



# **MARKETING STRATEGIES FOR SMALL FARMS**

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## **1. Introduction**

Developing marketing strategies as alternatives for small farmers is more needed than ever in the twenty-first century. New marketing outlets and alternatives could help small farmers alleviate tremendous pressure they face in an environment of growing giant firms, mergers and acquisitions. These new marketing strategies could take the forms of direct markets, agricultural cooperatives, contracting, auction, wholesale, features markets, mail order and Internet marketing (Tubene and Hanson, 1999).

Many changes that have occurred in the last decade in the U.S. agricultural markets have literally revolutionized the U.S. food industry as a whole. Many interrelated factors have driven these changes, including technological innovation, increasing ethnic diversity, health consciousness, expanded advertising programs, prices, consumer incomes, new products and convenience (Schluter, et al., 1998).

Consumers' tastes and preferences drive the nation's food and fiber system. Therefore, the ultimate task of the food marketing system is to deliver the food utilities consumers desire. As discussed by Barkema (1993), a key job of the food market is to ensure that food products are accurately targeted at market niches regardless of their size.

These materials are intended to offer a better understanding and broad-based marketing tools that might help you make a better-informed decision and boost therefore, your profits and stewardship. We start with a marketing plan discussion. We, then, examine diverse marketing strategies available to small farmers, and ends with final thoughts on agricultural marketing strategies.

## **2. Marketing Plan**

### ***2.1 Creating a Business Plan***

Marketing plan is just a component of a business plan. A full business plan comprises five main elements: (1) business description, (2) marketing plan, (3) production plan, (4) human resources description, and (5) financial plan.

SAN (1999) defines a business plan is a kind of road map. A business plan sets objectives and priorities, providing a format for regular review and corrections. Useful business plans contain concrete programs in order to achieve specific and measurable objectives, assign tasks to appropriate people, and set milestones and deadlines for tracking implementation.

Bear in mind that Holistic Management begins with the assumption that every plan is "wrong." This is true when you consider future weather, uncertain markets and other unpredictable factors. Managers engage in a repeating cycle of planning, monitoring and re-planning that adjusts the course of business as circumstances change. The business plan must show ways to pay back any necessary loans and alternative plans

with or without outside financing. Many software packages are available and can help write business and marketing plans.

## ***2.2 Developing a Marketing Plan***

It is obvious that the first step to writing a business plan is “Business Description.” Business description begins with a mission statement that addresses why your business should exist, who your customers will be, and how the business will benefit them.

Before implementing step 3 of the business plan (i.e., Production Plan), Marketing Plan must be known. Three questions often asked are: (1) what to produce, (2) how to produce, and (3) for whom to produce? This implies that before even deciding to produce, the question for whom to produce must first be answered. That is, market niches must have been identified. What to produce question is therefore, a satisfaction of the targeted marketing niches or simply a satisfaction of the market demand. As discussed by SAN (1999), failure to judge the true demand for a product is a common cause of failure in many business ventures.

New areas of marketing plan that needs careful attention include direct marketing (i.e., agri-tourism, mail order, and Internet marketing) and specialty products (organic, herb and ethnic markets). Marketing plan therefore consists of targeting specific markets and developing marketing strategies accordingly in order to access these markets.

Maryland Cooperative Extension along with other State and Federal agencies can be an excellent resource for needed information. An appendix of available resources is attached to this course.

## **3. Marketing Strategies**

The competitive world in which small farms operate coupled with the development of giant firms in the agricultural industry have created an uncertain environment for small farms.

Farmers in very remote areas have to be more creative than counterparts located near larger centers, where they have a variety of opportunities to connect with consumers (SAN, 1999).

Small farmers’ creativity may include options such as diversification, value-added products, cooperatives, wholesale produce auctions, mail order, and Internet marketing.

### ***3.1 Direct Markets***

Direct marketing strategies are numerous and varied. Before beginning to sell direct, one has to identify markets with special needs that offer large enough volumes to provide profitable returns (SAN, 1999).

### Farmers' Markets

- Successful markets are located in busy or central places and are well publicized.
- The more farmers and farm products at the market, the more customers.
- A good manager is necessary to promote the market and enforce its rules.
- Make sure you don't run out of produce to sell to late-arriving customers.
- Colorful, layered displays of your products are enhanced by signs, packaging, even the clothes you wear.
- A diversity of produce displayed in an attractive manner will attract customers.
- Price in round numbers speeds sales and eliminates problems of making change.
- Be as friendly as possible.
- Do not deliberately undersell your fellow farmers.
- Get feedback from your customers. You can learn a lot about what they find desirable and what to grow next season.
- Selling at a farmers market may provide contacts for other sales, such as special orders or subscriptions.

### Pick-Your-Own

- Have a phone with an answering machine that gives prices, conditions and operating hours.
- Maintain evening and weekend hours.
- Create a pleasant and educational setting for families with small children.
- Provide ample parking, good roads and clean trails.
- Supply containers, even if customers are told to bring their own.
- Display clear signs indicating rules, prices, and hours.

### Farm Stands, and Roadside Markets

- From building materials to permits, establishing a stand can be expensive.
- Stands are sometimes most successful when they feature only one or two high-demand items such as fresh-picked sweet corn or early watermelons.
- Location is very important: busy roadways and/or well-trafficked areas are essential. High speed roads without traffic lights should be avoided.
- Contact MDA to find out whether you can set up a stand along state roads.
- Provide adequate tourism signs.

