Direct Marketing of Farm Produce and Home Goods

Direct marketing alternatives and strategies for beginning and established producers

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Both farmers and consumers these days are looking for alternatives to grocery stores and restaurants for fresh produce and other farm goods. Farm prices and income levels, financial problems and uncertainty of government programs have encouraged farmers to try roadside stands, farmer's markets, "pick-your-own" operations and other direct marketing methods.

Consumers seek new products and markets as changes occur in income levels and lifestyles. People today are eating 40 percent more fresh vegetables than they did in 1970. Customers also cite wide selection, social atmosphere and helping farmers as reasons for direct market shopping.

Direct marketing eliminates the "middle man" functions of food exchange, transportation, storage and processing. Only growers and consumers handle products that are otherwise sold from the farmer to a wholesaler or food processor and passed through multiple market channels before reaching the consumer.

Many items are marketed directly: Fresh fruits and vegetables, cheese, eggs, meats and poultry, maple syrup, honey, baked goods, Christmas trees, bedding plants, clothing, dried flowers, crafts, gifts, novelties and more. This publication focuses on how to directly market farm produce.

However, much of the information here can apply to marketing other goods.

Producers who want to try direct marketing can use this publication. So can established direct marketers who want to refine or expand their operations through advertising and other methods. If you need more information on what to grow in your area and how to grow it before considering direct marketing alternatives, contact your county Extension agent for a listing of agriculture, gardening and other publications available through Cooperative Extension.
Direct marketing alternatives

Five direct marketing methods are described in this publication. They are pick-your-own (PYOs), roadside markets, farmers' markets, subscription farming and home delivery. A section on selling directly to stores, restaurants and food services is also included.

No matter which methods you choose, experienced sellers agree: Sell only top quality, competitively priced goods and be friendly and cooperative with your customers. Today's consumers expect better quality at comparable prices from direct marketers than they do from grocery stores.

Start small and be patient. You will need to control costs to show initial profit. You will need to manage a number of business issues, such as quality control, pricing, and labor management. Word-of-mouth and other advertising takes time to get around. Many pick-your-own operators report that it has taken 5 to 15 years to become well-established, with the majority of profits coming from repeat customers.

Most direct marketers have alternative direct or wholesale marketing channels or other sources of income. Only a few are profitable enough to stick to one form of marketing for the entire growing season. This might be a large-scale PYO operation or a roadside stand that has evolved into a more permanent, open-air market.

Following are descriptions of direct marketing alternatives, profiles of typical producers and customers, and important things to consider before starting your business. No one direct marketing method is more successful than another. Success depends on the marketer.

Pick-Your-Own

“Pick-your-own” or “U-pick” customers drive to a farm to personally select and harvest a crop. This eliminates most of the harvest and transport work for the grower. Most successful PYOs are known for a specialty, such as strawberries or Christmas trees. Other types of PYO crops include raspberries, grapes, cherries, apples, snap beans, green peas, sweet corn, sweet peppers and tomatoes.

Less popular items include watermelon, because some customers have trouble telling ripeness, and asparagus because many people don’t know how to harvest it. Pumpkins are a suitable PYO crop, but they are only in great demand right before Halloween.

Customers are attracted to the farm-fresh products and “farm experience” PYO’s offer. Successful PYO operators have quality products and prices, the willingness and patience to work with consumers, and a commitment to working long hours and weekends.

Some advantages to the farmer include saving harvest labor and storage costs, possibly less discarded product, and more return per acre. People are less critical of fruit or vegetable quality when they pick their own than when they judge produce on the shelf. A PYO business can provide the needed increase in income from existing acreage. Many berry and other small crop PYOs can be profitable with less than five acres.

Have a good location

Since the customer must go to the farmer, a favorable location is crucial to the PYO operator’s success. Your farm should be easy to find and located near a town or city to attract many customers. Most PYO customers are within a half-hour’s drive of the farm.

Make harvesting easy

Consider a succession of same-crop plantings for a longer harvest season. The family that picks a bushel of tomatoes in July may want to come back for more in August. Clearly separate successive same-crop plantings so customers don’t pick premature peas along with mature pods. Consult crop production guides, like those available through Extension, for crop management information.

Provide disposable containers, such as deep cardboard trays for harvesting berries or beans, or reusable containers, such as two- to four-quart pails for cherries and other tree fruits. If you sell by
weight, standard containers that weigh the same will save you time when you figure the actual cost of produce picked. If you sell by volume, provide half-pint, pint, peck, bushel and other standard container sizes.

Ask other PYO operators and grocers for help selecting containers. Before you stock large quantities, use the container yourself. Is it sturdy enough when filled to overflowing? Will produce on the bottom get crushed? Is it easy to hold in one hand and set on the ground without spilling?

Encourage people to bring their own containers. They'll save money and you'll save time and trouble stocking containers. If people bring their own containers, weigh them before picking so you can subtract their weight from the total weight of container and produce after picking.

Organize traffic flow

A PYO operator needs to provide suitable parking, check-in and check-out stations, transportation to picking sites, and supervision of customers.

Parking on public roads is dangerous and usually illegal. Map out a large, well-drained grass, gravel or asphalt parking lot with clearly designated parking spaces. Parking spaces should be at least 10 by 20 feet, and drive-throughs at least 25 feet wide. If you can afford it, hire a parking lot attendant to greet and assist customers. Post speed limits or build speed bumps. A well-maintained, supervised parking lot will make you less vulnerable to lawsuits.

Some PYO operators with a lot of acreage allow customers to drive to their fields, however this can create extra noise, dust and crop damage. Consider running a “shuttle service” with a hay wagon or other vehicle to and from your fields instead.

Limit risks

Use fencing and signs to keep children and others away from dangerous areas on your farm and unauthorized vehicles and people out of your picking fields. Fences should be at least four feet high and made of wood or woven wire—never barbed wire. Keep children off fences.

PYO apple orchards should have only dwarf trees so customers can harvest the crop from ground level. Avoid using ladders.

Keep people away from areas with farm animals or dogs, poison ivy, ponds, cliffs and other hazards. A sign stating that you are not responsible for injuries does not legally free you from liability, so it's best to try to prevent accidents. However, you can post “no trespassing” signs in restricted areas. This will make a liability claim more difficult to collect.

Check with your insurance provider for recommendations on limiting risk to your employees and customers.

