cattail Creek Ranch lamb with spicy sausages, artichokes, and lemon; risotto with Dolcetto wine
Oro Blanco and blood orange soup with Meyer lemon sherbet

1517 Shattuck Avenue, Berkeley, California 94709
Reservations: (510) 548-5525
Farmer-chef connection

- 160 buyers (mostly restaurants) and 200 producers in the 2005 guide
- “Speed dating” practiced in more and more workshops including S. Oregon
Both stores are willing to sacrifice short run sales in order to keep local growers in business for the long-run.

First Alternative Coop: Our Buyers follow strict Product Selection Guidelines, guaranteeing you access to local, organic, and natural good-for-you foods that nourish both body and soul.
"Captive" consumers such as:
- Schools (grade schools to universities)
- Nursing/retirement homes
- Prisons

Quality and "story" are key selling points

Need to make it easy for them to purchase from you.

Pricing and length of season remain as significant challenges
In Pricing, Need to Escape from a Commodity Agriculture Mindset

- Many farmers produce generic products
- They are price takers when they go to sell what they produce
Pricing Approaches: The Three Cs

- Cost-based
- Customer-based
- Competition-based
Costs

- Knowing your **COSTS** is essential for determining whether your pricing will allow you to stay in business.
Understanding your potential Customers lets you assess how many buyers you will have for your product.
Competitors

Considering your **Competitors** indicates how your product compares to alternatives.
Defining YOUR Pricing Strategy

- You should consider all three types of information, but often **ONE** of them will become your primary pricing guide.
Cost-based Approach Works Best:

- When your **relationship** with your customers is such that they will not push you aside for a lower cost supplier.
Cost-based Examples

- White tablecloth restaurants & some retailers
- Some farmers’ market customers
- CSA Farms

“As enthusiastic citizens of Corvallis, we care about what goes into our food, and about the impact our buying decisions have on the local community. We continue to build relationships with local organic farmers to bring you fresh, seasonal fruits and vegetables. Our seafood purveyor works closely with Oregon’s independent fishing fleet……

Big River Restaurant
Cost-based pricing (cont)

- Subscription or CSA Farms
Cost-based Pricing: How to Implement

- Identify and consider ALL Costs
Customer-based Approach: How to Implement

- Focus on figuring out exactly what customers want and then meeting that demand.
- Recognize the information you need to collect.
Competition-based Examples

- Store brands or generics often price just below the national brand.
- Newcomers in a local market may follow a similar strategy.
Competition Based Examples

- Remember, if your product has **something extra**:
  - Variety
  - Certification
  - Service
  - Location

you may be able to price above the competition