How Do I Sell My Food Product?

A successful food business requires experience in raising a quality crop and in knowing how to sell the product. Marketing food products usually is not as easy or doesn’t come as natural to producers as growing the product does, however, marketing should have just as much or more emphasis than growing the product. The very first step in any grower’s mind should be the marketing process. Farmers must be marketers first, prior to even deciding what to grow.

Because of seasonality, freshness, quality and the perishable nature of the fruit and vegetable products, having a commitment from a buyer at the beginning of season is a necessity, unless your product goes directly into a processing or preservation mode. Knowing your market destination and getting the product to that market immediately is of utmost importance.

What types of marketing avenues are other producers using and what are the barriers and the opportunities associated with these various channels of distribution? How are marketing decisions made? What is the process used to determine which market you will sell into? Do I need a formal and written marketing plan? These are all questions that should be asked and addressed early in the formation of a business enterprise. These should also be revisited and updated as one fact is a constant: markets evolve and change on a regular basis.

Fruit and vegetable producers are participating in Community Supported Agriculture systems, farmers’ markets, U-pick operations, road-side or on-farm stands, direct to retailers, direct to restaurants, direct to institutions and food service providers, marketing on the Internet, food cooperatives, or direct to wholesalers, for instance.

Some questions to ask when determining which market you want to sell into are:

- Who are my customers?
- What is my profit potential?
- Am I set up facility-wise to meet that market?
- Do I have adequate resources to deliver into that market?
- Who will pay me the most for my product?
- Are the costs of getting into that market feasible?
- What can I do to improve my profitability given my business goals?
- Do I want to be the marketing CEO or the production CEO?
- How does this market fit into my personal preferences?
- How much processing do I want to do to sell into that market?
- What are the regulations and laws regarding selling into that market?

Grow What They Want; How They Want It

Growers must understand today’s consumers. It is important to know the demographics and what products they want. Research is vital at the front end when determining your product mix. Knowing what to grow and how much to grow should be determined with collection of information on things such as consumer trends, past history of your market, changing factors in the marketplace, competition, and many other issues.
**Direct Marketing**

Direct marketing involves selling products directly to the consumer in order to allow the producer the possibility of receiving a higher price. This usually involves three critical steps:

- making a direct connection to consumers;
- determining the consumer wants or needs; and
- offering products that meet those needs.

Direct Marketing may take many forms and usually includes a combination of techniques, such as selling to farmers markets, door-to-door sales, Internet marketing, direct sale to restaurants or institutions, and so on.

From “Direct Marketing as a Value-Added Opportunity for Agriculture” publication # AE-8-01, by Ohio State University (Ellerman, McFeeters, & Fox), accessed online at: [http://ohioline.osu.edu/ae-fact/0008.html](http://ohioline.osu.edu/ae-fact/0008.html) 09/08.

The above chart helps to illustrate the difference in the various marketing channels producers have available to them when considering direct marketing. Direct marketing requires that producers change the normal marketing focus to the market they are selling into rather than the focus of producing a commodity.
Direct Marketing Options for Farmers is a 4-page publication from the University of Wisconsin Extension that helps outline characteristics of the agricultural markets for fruits, vegetables and specialty crops.

Before beginning to analyze which direct marketing channel you will be targeting for your food products, producers should completely understand their costs and their expenses associated with not only growing the food product (production), but also, the cost of marketing associated with each distribution channel.

It is also important to fit the market to your operation. For instance, do you have cold storage or the availability of a vehicle to handle produce deliveries? Is the size and the scale something you can handle with your labor capabilities? If not, can you find good help?

As you examine your operation, you will also need to examine your personal preferences. If you do not enjoy working directly with the public, make sure you have someone in your operation that does. Examine your human resources within your operation. Evaluate personal traits to see if they match the types of activities that are required with various market channels.

Have you examined your costs of production? Do you know exactly what it costs you to produce each and every individual crop? The costs invested in the product need to be known before you can set your price. To help determine the cost of production, a useful tool is an enterprise budgets. There are many tools available through Extension that help give direction in calculating your costs of production.