Provide supervision

You need supervision in any area where you allow customers, not just for liability reasons but for better business. Field supervisors should direct people to the exact locations where they can pick and should show them how to harvest and handle produce without damaging crops. Every row should have a moveable flag marker, and supervisors should remind people to place the marker at the point where they stop picking.

Employees should be able to answer questions about product growth, storage, and preparation. They should be knowledgeable about pricing, specials, container sales, and other policies, even if they are not directly working in those areas. Train staff to be friendly and helpful. Schedule follow-up training sessions once in a while to keep people informed.

Call the U.S. Department of Labor office in your area concerning minimum wage, safety, and child labor laws before hiring anyone—even family.
Offer recreation

Enhance the recreational value of your business by making the picking experience comfortable and fun for the customer. Provide drinking water, picnic areas, large trash cans, recycling bins, wash areas and toilets. Add to your income by selling pre-picked produce, snacks, soda and other items. Use a cash register to help you record sales accurately and keep track of which items are most profitable. Plan initial investments wisely. Don’t add extra concessions unless you think you can break even on the investment.

Consider “rent-a-crop”

If you are already running a successful PYO business, you may want to consider adding the “rent-a-tree or garden” concept as another harvest option. You rent an apple tree or part of a strawberry row to a family for the growing season and the customer presents an identification card before harvesting. A contract is essential for rent-your-own arrangements. It helps customers stick to rules, such as days and times they can pick, and helps growers remain accountable for maintaining the crop and notifying renters of harvest time. An escape clause is essential in case either grower or renter disregards appropriate rules of conduct, in case of crop failure and for other contingencies.

Customers should feel free to visit as often as they like and pick as much as they want. It’s a good idea to charge for the whole season’s use up front, based on expected yield for a particular crop.

Typical PYO and roadside market customers
(Based on 1990 UW-Extension statewide survey)

• One-third live in a city with 50,000 population.
• One-fourth are over 62 years old, and 43 percent are 26 to 45.
• Nearly 60 percent are educated beyond high school. One-third are college graduates.
• About half have home vegetable or flower gardens.
• Two-thirds report annual household incomes of over $25,000. One-fifth report incomes over $50,000.
• One-third spend between $5 and $10 per visit. One-fourth spend less than $5. One in 10 purchase $20 or more per visit.
• Over half (55 percent) learned of the market through word-of-mouth.
• Four in five customers were less than 40 miles from their homes.
• Tourists account for 12 percent of the customers.
• Three-fourths of customers cite quality as major reason for visiting market.
• Nearly half (47 percent) were very concerned about the use of agricultural chemicals in crop production and marketing.

Roadside markets

The roadside “stand” can be a portable wagon, truck, or just a cash box on a table next to a bushel of corn. At the other extreme are year-round or open-air structures with refrigerated cases, shopping carts, multiple checkouts and a wide array of products. These markets are more labor intensive but can also be profitable if their operators combine and promote the variety and convenience of a typical grocer’s produce section with the “home grown” and “farm fresh” appeal of the traditional roadside stand. Their operators frequently buy some product from other producers or wholesalers and may also sell a variety of non-food items, including flowers, bedding plants and crafts.

Roadside market customers usually live in or commute to the locality. Some roadside stands attract many tourists, depending on their proximity to parks, resorts and other attractions. But the bulk of business must come from local consumers in order for most stands to be successful. Typical roadside market customers are middle class or more affluent, have higher than average educations and are concerned about good nutrition. They are not necessarily loyal to one producer or another.

Roadside sellers must be friendly and knowledgeable about product ripeness, preparation and storage. They must stick to regular prices, days and hours. The stand or market must offer quality.
Most roadside markets are open three to six months during the growing season. Many markets with extended seasons have added attractions such as animals, wagon rides, haunted houses and other entertainment. Some seasonal markets even have adjacent PYO patches. An attractive roadside market can supplement family income, but is usually not the only income source.

**Choose a prime location**

Location is critical to the roadside marketer’s success. The business must be easily accessible and within a short drive from the primary market area. Impulse buying by passing motorists is usually not sufficient to generate a profitable sales volume.

A well-traveled road or highway off the farm may seem like a desirable location, but a market on the farm may have more advantages: Product, labor and supplies are handier, and additional land is not needed.

Before choosing a location, contact your state or county transportation department to find out about any long-range construction plans in the area. Call your county
planning and zoning commission or local township for any zoning regulations and to obtain any necessary selling and building permits.

Your market site should be free of rough terrain, ditches, tall weeds and other obstacles to vehicles or their occupants. Parking must be off the road and marked spaces should be at least 10 x 20 feet. Try to provide 15 parking spaces for every 100 vehicles expected daily. Leave room to expand parking. Again, check with local zoning ordinances before planning a parking lot if you’re selling on a public road.

Start with a simple design

Beginning operators tend to over build and over equip. A simple, sturdy pavilion that allows easy access by customer and seller, but keeps rain, wind and sun off you and your display may be all you need.

Display produce on or in front of counters or tables. Have enough room within your booth or pavilion for chairs, cash and change, supplies and extra produce.

You can build an attractive and portable stand with some careful planning and help from other marketers and builders. Or, consult Facilities for Roadside Markets, listed at the back of this publication, for simple roadside stand plans.

Plan for growth

If you are a successful roadside seller and are ready to plunge into something more elaborate, consider building a larger open-air market or more permanent structure. Contact your county Extension agent and visit non-competing roadside marketers for floor plans and other ideas. Call area contractors for plans and estimates if you need building assistance. Contact refrigerator dealers, grocers or other marketers to buy or rent used refrigerators and other equipment instead of purchasing everything new. Invest in new equipment later, if your business continues to grow.

Increase efficiency by designing separate areas for receiving, washing, preparation, display and sales, product storage, utility, your office and washrooms. Display produce in refrigerated cases, so you won’t need to move it around as much. Markets with enough space for a walk-in cooler can use wheeled display carts for easy loading, transport and overnight cold storage. With careful planning, you can expand and develop your market and its products as much as demand allows.

Sell quality produce

The typical roadside marketer specializes in local fruits and vegetables, growing 60 percent or more and buying the rest elsewhere. Sources for quality procured produce include wholesale produce houses, farmers’ markets, and other local farmers.

