

# An Overview and Introduction

## Why Consider Farm-direct Marketing?

Farm-direct markets give you the opportunity to earn higher per-unit returns by providing the high quality, local products that customers demand. Farm-direct marketing also allows you to maintain greater control over your business: what you produce, where and how you sell your products, even the size of your business. However, recognize that you will need to take on more marketing and distribution aspects as well as learn new skills or hire that expertise. In a sense, adding farm-direct marketing is the same as starting a small business in addition to your production work. Direct markets reduce the risks you face when selling through wholesale channels (such as low commodity market prices), but they leave you more exposed to other risks such as the closing of your local farmers market or decreased consumer traffic due to highway construction near your farm stand.

As you consider these new markets, it is important to recognize that customers who seek them out do not view food as *just* food. Rather, they regard food as providing pleasure, entertainment, support for local economic development, a means of building community, a way to reduce the environmental impacts of consumption, and a link to generations past. You as a producer can benefit if you keep all this in mind as you choose how to produce and present your products.

## Direct Marketing Options

Choose from among direct marketing options based on your preferences and the characteristics of both your farm and your community. The direct marketing options described here are farmers markets, farm stands, community supported agriculture, U-pick operations, web mail-order sales, and agritourism. Related markets you might also consider are selling direct to retailers, restaurants, schools, or other institutions.

### Farmers markets

Farmers market customers appreciate the quality and diversity of products, the buying experience and overall atmosphere, and the opportunity to show their support for local farms and businesses. Communities that host farmers markets value the social gatherings and neighborhood spirit that markets encourage as well as the boost to brick-and-mortar businesses that surround the markets.

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## The Farm-direct Marketing Set

A farm-direct marketing business provides both attractive opportunities and unique challenges to farm families. The farm-direct marketing series of Extension publications offers information about establishing and developing a range of farm-direct enterprises.

Other publications in the series are:

- Costs and Enterprise Selection (PNW 202)
- Merchandising and Pricing Strategies (PNW 203)
- Location and Facilities for On-farm Sales (PNW 204)
- Personnel Management (PNW 205)
- Financial Management (PNW 206)
- Legal Guide to Farm-direct Marketing (PNW 680)
- Food Safety and Product Quality (PNW 687)

To learn more, consider one of the online courses offered by Oregon State University, Washington State University, and University of Idaho:

**In Oregon**—Growing Farms: Successful Whole Farm Management <https://pace.oregonstate.edu/catalog/growing-farms-successful-whole-farm-management>

**In Washington**—Cultivating Success™ Sustainable Small Farms Education Program: <http://cultivatinguccess.wsu.edu>

**In Idaho**—Cultivating Success™ Sustainable Small Farms Education Program: [www.cultivatinguccess.org](http://www.cultivatinguccess.org)

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## **Benefits**

- Can provide access to many customers during a short period of time each week
- Opportunities to interact with customers that allow you to both promote the uniqueness of your products and receive feedback and suggestions
- An excellent way to increase other sales, such as getting farmers market customers out to your agritourism operation or selling to a restaurant
- Smaller commitments and risks than many other direct marketing options
- A good starting point for producers, as your obligations are limited

## **Drawbacks and requirements**

- Must apply and be accepted by the market—can't just show up and sell what you want
- Must follow market rules
- May need to compete with others selling similar products
- Must absorb the fees, labor costs, and other costs associated with market sales
- The possibility that bad weather will reduce sales
- Most markets are seasonal; year-round markets have much lower cold-season attendance and sales.

Farmers markets in the Pacific Northwest vary greatly in size, from loosely organized gatherings with just a handful of vendors and fewer than a hundred customers to very professional markets with more than a hundred vendors and thousands of customers. It is important to do your homework so you can choose and then apply to the markets that seem like the best fit.

It is important to recognize that market managers take into account the vendors already in the market when they assess applicants. You, as a new applicant, may be refused entry entirely or allowed in with only some of your products. Market managers do this to ensure that existing vendors don't see their sales dwindle.

