



# OPERATING A PROFITABLE SMALL FARM

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FACT SHEET 13

## *Direct Marketing*

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### I. Pros and Cons

There are several benefits associated with direct marketing. The potential for making higher profits due to the elimination of the middleman is the one that comes to mind first. Direct marketing saves costs in packaging, handling, and transportation. The cash flow in direct marketing is directly between you and the customer, so the flow is much quicker. You do not have to wait for a middleman to send you a check. Direct marketing works well for small farms, because it permits a diversity of production and there are no pressures on the volume of production. You are free to grow what you want and as much as you want. Direct marketing does give you some marketing control. You are in a position to set your own price.

There is a downside to direct marketing. The volume of product sold through direct marketing is often not as great as with some other marketing methods, however, the typically higher prices received should compensate for the lower volume. Direct marketing requires more of a commitment in time. You need to be at the market selling your product. You will need to have some people skills in order to deal directly with your customers. While people are not always pleasant, you are expected to always maintain a happy face. If you are to be a success at selling your product, you will need to have some marketing skills. Selling your product is more than simply parking

your truckload of produce along Route 194. This is a very competitive market. Your challenge is going to be convincing people to buy your product and keeping them as customers. The reality of it is that not everyone is cut out to be a direct marketer.

### II. Farmers' Markets

Farmers' markets are one of the fastest growing direct marketing sources of agricultural produce in the country. There are several farmers' markets located here in central Maryland. Farmers' markets are popular with both the producer and the public. There is usually very little preparation necessary for the producer and the public enjoys the convenience of locally grown, fresh produce.

There are some benefits associated with farmers' markets. They are ideal for new producers, because of the minimal startup costs and elementary marketing skills needed. The best feature about farmers' markets is the direct interaction between the producer and the customer. This permits the producer to promote the product and to receive feedback from the customer. Farmers markets have all of the drawbacks associated with direct marketing. In addition, you can add bad weather. A producer can easily waste a whole day sitting at a farmers' market in the rain waiting for customers who never show up. The producer's comfort, (he is out in the weather for the length of the market) is another factor to con-

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sider. Time itself should be a consideration; a producer can plan to spend the better part of a day sitting at the market. Producers close in area are in direct competition with each other. Some marketing skills will be needed to sell some less popular items and to obtain higher prices for others. Sometimes the challenge is simply trying to get customers to your table. Signs and attractive displays are often successful at getting the customer to visit you. Another issue with farmers' markets is their regulations/policies. One of the most consistent policies is that you sell only what you produce. If you cannot operate within this rule or others set forth by market management, a farmers' market is not for you.

### III. Roadside Markets

Roadside markets are fixtures of the summer landscape along many of our highways. There must be a roadside market every quarter of a mile along Route 50 as you leave Ocean City, MD. They can be successful places for large and small producers to market their products. In much the same way as farmers' markets, the public uses the roadside stand as a convenient place to buy locally grown produce. The key to successful roadside marketing is attracting repeat customers. They in turn will spread the word about your wonderful stand.

There are some benefits with roadside markets. Producers can save costs with transportation, packaging, and middleman costs. The produce is marketed near where it is produced and displayed in bulk or in minimal packaging. There is not usually a direct competitor sitting beside you. Some road signs and "catchy" displays are needed to get people to stop. Just as in the farmers' market, you need to find ways to attract people to your market. The only difference is that in this case the customers could be traveling 60 mph down the road.

Roadside markets have some disadvantages. They will require higher overhead costs that include the building, repairs, parking lot, utilities, and taxes. There will also be zoning issues and more planning involved. As you might expect, location is the key to successful roadside marketing. The stand needs to be convenient and easy to find. It should be located near enough to well-traveled, main roads so that repeat customers will stop by regularly and new customers will not have to hunt for you along an unimproved back road. There should be enough parking to accommodate the heaviest anticipated crowd, with

easy and safe access in and out of the parking area onto the highway. The facilities and buildings are one of the first things people see of your stand, so its appearance has much to do with your marketing plan. Stands can include pole buildings, renovated barns, tents, pickup trucks, or card tables. It is important to put the best face possible on your stand. Make your stand look attractive, creatively present your products, and always keep it neat and clean.

### IV. Subscription Marketing

Subscription marketing is a relatively little known method of selling your products that is being successfully practiced by some producers in the area. In subscription marketing, customers pay a fee in advance of the season and place an order for the products they want for the season. During the season the producer packages up the customer's order and delivers it to a drop site or it may be picked up at the farm. A record is kept of the products purchased and accounting is done at the end of the season. Money is not exchanged during the season. The advantage of subscription marketing is that the producer knows prior to the season what to produce and how much. The crop is sold before it is put in the ground. There are some major drawbacks to this marketing system. The subscription marketer is going to need some tremendous people skills. There is a lot of customer interaction and potential for "customer relations" situations in this type of operation. Also, because of the time required for servicing customer orders and needs, there is a limit to the number of customers you can have in your "club." This limits your production and income.

### V. Pick-Your-Own Marketing

Pick-your-own farming operations, where the customer comes to the farm and harvests their own produce, has been a successful method of marketing for some large and small farm operations in the region. It seems so easy to just plant your crop and have people come and pay to harvest it. However, someone once said that, "if it was so easy then everyone would be doing it." There are some advantages and disadvantages associated with pick-your-own marketing.

The biggest advantage of pick-your-own marketing is the reduction in costs in several areas of your operation. These include the reduced need for hiring people to come in to harvest crops. However, you will need to hire extra

labor to serve as “people movers.” Customers will have to be directed (led) to fields that are to be picked and kept out of other places. Transportation, packaging, handling, and storage are other areas where costs are saved. Also, for this reason, this type of operation is less expensive to get started. Typically, customers will usually purchase more produce at a visit to a pick-your-own than with other marketing methods.

There are a number of disadvantages with pick-your-own markets; it is not for everyone. The producer allows the public to come onto the farm and roam around. Some producers cannot deal with this, so PYO is not for them. Insurance companies will probably increase the liability insurance. The producer has to accept the fact that customers will damage

some plants and produce, and they will generally “pick-over” the crop. Bad weather will chase away customers. This can be a problem with a limited harvest period and a prolonged weather pattern. People do not like to work when it is too cold, too hot, or too rainy. During the season PYO operations require long hours, because you need to meet the schedules of a wide range of customers. There will need to be adequate parking and lanes into the farm and field sites. There will be labor costs for hiring cashiers and people movers for the picking season. The price received at PYO operations is often less than that received in other marketing methods.

Reference: Gibson, E. “Sell What You Sow: A Guide to Successful Produce Marketing.”