It’s not easy knowing how much and how frequently to order produce. You could order 50 watermelons for an anticipated hot and sunny
weekend, only to find your melon sales dampened by cool and rainy weather. Ordering more for holidays, paydays, and seasonal demands (raspberries, sweet corn, sweet potatoes) can boost your business, as can ordering several cultivars of apples, berries or other seasonal items, an option not always available in grocery stores. Your own experience is the best guide to ordering since customer’s needs and desires change constantly. Remember to order what your customer wants, not just what you like.

As with other direct marketing alternatives, the success of roadside markets centers around strong merchandising and a quality display of goods. Thoroughly washed produce may be more important to the roadside market patron than to any other customer, since people who stop at roadside stands often buy fruits and snacks to eat in their cars.

Farmers’ markets

A farmers’ market brings two or more producers together with consumers at the same time and place, usually one or twice a week, to market items such as fresh fruits and vegetables, bedding plants, baked goods, cheese, meats, homemade candy, dried fruits and flowers and even homemade clothing and crafts. The number of farmers’ markets nationwide has increased in the last decade. Wisconsin had approximately 85 farmers’ markets in 1990, up by at least 20 over the previous five years. Increased interest in farmers’ markets is evident in central cities, at suburban shopping centers and in smaller communities.

The typical farmers’ market customer is an urban resident attracted by the idea of “farm fresh” quality and variety brought to the city. Yet farmers’ markets in rural communities also succeed because customers like the product variety and social atmosphere created when producers get together to sell their goods.

Farmers’ market customers don’t always have a specific purchase in mind and are typically in no great rush. One-third of the shoppers at farmers’ markets indicate they combine other activities such as shopping and dining with visiting the market. These customers tend to spend less per visit than customers at PYOs or roadside stands, but they patronize the market more often.

Farmers’ markets have a special appeal to part-time or small scale farm operations, although large commercial farmers sometimes participate. The typical farmers’ market seller must like people, have patience for crowds and offer a clean, attractive display of quality goods.

Plan a meeting

A farmers’ market usually begins with sponsors inviting interested producers to a meeting to discuss market potential, to choose a site and times, and to designate leadership. Market sponsors can be business groups (such as the local Chamber of Commerce), county Extension committees, producers or consumers. Market leaders can advise on product transportation, stand setup, plan meetings, and help organizers with permits and fees, state and local regulations, insurance and liability, publicity (including bad weather or other cancellation policies) market layout, and market rules. Leaders can also advise on product transportation, stand setup,
pricing and customer relations.

Successful markets are carefully managed based on policies set by the growers and sponsors. Producers must understand and follow the rules, which may require that products be grown locally and that sellers market only their own products.

The market’s opening day should be widely publicized. Newspaper ads and editorials, radio spots, posters, flyers, mailers, local TV and any other paid or free publicity just before opening day will get the word out. All advertising should headline the location, hours, days and months to quickly establish the market’s place as a weekly fixture and not a one time affair. Other information can include parking locations and types of items for sale.

**Invest the time**

If you already have a portable stand, or even just a truck and some tables, it costs little to attend a farmers’ market. Expenses include transportation, labor, any cooperative advertising fees, containers and packaging.

The major cost is time. A typical Saturday morning market, for example, lasts three to five hours. Add harvest, packaging, transportation, setup and tear down time and you might need a larger time commitment to sell the same amount of produce than you would from an established PYO or a roadside market on the farm— especially if you have to travel far or attend a farmers’ market more than once a week. A farmers’ market might offer advantages if you can sell more produce there than you could on the farm or if you have a “unique” product other farmers’ marketers may not have (maple syrup, honey, pickles or popcorn, for example). Few farms have the personnel or resources to add regular farmers’ market participation to existing PYO operations or roadside stands. Two people are usually needed to make sales and keep displays stocked at a busy market stand. Regular market attendance is crucial to establishing good customer relations and building repeat business.

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**Subscription farming**

Through subscription farming, also known as “community-supported agriculture” and “garden memberships,” customers pay in advance for an entire growing season’s share of produce that they will regularly pick up or have delivered to them.

Like other direct marketing alternatives, subscription farming can adapt to local conditions and situations. Sharing the bounty—and the risks—of agricultural production with members of the community not only provides consumers with locally grown food, but may even allow a farm to survive.

Typical subscribers are urban dwellers who may want to save money, but are more concerned with doing their part to support local farms. Subscribers want quality and freshness. To many, the term “community-supported agriculture” is synonymous with organic growing methods.

Typical producers are proud of their farms and what they grow. Many like to make their subscribers feel as though they’re members of the farm rather than outsiders paying for a service. Farm-centered activities enhance this community support. Harvest festivals, summer solstice celebrations, fall cider pressings, volunteer days for people who want to experience working on a farm, and other activities can strengthen the bond between community and farm and bring more customers to the business.

**Reap the advantages**

Subscription farming has several advantages to the producer. The customer typically pays for the service up front or in installments at the beginning of the growing season. This gives the farmer capital to purchase seeds, equipment and labor for the season and eliminates speculation on future sales volume.

Instead of worrying about market fluctuations, the farmer can concentrate on growing a variety of quality crops that mature throughout the growing season to ensure a steady supply of fruits, vegetables and flowers to the subscriber. The producer typically receives a higher price than wholesale and the
customer receives quality produce at competitive prices.

Many of the on-site risks and supervision responsibilities associated with PYOs don’t exist with subscription farming. In addition, producers spend less time selling or sitting around than roadside or farmers’ marketers and complete most of their marketing efforts by the beginning of the season. Transportation time and cost can be greater, but product delivery to one central location can defray this expense.

Many community-supported farms enjoy volunteer or bartered labor from subscribers who become more sympathetic to farm life through “belonging” to a farm. They offer help with harvesting and delivering produce shares to customers and surpluses to food banks.

Talk to your customers

It’s important to spend time cultivating personal relationships with your subscribers, even if only for an hour or two at a weekly delivery site. Customers like to talk to farmers on delivery day, ask questions and learn more about their food and how it’s grown. Customers can provide valuable information on pricing and other marketing trends throughout the year. Do your customers think they’re getting a good value? Are they satisfied with the delivery system? Are they satisfied with the variety of products?

Apart from bad weather and other farming risks, you have to be fairly confident you can deliver the goods before you become a community-supported farm. You are more responsible to a prepaying client than to an occasional roadside shopper. Quality has to be top notch. You can’t pass off slightly overripe produce by selling it at half-price, so you might have more waste if your harvest and delivery methods are not efficient.