## **Farm or roadside stands**

Farm and roadside stands range from very simple to quite elaborate enterprises. Most farm stands are seasonal and focus on selling what the farm itself produces.

### **Benefits**

- Can start with a small, inexpensive structure and increase only as needed
- Control when and what you sell (within state and county rules)
- Have captive customer and much less competition compared to a farmers market
- Can take advantage of a good location
- Don't have to travel

### **Drawbacks and requirements**

- Must figure out how to get the customers to come to you
- More difficult (but not impossible) to be successful if you don't have a good location
- May have to endure long business hours and busy weekends to fulfill customer expectations
- May need to invest in improved parking and structures to expand
- Better success if you or one of your employees has a strong interest in retailing

**See also *Farm-direct Marketing: Location and Facilities for On-farm Sales (PNW 204)* and *Legal Guide to Farm-direct Marketing (PNW 680)***

While farm stands may sell value-added products in addition to produce, most are very produce-oriented. A few PNW farm stands operate year-round and rely primarily on wholesalers for produce during the winter.

## **Community supported agriculture**

A community supported agriculture (CSA) farm's success depends on developing strong links with a specific set of customers who choose to become members. These customers/members commit (and generally pay) up front for weekly shares of the farm's harvest for an entire season. The members then receive a box of assorted farm products (10 or more items) each week.

As part of the agreement, members accept the risk that some of the expected produce may be damaged or lost due to weather, insects, or disease. They join for the satisfaction of having their own "farm" and because of the convenience of receiving the weekly share of fresh food. Some even enjoy the challenge of figuring out what to do with unfamiliar vegetables such as kohlrabi or fennel that appear in their box. Often membership includes recipes, a newsletter, and a harvest celebration event. Usually the grower establishes a weekly pickup day and time at the farm or at a neighborhood location.

### ***Benefits***

- Lock in a market and annual payment
- Receive money early in the production season, improving cash flow and thereby lowering your borrowing costs
- If you do a good job, you'll keep most of your customers.
- Your CSA sales may fit well with other marketing options such as farmers markets or sales to restaurants.

### ***Drawbacks and requirements***

- CSA farms are NOT for beginners. You must grow a wide variety of crops, and also get the succession planting intervals right. EVERY weekly basket must be of high quality and sufficient quantity, and you need to make money over the course of the season.
- You must have someone on your team with good people skills who does a good job of communicating with members. To be successful, you must be able to meet member expectations and address their concerns, allowing you to keep members from year to year.
- You must figure out how to find members. At first, you may need to recruit them via farmers market or a farm stand.
- CSAs work best for produce, especially vegetables.

There are also some similar prepayment schemes for meats and fish. Some produce schemes require prepayment but then allow the customers to choose their products.

## **U-pick**

In U-pick or pick-your-own operations, customers come to the farm, do the harvesting, and transport it home. U-pick prices generally are lower than farmers markets and retail, which encourages quantity buying for home canning and freezing. Customers, especially those with young children, search out fun, farm-based

experiences. This approach is most common for berry crops but can be used for many other crops as well.

### ***Benefits***

- Reduces on-farm harvest labor, handling, packaging, shipping, and storage compared to other marketing alternatives
- Receive immediate payment at harvest
- Can introduce customers to your farm and help generate farm stand or agritourism sales

### ***Drawbacks and requirements***

- Must attract enough customers at critical harvest times
- Inexperienced and careless pickers will cause some product loss.
- Must provide an adequate parking area and equipment (such as picking ladders) for tree-fruit operations
- Safety issues and potential liability related to accidents

## **Less common options**

### ***Web and mail-order sales***

A web presence is a valuable means of communicating with potential customers and, depending on your products, can provide an additional sales outlet. You can sell everything from produce gift baskets to on-farm processed food products and Christmas trees to both local and distant customers. For many growers, this form of marketing is attractive because it can lengthen the selling season and expand their customer base. Web mail-order sales work well with products that can be packaged attractively and are relatively nonperishable, such as tree fruits, herbs, holly, and flowers.