External Links

- Guide to Working with a Food Market Professional is a good publication to review if you are considering hiring a consultant or a professional in the food market.
- ATTRA developed a good overview of selling into various products with their Market Gardening Start-Up Guide that can be downloaded in PDF or HTML versions. The guide examines various alternatives to use in market gardening and gives advantages and disadvantages to consider as well as good suggestions from “Direct Marketing as a Value-Added Opportunity for Agriculture” publication # AE-8-01, by Ohio State University (Ellerman, McFeeters, & Fox).

Resources and Links

- Enterprise Budgeting provides links to information and tools to use to calculate your production costs.
- The Iowa Produce Market Potential Calculator is a Leopold Center for Sustainable Agriculture tool that was designed to help users determine expanding market potential for produce.
- Transaction Cost Case Studies for Six Iowa Food Producers examines the transactions costs for various types of Iowa food producers.
U-Pick Direct Marketing

U-picks save labor for the producer, but increase farm traffic and also increase farm liability. Attracting customers to your location is a consideration and your farm needs to also be kept looking at its best. If you live in a hard to access area, signage is a must, but you might want to consider another marketing alternative if your location is not the best. Agritourism is a growing industry as consumers seek the experiences similarly found on the farm, either because of the natural, rural setting, or because it is nostalgic, something they remember having experienced in their childhood. Consumers also are increasingly interested in how the food is being grown.

For U-pick operations some logistics considerations for the farm to take into consideration are parking, traffic flow, ease of getting to the fields where the product is being grown, walk-ways or paths that are suitable for various weather conditions, on-farm directional signs and product labels. Helping the consumer get to the field easily and with less assistance and direction from the farm owners or employees is helpful and less disruptive for farm operations.

Packaging and storage of packaging materials in a location that is easily accessible will help make for a seamless consumer experience, so plan ahead on signage, placement, and access to additional packaging items. Several small wagons could be used to help the consumer carry their products back to their vehicles. Think about putting logos or the name of the farm on the wagons; always think about getting your message to consumers. The upkeep and maintenance of all U-pick items should be a high priority. Keeping carts clean, painted nicely and in good working order will assist in conveying the best marketing message.

A guide to help you start your own “Pick-Your-Own” operation can be found at: www.pickyourown.org.

Research the characteristics of your customers. According to the University of Wisconsin, the typical Pick-Your-Own Customer has the following characteristics:

- **Age**: One-fourth are over 62, and 43% are 26-45
- **Education**: Nearly 60% are educated beyond high school, with one-third being college graduates.
- **Income**: Two-thirds have annual household incomes over $25,000, and one-fifth has incomes over $50,000.
- **Spend at the PYO**: One-third spends between $5 and $10 per visit. One-fourth spends less than $5. One in 10 purchase $20 or more per visit.
- **Found the farm by**: Over half learned of the market through word-of-mouth
- **Far far to go**: Eighty percent traveled less than 40 miles to get to the farm.
- **Want organic**: Nearly half are concerned about the use of agricultural chemicals
Direct Delivery Marketing

Providing direct delivery to customers is a service that can set that business apart from the competition. However, additional costs associated with labor and transportation can eat away at the premium that consumers may be willing to pay for the convenience. Likewise, scheduling deliveries to families who are on the go and gone from home a lot could create scheduling difficulties. A route system has proven successful in the past for companies that deliver food products or other services to the customer’s home or place of business. Convenience is a major consideration for the time-strapped consumer and delivery service might be worth the additional costs to that customer.

Some customers, such as institutions and restaurants, may expect delivery. Those costs of doing business should be considered when examining various markets to tap into.