One way to deliver the goods is to bring baskets, boxes or cloth bags of shares to a central pickup site. Also set out an “extras box.” That way, if someone doesn’t want all of their beets, they can toss a few into the extras box, while claiming someone else’s extra carrots. Be flexible with supply and demand to foster good relations with subscribers. If you have surplus tomatoes one week and someone mentions they’re doing some home canning, offer them more. But be careful about giving your members too much: Customers indicate that they would rather forgo the surplus than have food spoiling around the house.

You will likely need to combine subscription farming with other direct marketing methods to move enough product and make a profit.

Subscription farming keys to success

- Good word-of-mouth, other advertising.
- Have alternative marketing methods.
- Sell only top quality produce.
- Promote a variety of fresh, local produce and alternative growing methods.
- Have a contract clearly stating subscription terms.

Home delivery

Many consumers who receive home-delivered farm goods value the convenience of the service and like to believe the delivered products are of superior quality. Or they may simply like the producer and want to keep in touch with a farmer because of their own roots or views regarding family farms.

Profits from home deliveries must cover the additional time and transportation costs this marketing alternative requires. The business relies on imagination, ingenuity and strong advertising. Word-of-mouth, creative newspaper ads and direct mail can tell customers you are willing to home-deliver. Distribute flyers, or take mobile sales wagons to campgrounds (with a permit of course). Some grocers advertise their home delivery services in the yellow pages. This may be an option if you have eggs, cheese and varied produce to sell year-round.

Try a catalog or newsletter

If you want to publish your own catalog, get ideas for content and illustration from other food gift
catalogs. Contact catalog marketers with non-competitive products—like cosmetics or greeting cards—to get more detailed catalog marketing information.

Consider publishing a "magalog," which contains information and stories about the farm and its products as well as product descriptions and prices. This type of catalog has a more "homey" look and is an avenue for educating customers as well.

Publishing a catalog can be an attractive and professional way to market your product. However, you'll need to invest a lot of time and money in writing or getting help writing the catalog, taking pictures or drawing illustrations, getting estimates from area printers, compiling mailing lists and paying for postage or other distribution services. Be prepared for a delay between mailing the catalogs and receiving the first orders. People like browsing through catalogs and may want to order a set of jams or a fruit basket at a later date. They might also pass the catalogs on to their friends.

Many successful home delivery companies maintain good customer relations to make their customers feel special and to promote loyalty. If you're just starting out, call your customers personally to find out whether they are satisfied with your product. If you have a solid customer base, try publishing a quarterly newsletter with articles about product uses and recipes, nutrition, health, area recreation and history, and any tours or events you schedule on your farm. Ask customers to submit their own recipes, letters, stories, poems and other ideas for your newsletter. Include clip-out coupons promoting your products or services.

If you cannot handle all deliveries yourself, look into a commercial delivery service. Also contact your local post office for information on long-distance delivery service.

Selling to stores, restaurants and other institutions

Selling to restaurants, grocery stores, convenience stores, hospitals, schools, nursing homes and other food services can eliminate the wholesale buyer or food broker from the marketing chain and may get the product to the consumer fresher and faster. These businesses may be willing to buy a variety of items locally based on their interest and support of community farms. The personal touch of a direct marketer can help win over the food-service buyer, as can attractively packaged unique, local products.

The assurance of a nearby, dependable supply of quality products is critical in developing and maintaining these markets. Local products have market value to retail stores and restaurants provided the product is of high quality and available when the store needs it. Grocery stores and restaurants expect and insist on dependable service. If local producers can't deliver, other suppliers will be found. One way to attract buyers seeking greater volume is to pool your product with other producers.
Before you build a roadside stand or design a brochure for your farm, you should determine the feasibility of your proposed business and outline a marketing plan. While even the best plans are no insulation from climatic catastrophes and fickle markets, thorough identification of your customers and knowing how to satisfy them can help you solidly launch your business and keep up with changes in the marketplace.

The checklist included here can be the basis for your marketing plan. As you complete the checklist, you may find you need outside help to increase your knowledge and understanding of business and marketing principles. Many sources of help are available. Talk to potential customers to help identify your market. Consult with other direct marketers and county Extension agents. Check the sources of information cited at the end of this publication. Contact your local Chamber of Commerce.

This table shows one way to visualize a marketing plan and keep up with changing trends in marketplace. Fill in the columns from left to right to outline how you wish to improve the different aspects of your business. Fill in the “Evaluation” column with positive or negative results to help you determine whether to revise your strategies or objectives. Make general conclusions based on more detailed observation and analysis of your business. Outlining a marketing plan this way can help you set goals and periodically review your operation.

<table>
<thead>
<tr>
<th>MARKETING PLAN</th>
<th>MARKETING SITUATION</th>
<th>MARKETING OBJECTIVES</th>
<th>MARKETING STRATEGY</th>
<th>EVALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCTS</td>
<td>Varied produce (sweet corn and other vegetables, berries)</td>
<td>Add “gourmet” deli foods, other fruits, bakery, beverages.</td>
<td>Grow apples, popping corn, pumpkins. Procure rest.</td>
<td>New items are selling well. Farm is showing a profit.</td>
</tr>
<tr>
<td>CUSTOMERS</td>
<td>Families</td>
<td>Attract more affluent families. Have “gourmet” recreation, too.</td>
<td>Provide an attractively landscaped eating and resting area.</td>
<td>People are staying longer and spending more.</td>
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<tr>
<td>CHANNELS</td>
<td>U-pick, produce store</td>
<td>Offer customers other enjoyable sales channels.</td>
<td>Try special events (Easter egg hunts, pumpkin festival.)</td>
<td>Events are too much work. Have only one per year.</td>
</tr>
<tr>
<td>COMPETITION</td>
<td>Grocery stores, farmers’ markets, other farms</td>
<td>Match stores on quality; other farms on quality and atmosphere.</td>
<td>Improve quality, cleanliness, atmosphere.</td>
<td>Survey shows more people are satisfied, repeat customers.</td>
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<tr>
<td>ADVERTISE</td>
<td>Classifieds, signs, handbills, radio</td>
<td>Try newspaper display ad, feature story promoting new atmosphere.</td>
<td>Contact newspaper advertising rep and editor.</td>
<td>Ad drew many customers. Editors interested in story for next spring.</td>
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<td><strong>PRELIMINARY ANALYSIS</strong></td>
<td><strong>INTERMEDIATE ANALYSIS</strong></td>
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<td>potential customers, talk-</td>
<td>have you estimated profit</td>
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<td>Can they get there easily?</td>
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Good financial records help start a business on the right track, help guide it along successfully, and can deter errors and fraud. You need to initially estimate and then keep track of your fixed and variable production costs to help you price your product and continue making wise decisions to ensure profit.