More and more, customers prefer to order and pay online, so you need to be able to accept credit cards for payment. Talk with your bank and your Internet service provider (ISP) to check out the possibilities, costs, and security requirements.

In most cases, growers ship their products in traditional ways. Preserving quality is a must if you are to be a successful shipper. If you ship produce or other very perishable items, consider using express shipping and special packaging.

Some producers are using the web to take orders and payment and then arrange a designated point of delivery, such as the farmers market. Others might do the order and payment transaction online and deliver product to the customer's home.

### ***Agritourism***

When visiting farms, families often look to be entertained and educated as well as to buy local foods. Corn mazes, hayrides, festivals, petting farms, and musical events are among many things that can be added to the fun of a farm experience. These types of activities, commonly called "agritourism," can draw customers from a wide area.

Many state and local governments have tourism programs that can help you create tourist events. Frequently, working jointly with other farms, businesses, and community groups is the most effective way to move forward. Farm guides, community websites, tourism pamphlets, and news releases all help in successfully promoting your event. Pacific Northwest communities have many festivals centering on crop harvest: strawberries, lavender, pumpkins, apples, and wine grapes, to

name just a few. Check out these and other festivals for good ideas that can help you develop a model for your own festival.

The OSU Small Farms program has a web page devoted to agritourism (<http://smallfarms.oregonstate.edu/oregon-agritourism/resources>) with links to a variety of resources. WSU has a useful agritourism guide that you can order: <https://pubs.wsu.edu/ItemDetail.aspx?ProductID=13977>

## **Selling direct to retailers, restaurants, and other establishments**

Selling directly to retail stores, restaurants, and other establishments such as hotels, schools, and food-service vendors shares many of the same requirements as selling directly to final consumers and provides similar potential benefits, such as loyal customers and higher-than-wholesale prices (NOT, however, as high as farm-direct prices). By taking on the job of a traditional wholesaler, you can retain the funds that normally go to the wholesaler.

These buyers have different preferences, requirements, and expectations both from individual customers and from each other. From your perspective, the most important difference between these buyers and individual customers is that the per-unit prices you will receive will almost certainly be lower. Retailers, for example, need to earn a margin on sales to their customers and will often mark prices up by 100 percent. So, the price they are willing and able to pay a producer is considerably below farmers market or farm stand retail prices. On the plus side, you can sell a larger quantity of your products to a retailer.

All commercial buyers will compare your offerings to ordering from a wholesaler, who offers a broad product line, partial cases of product, clean product, frequent deliveries, convenient ordering, and expert advice. You need to be able to offer something that is more attractive or unique.

Retailers and institutional buyers emphasize affordable price and reliability. Restaurant chefs, in contrast, place a far greater emphasis on exceptional quality and uniqueness and are somewhat less concerned with prices and consistent supply. When chefs find a set of products they like, they become very loyal buyers and will not throw you aside for someone selling similar products at a lower price. Restaurant menus may feature farm names, the places where produce is grown, produce variety names, and health claims about their dishes.

Expect to spend several years developing a profitable direct-to-restaurant business. Developing relationships, product line, and quality service takes good planning and hands-on experience. An effective relationship with a chef involves annual planning to help the chef learn which specialty products can be grown in the area and to help you decide what crops to plant for the upcoming season. You'll need to develop a product line broad enough to accommodate a group of restaurants and to justify the cost of delivery to each individual restaurant. Your service quality (for example, product presentation, phone service, and delivery) must be excellent for a restaurant to justify reducing or dropping orders from its year-round produce wholesaler for the relatively short, local growing season.