“To Your Customer’s Door: Direct Delivery” provides advice on how to manage a successful delivery business. (http://www.mosesorganic.org/attachments/productioninfo/uwdelivery.pdf)

Community Supported Agriculture (CSA)

A Community Supported Agriculture business format, commonly called a CSA for short, is a system of growing food for a set group of customers, who invest in the grower via a subscription service. The customers pay a set price for a pre-determined amount of regular produce, which varies with the season. Subscribers usually pay up-front costs for the service and often will either pick up the produce or have the produce delivered via a regular route or a pre-determined pick up point.

A CSA is good for cash flow and for security, as buyers “contract” up-front so the market is solid for the year’s production season.

Contacts

- “What is Community Supported Agriculture?” explains how a CSA works and provides a number of factors to consider before starting your own CSA.
- The Alternative Farming Systems Information Center at the USDA National Agricultural Library is a good source of publications and information on locating a CSA, setting up a CSA, or selling at a CSA.
- Local Harvest provides listings for over 2,300 CSA’s in the United States. This is a good way to find what others are doing with their CSA and to also market a CSA.

Resources and Links

- Community Supported Agriculture (CSA) in the Midwest United States: A regional characterization. Ames, IA: Leopold Center for Sustainable Agriculture., 2005
Farmers' Market Marketing

Farmers’ markets are growing in popularity in the U.S., up from 1,755 markets in the country in 1994 to nearly 4,700 in 2008. Farmers markets provide consumers with a face to face experience and fresher produce.

Taking your products to farmers’ markets is probably one of the most well-known ways that producers utilize in selling their fruits, vegetables and other products. To sell at farmers’ markets, you will need to understand if the market attracts enough consumers to handle your production level, and if the numbers of producers who attend that market are already meeting that consumer demand. If you go into an established market, that has a track record of large attendance, you have a greater chance of selling the products you take to market.

All farmers markets are regulated by the state as to what they can sell and how. All farmers markets must be approved by the State Department of Agriculture and they have to follow the state guidelines. But, they can create other guidelines that don’t contradict the state guidelines.

Regulations for farmers markets exist at every market, but they vary a little by locality. To understand what those differences are, you should seek out the Coordinator or Market Master for that particular market. They will have specific rules and guidelines that are provided for each market. Most markets require that you are local, for whatever region they have identified (by county and maybe including adjoining counties, or maybe anyone can participate), but you will need to get the rules of that specific market.

The Iowa Department of Agriculture and Land Stewardship’s Horticulture and Farmers Market Bureau has a web page that provides links to information that are helpful.

A specific resource for farmers’ market vendors in Iowa is on that web site at the “Vendor Resource Information” link. For instance, if you are interested in selling meat or poultry products at a farmers market, you would need to know that all licensing and/or processing regulations must be met and information is provided regarding the sale of each type of product, and who to contact for more information, or who regulates that product.

An example of the type of specific information (on meat and poultry in this example) on that IDALS site is provided here:

**Meat & Poultry**
Meat and poultry can be sold at an Iowa farmers market. The vendor is responsible for all licenses necessary to process the product and all licenses necessary to take the product to market to sell. Two agencies are involved.

**For processing contact:**
Meat and Poultry Inspection Bureau, Iowa Department of Agriculture and Land Stewardship

**For licensing to take the product to market to sell contact:**
Bureau of Food & Consumer Safety, Iowa Department of Inspections and Appeals
To sell at any farmers markets, you must follow the regulations of the state and the guidelines of that specific market. You have to have insurance and you have to be approved as a vendor. You generally have some sort of vendor fees to participate in farmers markets.