A monthly or quarterly profit/loss statement is your budget and will help you pinpoint areas for change. (i.e., Are you overspending on advertising? How much of that money can you transfer into increased wages to minimize employee turnover?) You need an annual profit/loss statement for tax purposes.

You need a balance sheet, or statement of assets (what you own) and liabilities (what you owe), to show the overall financial position of your business at a specific point in time.

Seek professional advice from accounting services and other businesses if you need help developing and analyzing profit/loss statements, balance sheets and other records. Successful Roadside Marketing, listed in the references section at the back of this publication, has a section that includes sample profit/loss statements and balance sheets.

**Fixed costs**
- Taxes, licenses and fees
- Accounting and legal fees
- Insurance
- Mortgage
- Remodeling
- Purchased vehicles and equipment
- Building and equipment depreciation
- Estimated crop and business losses from bad weather

**Variable costs**
- Seed, fertilizer and chemicals
- Irrigation
- Leased vehicles
- Rented vehicles and equipment
- Fuel, repairs and maintenance
- Telephone, utilities, postage
- Containers, other marketing supplies
- Advertising supplies and costs
- Wages paid
- Salary allowance for farmer and family
- Workers’ insurance and compensation
- Product spoilage, damage and pilfering (by employees or consumers)

### Know your fixed and variable costs

You should delineate expected fixed costs from variable costs to help you estimate what your costs will be at any level of production. Variable costs go up or down proportionally with your production. Fixed costs stay the same whether or not you sell a single turnip. Your goal, especially if you are just starting out, should be to minimize fixed costs and maximize variable costs. You can’t avoid some fixed costs, like taxes, licenses and fees. But other typical fixed costs can be transformed into variable costs: Hire a delivery service instead of purchasing another vehicle, or rent a transplanter instead of buying one. As you show greater and steadier profit, you can invest more in the business.

Following are the annual fixed and variable costs to estimate before you do any pricing and selling. Estimate each expense in dollars initially, and then keep track of expenses in dollars and as a percentage of net sales. Competitors typically disclose percentages and ratios rather than dollar figures when comparing their operations with one another. (i.e., If grocers and other direct marketers on the average spend 2 to 3 percent of their gross sales on advertising and you are spending 10 percent, you may be overspending in this area.)

<table>
<thead>
<tr>
<th>Fixed costs</th>
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<tr>
<td>• Taxes, licenses and fees</td>
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<th>Variable costs</th>
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<td>• Seed, fertilizer and chemicals</td>
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<td>• Advertising supplies and costs</td>
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<td>• Workers’ insurance and compensation</td>
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<tr>
<td>• Product spoilage, damage and pilfering (by employees or consumers)</td>
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</table>
Direct marketers must be familiar with and comply with state and federal food laws. In Wisconsin, the Department of Agriculture, Trade and Consumer Protection (DATCP) is responsible for administering laws concerning food production and protection, weights and measures, packaging and labeling, and food advertising and trade practices.

Wisconsin's Food Law, Chapter 97, states that only safe and wholesome food can be offered for sale. It is illegal to manufacture, prepare for sale, store or sell food unless the food is protected from dust, insects and any other unclean, unhealthy or unsanitary condition. To prevent contamination, equipment need not be elaborate, but it must be suitable for the type of product being sold.

**Obtain necessary permits**

Wisconsin direct marketers do not need a special license to sell non-processed food products, like melons or apples. However, if the melons are sliced or the apples are caramelized, a special food processor's license is required.

No license is needed to sell honey, apple cider or maple syrup, but a license is required to sell bakery items, jams and jellies, salad starters, vegetable medleys, trail mixes or other food mixes and blends, because these items are not in their natural form.

You don't need a sales tax number and sellers permit from the Wisconsin Department of Revenue if you sell only farm produce, but you do if you sell other taxable items.

State requirements that affect direct marketers may include inspection of sales or processing facilities, review of labels on packaged food products, and the collection of food samples to be analyzed for contaminants or composition requirements. DATCP inspectors typically visit direct marketing operations if warranted by customer complaints.

For more information on necessary permits, food laws and other direct marketing regulations, contact the Wisconsin Department of Agriculture, Trade and Consumer Protection, 801 W. Badger Road, Box 8911, Madison, Wisconsin 53708, (608) 266-7184.

**Sell by weight or volume?**

The same weights and measures laws apply to direct marketers of farm produce as they do to all other retailers. Scales must meet standards for commercial scales set by the National Bureau of Standards. It is not unusual for a DATCP inspector or city inspector to find and impound a non-commercial scale. If a commodity is weighed at the time of sale, the scale's indicator must be visible to the consumer.

The law in all states is that liquid commodities shall be sold by liquid measure and non-liquid commodities shall be sold by weight. The law permits other methods of sale only where the method is in general use and does not deceive the consumer. One exception is eggs. They are sold by both count and size. Closed containers of apples must comply with the USDA grade standards, which must be stated on the container.

Chapter Ag. 54 of Wisconsin's administrative code provides rules for selling fresh fruits and vegetables. Some, like apples, corn and cantaloupe can be sold by weight or count, while others, like asparagus, beans and potatoes must be sold only by weight.

If an item is packaged before sale it must be labeled according to the requirements of Chapter 53 of Wisconsin's administrative code. The label must list the name of the
food, any ingredients other than the raw product, the net weight, liquid measure or count as required, (metric translations are optional but may be helpful in targeting certain ethnic markets), the name and address of the processor, packer or distributor, a declaration of quantity and any other information required by law (such as grade and sizes for eggs). No quantity declaration is required for packages weighed at the time of sale and for clear packages of six or fewer fruits or vegetables, if the fruit or vegetable is sold by count. If all packages are of uniform weight or measure, an accompanying placard can furnish the required label information.

When a direct marketer advertises any pre-packaged food product and includes the retail price in the advertisement, the ad must list the package contents by weight or volume or state the price per measurement unit (such as $1.25 per pound).