## General requirements and challenges

Successful farm-direct marketing requires a combination of technical, business, and interpersonal skills. What you actually need to provide will vary depending on the variety of products grown, the volume of produce offered for direct sale, and the marketing channels you choose. Select the marketing option(s) that best matches what you are willing and able to do with the requirements of the customer or buyer.

Greeting and interacting with customers is important and requires a friendly, outgoing personality. If customers don't feel properly cared for, they are less likely to return. While not every producer excels in this area, other family members or hired labor may be able to fill this role.

As a direct marketer, you are responsible for merchandising, display, quality control, pricing, packaging, and other aspects of marketing. Producers who have a working knowledge of these aspects have an advantage. On the other hand, the principles of retail selling are quickly learned. There are many sources of information about direct market practices available, including the wisdom and experience of other direct marketers. The Extension Service and department of agriculture in your state can provide information as well.

Beyond this personal assessment, you must review your entire farming operation to determine whether a direct marketing business is a good fit. To the extent possible, the direct marketing business should complement your overall farming operation in terms of how it uses land, labor, capital, and your management time.

Do you have the capital to buy the needed equipment and/or facilities? Your financial requirements will vary substantially depending on the direct marketing approach you expect to use and the size of your operation. Estimates should be as detailed as possible. If borrowing is possible, ask lenders about their loan requirements.

You will need to analyze your production capacity. Does it match the direct marketing plans that you are developing? It is important that your direct marketing plans are designed to complement your farm's production potential.

Most important, is there enough customer interest in the product or product mix that you plan to sell? Is there a way to know? Checking with other growers or their customers may help. Recognize that direct markets for specialty products are often quite "thin." That means that too many producers of a product may quickly exhaust the demand. How many buyers in your local market want goat meat or quince? Is there room for another producer? Do other producers consistently sell out, indicating a short supply? Are other businesses willing to buy your locally grown products? Tight-lipped competitors in your area may signal that the local market is saturated.

When considering marketing options, remember that each has its own set of costs. Your time, packaging, fuel, supplies, and market fees (to name a few examples) must all be included and evaluated when you make decisions on which marketing option will work best for your operation.

Many local, county, and state rules may limit the type of operation you can run. Your state department of agriculture and general business development programs are good sources of information and cost very little, if anything, to access. See the references on page 7 to get started.

**See also *Farm-direct Marketing: Financial Management (PNW 206)***

## Getting started in Idaho

The University of Idaho Extension Small Farms website

<http://www.cals.uidaho.edu/sustag/smallfarms/>

Idaho State Department of Agriculture overview website

<http://www.agri.idaho.gov>

Idaho Small Business Development Centers (a network of offices located at colleges throughout the state) <http://www.idahosbdc.org/>

A general Idaho business web directory

<http://www.idaho.gov/business/>

## Getting started in Washington

Washington State University Small Farms Team

<http://smallfarms.wsu.edu/>

Washington Department of Agriculture

<http://agr.wa.gov/marketing/smallfarm/>

and <http://agr.wa.gov/marketing/smallfarm/greenbook/>

Washington network of small business centers

<http://wsbdc.org/>

Washington small business guide

[http://www.oria.wa.gov/site/alias\\_\\_oria/345/our\\_business\\_services.aspx](http://www.oria.wa.gov/site/alias__oria/345/our_business_services.aspx)

## Getting Started in Oregon

Oregon State University Center for Small Farms and Community Development

<http://smallfarms.oregonstate.edu/>

Oregon Department of Agriculture

<http://www.oregon.gov/ODA/Pages/default.aspx>

and <https://www.oregon.gov/ODA/agriculture/Pages/NewSmallFarms.aspx>

Oregon network of small business development centers

<http://www.bizcenter.org/>

Oregon Resource Guide for Small Business

[http://www.sba.gov/sites/default/files/files/resourceguide\\_3140.pdf](http://www.sba.gov/sites/default/files/files/resourceguide_3140.pdf)

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