**Resources and Links**

- Various state and federal programs provide benefits directly for consumer use at the farmers market only. The [Farmers Market Nutrition Program](https://www.fns.usda.gov/fmnp) (FMNP) includes WIC (Women, Infant and Children benefits) FMNP and the Senior FMNP.
- You should investigate the [Food Assistance Program](https://www.fns.usda.gov/foodstamp) (formerly known as the Food Stamp program), and explore the Electronic Benefits Transfer wireless project that has been used in many of the farmers markets in the state. The Electronic Benefits Transfer wireless project utilizes cellular technology to process credit, debit and food assistance purchases.
- Be sure you explore and get to know all the regulations surrounding marketing food products in various channels, prior to selling in those avenues. Assistance can be obtained from several sources. Another good source is the [Agricultural Marketing Resource Center](https://www.ams.usda.gov).
- The USDA has good resources on farmers markets at their [Agricultural Marketing Services](https://www.ams.usda.gov) page.
- Also, the USDA Economic Research Service has conducted research in farmers markets and specifically about selling at farmers markets for the niche markets. The publication [“Organic Produce, Price Premiums, and Eco-Labeling in U.S. Farmers Markets”](https://www.ams.usda.gov) provides a look at the potential and status of those market niches at farmers markets across the U.S.
- [“Farmers Market Success”](https://www.ams.usda.gov) is an article that provides some marketing tips for farmers markets and [“Techniques to Improve Your Success”](https://www.ams.usda.gov) is a follow-up article with some valuable marketing tips.
Restaurant Sales and Marketing

Chefs and cooks are interested in sourcing quality local food ingredients. However, they often don’t have the time or want to deal with more than one supplier. Sourcing food from local growers is a popular trend, and chefs are looking for ways to get fresh, quality food products that they can advertise as being local.

Often times growers have inflated ideals about selling to restaurants, feeling they can garner premiums for their products. There are other considerations such as delivery, the time involved with taking orders and visiting with the chef regarding quantities and varieties of the food products.

Resources and Links

- Selling Directly to Restaurants is a University of Wisconsin Extension publication about selling to restaurants.
- Economic Viability of Local Food Marketing for Restaurant Operations and Growers/Producers in Iowa is a Leopold Center for Sustainable Agriculture funded project report that provides marketing information related to selling to restaurants.

Wholesale Marketing

Food wholesaling, according to the U.S. Department of Agriculture, consists of that part of food marketing in which goods are assembled, stored, and transported to customers, including retailers, foodservice operators, wholesalers, government, and other types of businesses. Wholesale markets for farmers could be the grocery store, the foodservice operators of an institution or a hospital, for instance, or to a distributor or a broker.

Wholesale markets have different needs and requirements.

1. They generally require higher quantities of product than other markets, and require more planning, negotiating and specificity.
2. A consistent product is extremely important.
3. Packaging and transportation are important considerations when dealing with wholesale markets, as is having a reliable, steady source of product.
4. With seasonality of products in the food production business, working directly with the chef or the foodservice buyer can help determine quantities and delivery schedules.
5. A contingency plan is important when dealing with wholesalers because issues such as crop failures or weather factors need to be addressed prior to the growing season.

There are brokers and agents who will market your products for a fee. Also, there are specialty distributors, those that sell into specific markets, such as natural or gourmet retailers.
Additionally, a produce auction may be an alternative for marketing larger quantities of products. There are several produce auctions around the country that move more product, but generally for a lower profit margin per unit.

Internet sales are also a way to sell products directly to the consumer. Getting product to the buyer can be problematic; however, as the Internet reaches a worldwide audience and shipping perishable products long distances could present several quality concerns.

Institutions and Schools are one form of the foodservice industry that is worth examining. The foodservice industry is growing and is a $1.02 trillion food buyer. More and more people are buying food prepared away from home and eating fewer meals prepared at home. Fast food is the most rapidly expanding segment of the food away from home market, with fast food now available at more nontraditional locations, such as inside big box department stores and in airports and colleges, for instance.

With a struggling economy, changes in consumer eating and food preparation might cause more at-home food consumption, but as fewer people are experienced at cooking, the art of preparing a home cooked meal is becoming a lost art. If food is prepared at home, it is often from frozen or pre-processed state. Cooking food from “scratch” or from the raw form is something that lower-income households are especially doing less. Providing low cost, healthy alternatives for people on fixed incomes and for those on food subsidy programs is a concern for federal agencies and those working with those in poverty.