For more information, contact DATCP’s weights and measures division at (608) 266-7244.
Successful direct marketers think like consumers and adapt production and products to consumers’ wants. These marketers judiciously invest time, money and creativity in pricing, advertising, displaying and packaging their products in the best possible light.

**Pricing**

Pricing is based on both production costs and the marketing environment. It is one of the most difficult challenges direct marketers face.

Direct marketing allows greater flexibility for pricing than most other farm product markets. While competitive price levels are important, try to start with a percentage markup above your documented costs and keep your prices between wholesale and retail.

Your total production costs (fixed and variable) determine the lowest price at which you should sell your product, before taking into consideration other marketing factors, like competition and product demand. Check with non-competing direct marketing operations to estimate how much product you can reasonably expect to move in one month, and to make sure you are producing enough product to meet potential demand. Then, divide your monthly production costs by total pounds of produce expected to sell in a month to best determine your lowest price per pound. Adjust prices for specific items up or down, but make sure your average price per pound will still cover production costs.

**Adjust prices cautiously**

After setting base prices for individual items, adjust prices based on nearby grocery stores and competing direct marketers. (Your net adjustment will need to be an increase over your initial base price per pound, otherwise you need to decrease costs to make a profit.) Many direct marketers can sell bulk items at 15 percent lower than grocer’s retail prices. Few direct marketers sell at 30 percent higher than the competition, unless their quality is exceptional or they offer other consumer incentives. Whatever you do, don’t undercut your competitors just to get more business. And don’t specifically advertise that your prices are less than your closest competitor’s. This could result in a price war and you could price each other out of business.

Keep track of your monthly income and expenses to quickly assess whether you need to modify your operations to show a profit. Making financial decisions off the cuff and ignoring market influences can kill your fledgling business.

**Pricing considerations**

- **Studies show consumers care about quality (freshness, flavor, color) more than price, but still expect lower prices for directly marketed produce than from retail produce.**
- **Listen to your customers and evaluate their comments and complaints. Your prices may be too low if you have no complaints or if you are selling out too early.**
- **Price according to product desirability and availability to the consumer. If everyone else is selling sweet corn in your area, you may have to charge less for it.**
- **Are your buyers likely to switch suppliers based on small price differences? If so, develop consumer loyalty through friendliness and helpfulness. Offer special services, like a “freebie” card good for a free pound of produce with every 20 pounds purchased.**
- **Set prices at the beginning of the season and stick to them. Customers who expect to pay the same price for snap beans all season may be unpleasantly surprised if**
you make them boost their bean budget. Similarly, price slashing toward the end of the market period creates customers who will expect reduced prices in the future.

Even if competition is low now, do some investigating. Do current market trends indicate that new producers may enter your market and compete with you? If so, build customer loyalty based on things other than price.

Emphasize your product’s uniqueness over price. Sell variations on common items—like miniature carrots or specialty beans. Try growing fresh herbs, Asian vegetables or edible flowers, like colorful nasturtium. Offer recipes to make products more desirable. Advertise apples that were “fresh-picked this morning,” or green peas that are “extra sweet.”

If your product has close substitutes, know what the substitutes cost. If you cultivate Christmas trees, know what people are paying for artificial trees. If you sell dried apples or other fruits as snacks, check out prices for commercially sold apple chips, fruit rolls and similar snack foods. Even different common vegetables, like corn, peas and beans can be viewed as substitutes for one another by consumers.

Among Wisconsin’s farmers’ market producers, 87% use paid advertising, with newspaper ads purchased most frequently. But good word-of-mouth advertising is what direct marketers say is the key to long-term success.

Good word-of-mouth requires satisfied customers. Since people are more likely to spread complaints about a business rather than praise, the importance of good customer relations cannot be stressed enough. Get into the habit of asking your customers how they found out about your business to gauge the effectiveness of word-of-mouth and other advertising.

Mass media

Paid advertising complements word-of-mouth advertising. Customers who hear about a business through many different sources often have a better opinion of the business even before they visit. If you purchase a newspaper classified or a more expensive display ad, include your business’s name, logo, hours and phone number in the ad. Other attention getters include examples of produce and statements of organic growing methods. Place your ad in the shoppers, newsletters and magazines your potential customers are most likely to read.

Publications should have a circulation within a 30-mile radius of your farm. Run your ad every week of the harvest season. People need constant reminders before they decide to visit a business.

Don’t forget free advertising. Ask your paper’s editor or local TV reporter to do a story about your new pick-your-own business, your unique product or an upcoming event on your farm.

Radio is effective and immediate. Call your local station to announce upcoming events. Even a rain cancellation announcement still gets your business’s name on the air. Flyers, handbills or brochures can inform customers about other services and events related to your farm. Try distributing these through area hotels and resorts, restaurants, tour information centers, and community bulletin boards.

Newsletters

Directly mailing newsletters or postcards to customers can help you keep in touch, especially if you run a home delivery business. It takes time to build a mailing list, so get into the habit of asking every customer for their name and address at the point of sale. Get addresses off checks, if you accept them. Contact clubs and organizations for memberships lists. Be prepared to pay for mailing lists.

If you do a newsletter, be creative with content. Your customers will enjoy information about crop progress, availability and price changes, as well as friendly, conversational articles about life on the farm, general topics like nutrition, and special events. One Wisconsin subscription farm’s newsletter featured an informative “Bug of the Month” column. The newsletter also spiced up the appeal of a common garden vegetable by promoting an upcoming “Zucchini Fest,” complete with a zucchini bread bake-off and “mega-zucchini log toss.”

Whether you produce a fancy printed piece or send out neat...
copies of a typed newsletter, put your customer's names in print often. I include your address and ask people to send their favorite recipes, poems, stories, suggestions and questions—anything that might interest your readers. You can also include coupons in your newsletters, or hand them out with sales at a farmer's market. Offer people product samples. Let customers know you have gift certificates. Encourage "spin-off" sales: Sell home canning supplies alongside your tomatoes, pie crusts with your cherries, whipped cream and shortcakes with your strawberries, corers and caramelizing kits with your apples, and doughnuts with your cider.

Signs

Signs are most important to roadside marketers and pick-your-own operators. They inform people of location, business hours, special promotions, seasonal products and other attractions. Develop a name and logo to distinguish your operation from other farms. Paint all your signs with the same design and colors and keep them in good repair.