**Farm Stand Marketing**

Farm stands are usually located at the farm and sell fruits, vegetables, and other products produced on the farm. Farm stands can also be located at key intersections on rural roads around the state. Farm stands are a means of direct marketing to the consumer with minimal transportation costs and eliminates the middle level cost of distribution. It will, however, require additional labor costs to purchase a stand or building, stock, maintain and operate the stand.

Many states have directories of Farmers’ Markets, U-Pick farms, and local farm stands. Contact your state Department of Agriculture to find out how to get your farm, stand or products listed in their directories.

As with most businesses, location is one of the most important factors for a successful farm stand. The general public favors easy access and the ease of a shopping experience. It is also advantageous to attract spontaneous customers. If your farm is not located near a highway with steady traffic, seek permission from adjacent or nearby property owners as temporary farm stands can be set up at convenient locations for commuters and other customers.

Other things to consider when operating a farm stand are:
1. Proper presentation of products. Shoppers receive a positive impression if products are top quality, clean, and tastefully displayed. Remember that high-quality products are the strength of on-farm markets and farm stands.
2. Prices should be clearly marked on or near the display.
3. Restock displays frequently and remove damaged or unsellable products promptly.
4. Reliability and consistency. Once you have built up a returning customer base, it is important to maintain regular hours of operation.
5. Have friendly, informed and courteous employees. Your employees should be able to answer customer questions regarding the products being sold. Friendly sales clerks create a favorable shopping experience that will likely result in a return visit.

More information and helpful suggestions to operate a successful farm stand.

Other Direct Marketing Opportunities

Catering
Additional opportunities to market your food products exist with starting your own food-related business. Catering is an opportunity that exists for someone with excellent cooking and management skills. The catering business requires a consistent, high quality product, labor to prepare and deliver the meals, skill and expertise to manage and run a food preparation kitchen, a sales effort to find accounts, and someone to do the ongoing marketing. For more on catering as a business opportunity, see Catering Events and Festivals.

For more information on setting up a successful catering business, the Agricultural Marketing Resource Center has several articles on the topic.

Bed and Breakfast
One opportunity that might be a fit for quality farm food products is to couple the food with an experience. The Bed and Breakfast concept is one that might be a fit for your farm, but the idea should be carefully examined to determine what impacts visitors to the farm would have on the farming operation. Farm businesses with a unique rural setting that are close to metropolitan areas have the most opportunity for success.

Specialty Food Business
Specialty food products are foods, beverages, or confections meant for human use that are of the highest grade, style and/or quality in their category. Their specialty nature derives from a combination of some or all of the following qualities:

- uniqueness
- exotic origin
- particular processing design
- limited supply
- unusual application or extraordinary packaging or channel of distribution
- high quality
For more information on the specialty food business, see the Agricultural Marketing Resource Center’s specialty food businesses links.

**Agritourism**
Most of the direct marketing opportunities discussed in this guide have some component of agritourism. Agritourism is a specific kind of rural tourism that is a business conducted by a farmer on their working, agricultural, horticultural or agribusiness operation for the enjoyment and education of visitors. Agritourism is intended to generate income for the producer and to focus on the sales of food products and the farm experience related to that food product. Agritourism is an effective method of connecting the food with the farmer and puts a face on the food product. Visitors and consumers of agritourism have a greater sense of place, an understanding of how the food was raised, and a connection to the farm. A sense of ownership is often created as those who buy food directly from the farm often refer to the farmer as “my farmer”. Creating a positive, emotional connection to the consumer helps establish long term markets and consumers.

For a checklist on marketing agritourism, see Agritourism Marketing.

If you are considering an agritourism operation, visit enterprises that are similar to your ideas and explore the ramifications, barriers, opportunities and regulations associated with bringing visitors onto your farm property. Liability is a key consideration and one that you should seek legal advice when pursuing.

For agritourism enterprises in Iowa, be sure to register your farm at the Visit Iowa Farms agritourism web site.