Federal, state, county and township roads may have rules regarding sign size and distance from highways. Consult with highway officials before creating a sign. Sign vendors are listed in the Yellow Pages. If you make your own signs, use color, high contrast and large letters to grab the attention of motorists. Some of the easiest-read color combinations are black on yellow or orange, yellow or orange on navy blue, and green, red or navy blue on white. To be visible at 50 feet, letters should be at least 1 1/4 inches high. To be seen at 100 feet, paint them 3 1/2 inches high. For 200, 300, 400 and 500 feet, try 7, 11, 14 and 18 inches, respectively. Brush strokes should be 1/2 as wide as the letter's height.

Give people time to slow down. Cars traveling at 30 miles an hour need 3/10 of a mile to slow down safely. At 40 mph, they need 1/4 mile. Vehicles moving at 50 mph need 3/8 mile to slow down and those at 60-65 mph need 3/10 to half a mile. If they're going a lot faster than that, they probably don't have time to stop at your market.

Special promotions and events

Special events and promotions keep your business's name in the forefront and show your customers you appreciate them. Special events can include wine or cheese tours and tastings, fall cider pressings, Easter egg hunts, ethnic festivals to promote vegetables and recipes popular in other countries, and "art fairs on the farm" for selling decorated pumpkins, corn, gourds or other "country-style" crafts.

Promote special activities for children, such as spring visits to see baby animals, or a Halloween haunted house. Contact teachers to set up school field trips, then give students coupons they can use on subsequent visits with their parents. Use themes, like holiday decorations and costumes, to enhance the "country flavor" of the business.

Start a "two-year" club, where loyal customers receive a congratulatory letter and certificate for free produce. People love recognition, so put their names on a special "two-year club" poster.

Advertising, like the rest of the business, should start small. Try one or two advertising or promotional ideas at a time. It will be easier to measure each method's effectiveness and will keep you from overspending your profits.
After word-of-mouth or paid advertising attracts the customer, your overall display should further enhance the product image to the customer. To create effective displays, borrow ideas from grocery stores and other direct marketers.

Here are some tips:
- Display only the highest quality produce—restock frequently.
- Display products at convenient heights and depths so customers can easily see, touch and smell them. (The average customer is between 5'4" and 5'6" tall.)
- Alternate colors for visual appeal.
- Keep shelves no deeper than 2 feet from front to back.
- Place empty wooden containers or other supports beneath your produce to give shelves a fuller look without overstocking or bruising.
- Spread high-demand items around, to encourage shopping the entire store.
- Keep aisles at least 5 feet wide.
- Use words like garden, fresh, flavor, natural, homegrown, juicy, firm, farm, select, vine-ripened, fresh-picked, organic and orchard on your display signs if they accurately describe your produce.
- Display your products in the best possible light—low glare fluorescent lamps work well indoors, flood lights outdoors. Paint ceilings flat black or brown and use spot lighting to highlight individual displays.
- Try a mix of packaged and bulk items for visual appeal.
- Label prices clearly.
- Display product information (brochures, recipes, samples).

**BAG BIT:**
Help alleviate Wisconsin’s problem of disappearing landfill space by encouraging people to bring their own shopping bags to your business. Or, if there’s room in your promotional budget, sell reusable cloth shopping bags imprinted with your market’s name and logo.
Most successful enterprises use a combination of both prepackaged and bulk goods to fit their needs.

### Packaging advantages
- Helps maintain freshness
- Convenient way to sell small fruits and vegetables
- Can enhance product, market appearance
- Customer convenience—eliminates weighing and pricing
- Seller convenience—easier to move items around, less work at checkout
- Way to list price, seller's name and address, recipes and other information
- Less product damage

### Bulk advantages
- Consumer can choose quantity
- Consumers tend to buy more of certain items (i.e., nuts, dried fruits)
- Enhances market's "home grown" image
- Less refrigeration needed for bulk produce
- Reduced labor involved with packing
- Reduced cost for packaging supplies
Other management concerns—employees, liability and market assessment

**Hire qualified people**

Friendly, alert, well-trained salespeople and other employees can build your sales volume even more than the best advertisements or displays. Lazy, inattentive or irresponsible help can destroy your business.

You may need to hire outside your family to ensure adequate support. The more time you spend screening applicants, the better you can predict employee ability and behavior on the job. Check with your state or federal labor office for information on hiring suitable employees, employee safety guidelines, laws and reporting requirements for wages, workers compensation, payroll tax requirements and social security.

Wisconsin's Department of Industry, Labor and Human Relations can also assist you. You need to keep accurate, detailed written records on many labor management issues for both state and federal government tax purposes.

Before you hire anyone under 16, contact the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) office in your area for a list of legal farm occupations and other jobs for children under 16.

**Training and motivating tips**

- Teach your employees as much as you can about the business—its history, philosophy, products and methods—so they can answer customers' questions.
- Correct employee errors immediately or they will be harder to fix later on.
- Ask an experienced employee to train a new one.
- Explain rules of conduct and safety to help avoid lawsuits.
- Train employees to do multiple tasks. You may need more help in certain areas at certain times.
- Encourage communication, creativity and participation.
- Praise people often for their good work.
- Provide pay incentives such as raises, profit-sharing and bonuses for good service and hard work.
- Address performance problems by showing personal concern for employee's well-being, not just your profits.

**Minimize liability**

Farmers risk losing buildings, equipment, cars, trucks and other property to fire, flood, wind, theft and vandalism. More difficult to grasp than physical loss due to acts of nature or crime is personal loss due to liability. Farmers who become direct marketers increase their exposure to potential liability lawsuits.

A direct marketer's liability (responsibility) for careless acts or negligence (failure to act) that cause illness or injury to customers or employees can result in financial ruin. Liability can arise from many situations, including the following:

- Personal actions or negligence by the direct marketer, the marketer's family, and any employees.
- Trespass or injury by livestock.
- Defective machinery, equipment or other unsafe conditions on the premises.
- Defective or contaminated products, chemical residue on produce that causes illness.
- False shoplifting accusations.
- Offensive language in front of customers.
- Verbal or physical abuse or sexual harassment.

Liability insurance is inexpensive compared with the potential costs if a customer is injured on your property, whether you are at fault or not. Pick-your-own operators are especially vulnerable to law
As your direct marketing business grows, keep abreast of marketing trends. If your strawberry or sweet corn sales are dropping off, seek and promote more unique crops. Or consider adding value to your product by promoting special services such as home delivery.

You are responsible for developing your own market. You can’t rely on permanent market situations or government programs. You must constantly study your potential and evaluate the successes of other markets. Subscribe to trade publications and talk to other producers. Be willing to change your operations if the market warrants it. Seek cooperation from other growers to share equipment costs, knowledge and experience. Don’t go it alone.

Evaluate your customers needs and wants by talking to them, by displaying a suggestion box with paper and pencils, or by conducting formal surveys by mail or telephone. When asked, people are generally happy to share their feelings about a particular business. Avoid "yes" or "no" survey questions. Provoke more thoughtful responses with questions like:

- What do you dislike?
- What are your suggestions for new products and services?
- Contact your county Extension agent for additional help on customer assessment and surveys.

Prevent common complaints

Poor directions are usually the number one complaint. Include a map or clear directions to your farm or stand on all your advertising. Another common complaint is uncleanliness. Frequently ask customers if they think your operation is tidy or if they have suggestions on improving cleanliness. Misrepresentation is a frequent complaint. Don’t advertise your produce as “home-grown” unless all of it is. Don’t advertise your growing methods as “organic” if you use non-organic chemicals or fertilizers in any phase of production.

Customers also complain about mixed sizes sold together or varying degrees of ripeness sold in one package. Separate sizes and sell them at different prices. Avoid selling overripe produce. Use your judgment. Never sell unattractive food or food you would not eat yourself.

Cater to the customer

Personal selling style is very individual and direct marketers need a sense of the best approach for different customers. Certain customers value and want assistance. Others do not. Either way, you must be pleasant, courteous and informed.

You and your staff must value and cater to the customer. Even if your products and services are tops, family members and hired employees with inattentive or bad attitudes will discourage purchases and repeat business—the life blood of any successful direct marketing operation.

Employees should be able to answer most questions or be able to obtain answers for customers. A response of “I don’t know” may be translated by the customers as, “I don’t care,” and the sale may be lost to a competitor. Everyone involved in your business must show your customers that they are valued and appreciated. Your business depends on it.

Assess your market

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Sources of help

**County Extension offices**

County Extension agents provide educational program assistance in production of farm products and farm business management and marketing. As a business, direct marketing requires knowledge of record keeping, budgets and financial management. Crop and livestock budgets are essential along with consideration of market potential for the product. Computer programs can help estimate production costs for vegetables, fruits, and alternative crops. The Extension faculty team frequently includes agents working in economic and community development. Business development assistance includes feasibility seminars for entrepreneurs, marketing help and individual business counseling. The County Extension office is the local entry point to the University of Wisconsin System faculty resources. Anyone considering alternative enterprises and markets is encouraged to access these resources. Offices are located in each of Wisconsin’s 72 counties. Look in your telephone book’s blue county government pages.

**Technical and adult education**

The vocational, technical and adult education college districts in Wisconsin offer one and two year agricultural curriculum. A six-year, 18-credit farm business and production management program is available to producers who want to continue their education. Each district also offers workshops and seminars on topics such as sales effectiveness training, taxes and small business, and starting and managing a business. Call the technical college in your area for more information.

**Other direct marketers**

Direct marketers are generally willing to share business ideas that work and also those that have failed. The majority welcome potential direct marketers, particularly those outside their own marketing area, to meet with them and discuss mutual interests. A fellowship and information network of direct marketers from across the United States has developed between people who attend the National Farmers’ Direct Marketing Conference every January. Call John Cottingham at (608) 342-1392 for more information about the conference and network.

**Supporting services**

As producers consider or expand direct marketing, the need for production, marketing, finance and management expertise increases. As with all business, supporting services are important to success and survival. These services include accounting, tax, insurance and legal services, management consultants, and friends who run small businesses. Helpful government departments include the Wisconsin Department of Agriculture, Trade and Consumer Protection, the Wisconsin Employment Relations Department, the Wisconsin Department of Revenue and the Wisconsin Department of Industry, Labor and Human Relations. These state and local government offices are listed in your telephone book. Also try your local library for books and trade publications. Consult other marketer’s catalogs and brochures, as well as the references listed here.
References

Periodicals

American Fruit Grower (monthly)
37733 Euclid Avenue
Willoughby, Ohio 44094-5992

American Vegetable Grower (monthly)
37733 Euclid Avenue
Willoughby, Ohio 44094-5992

Direct Marketing Newsletter (6 per year)
Cooperative Extension Programs
University of Wisconsin-Extension
University of Wisconsin-Platteville
Platteville, WI 53818-3099
(Back issues are also available)

Fruit and Tree Nuts (3 per year, plus yearbook)
Situation and Outlook Report
P.O. Box 1608
Rockville, MD 20849-1608

Vegetables and Specialties (twice per year, plus yearbook)
Situation and Outlook Report
P.O. Box 1608
Rockville, MD 20849-1608

Books and bulletins

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7 Cornell Business and Technology Park
Ithaca, NY 14850

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10B Agriculture Hall
East Lansing, MI 48824-1039

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Dixon Springs Agricultural Center
Rte. 1, Box 256
Simpson, IL 62985

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69 University Hall
1301 West Gregory Drive
Urbana, IL 61801

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Pennsylvania State University
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University Park
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1991, Van Nostrand Reinhold New York, NY 10003

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7 Cornell Business and Technology Park
Ithaca, NY 14850

Sell What you Sow!
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3701 Clair Drive
Carmichael, CA 95608

Successful Roadside Marketing: A Manager’s Manual
Beech, R.,
1976, Cooperative Extension Service
Michigan State University Bulletin Office
10B Agriculture Hall
East Lansing, MI 48824-1039

Organizations

Madison Area Community Supported Agriculture Coalition
324 Norris Court #11
Madison, WI 53703

Wisconsin Fresh Vegetable Growers Association
Karen Upper
8454 Hwy 19
Cross Plains, WI 53528

Wisconsin Organic Crop Improvement Association
C/O Dave Engel
Box 52
Viroqua, WI 54665

Wisconsin Organic Growers Association
C/O Fay Jones
Rte. 1, Box 160
Spring Valley, WI 54767

Wisconsin Apple Growers Association
850 Tipperary Road
Oregon, WI 53575

Wisconsin Berry Growers Association
S 8170 Kassner Drive #26
Merrimac, WI 53561