### Entertainment Farming and Agri-Tourism

- Agri-tourism ends farmer isolation and offers the opportunity to make new friends and build stronger links to the community.
- Some disadvantages could include interference with main farm activities, potential low financial return and high liability risk.
- In the tourist business, you are never really off duty. Holidays likely mean a full workday. Be prepared for late-night calls.
- Social skills and a scenic, clean, attractive farm are crucial for success in agri-tourism and can overcome a location that is less than ideal.
- Call tour bus companies and your local or regional tourism and convention bureau for information on attracting tour buses to your farm.

#### Subscription Marketing and Community Supported Agriculture (CSA) Farms

- Your location: Can you find enough members? Can they drive to your farm?
- Your tolerance for hosting members on your farm.
- Your willingness to sponsor events on the farm, publish a newsletter and provide other services that customers demand.
- Your resources for distributing produce to drop-off sites or at your farm.

#### Sales to Restaurants

- Most restaurants buy in limited quantities, and sales may not justify the necessary frequent deliveries. Growers should start lining up buyers a year in advance and develop secondary outlets such as processing or selling at lower-end markets.
- Call buyers for appointments and bring samples.
- Major selling points include daily deliveries, special varieties, freshness, personal attention and a brochure describing your farm and products.
- Chefs often prefer to buy semi-prepared food, since they usually have a hard time finding affordable labor. These include pre-sliced vegetables, pre-peeled potatoes, pre-washed greens, or tomatoes and potatoes sorted according to size and variety.
- When planning your crop mix, talk with chefs and specialty buyers, who are constantly looking for something new. Many growers just plant what sold well last year, but successful restaurant sales depend on meeting the changing needs of your buyers.

#### Mail Order and Internet

- The proliferation of web sites can make navigating the Internet difficult. Make sure your customers know how to find you.
- Link your page to web sites that strive to connect farmers and consumers, such as [www.localfarm.net](http://www.localfarm.net), [www.upick.com](http://www.upick.com) and [www.smallfarms.com](http://www.smallfarms.com)
- Update your catalog or web site often with new product information and uses.

- Make sure the site is secure for credit-card users, and provide regular and toll-free telephone numbers for customers who prefer to call in orders
- Find reliable and cost-effective shippers who will deliver products on time in good condition.

### ***3.2 Wholesale Markets***

Wholesale produce markets play a vital role in providing not only service to local and regional community but also a source of income to small and medium-size farms. Wholesale produce markets can take the form of produce auctions and market arrangements such as contracts, and bulk deliveries.

The Mid-Atlantic region is an excellent produce market offering many opportunities to farmers. Local farmers do not wholesale in any sizeable quantities relative to the region's potential. The main reason for purchasing local produce is excellent quality and freshness of the produce. In contrast, wholesalers do not purchase local produce due to poor condition of produce at delivery (i.e., poor package, poor grading and inconsistency in quality) and lack of volume (Hanson and Rada, 1992).

Buyers' Suggestions to Farmers:

- Commit to quality produce
- Be knowledgeable of the product
- Provide good service (i.e., samples, list of products for sale, networking)
- Seek out own wholesale customers (develop and maintain a list of wholesalers)
- Secure contracts and meet delivery requirements

### ***3.3 Produce Auction***

Produce auctions constitute valuable market outlets farmers and non-farmers can use to buy a variety of produce and sell them at a retail level. Production auctions can also be the time of the week where farmers meet, exchange their experience and socialize adding therefore a special touch to the market to the advantage of both sellers and buyers.

Produce auctions' objective is to serve communities and provide therefore high quality produce to consumers (Tubene et al., 1999).

Successful Produce Auction Characteristics:

- Privately owned business
- Provide excellent quality, diverse, and fresh products
- Customer-oriented and easily accessible
- Available cooling facilities

Successful Farmers should:

- Be aware of grading reward
- Provide an excellent quality and fresh produce
- Take advantage of market windows by meeting early and late produce demand

### ***3.4 Cooperative Marketing***

Some direct marketers go it alone. However, many find that profitability come through working with others.

Cooperatives are classified into marketing, farm supply and service cooperatives. The USDA's Rural Business Cooperative Service (1998) reported that cooperatives' net business volume was \$104.7 billion in 1998. In the same year, there were 3,651 cooperatives (with 1,863 marketing; 1,347 farm supply; and nearly 441 service cooperatives) and 2.4 million memberships in the U.S.

#### Tips for Cooperative

- Consider a marketing club, an informal cooperative that relies on using member marketing skills. Many extension offices offer training programs and assistance in setting up marketing clubs.
- Join a nonprofit farmer network group to share ideas and inspiration.
- Adequate market research and business planning are keys to successful cooperative marketing. It pays to research well ahead of time. Factors such as inadequate market demand and undercapitalization are danger signs for a cooperative.
- The club or cooperative should be made up of members who have common goals. Member commitment is crucial for success. Members have to be able to give up a little individuality to work together.

### ***3.5 Specialty Markets***

The most commonly recognized specialty market niches nowadays include herb, organic, and ethnic food markets.

While herb and organic food are widely grown in the Mid-Atlantic region, ethnic products still need to be advertised in the region. Urban ethnic markets present a significant opportunity for both farmers and consumers and constitute therefore an excellent sustainable marketing alternative for the Mid-Atlantic region. Characterized by a strong ethnic diversity, the Baltimore-Washington region is suitable for ethnic produce markets.

Ethnic produce markets cover a broad range of products including oriental, African, and Caribbean products. Bridging the cultural gap between consumers and producers is the key to the success of ethnic markets.

## What Farmers Can Do:

- Acknowledge the existence of ethnic produce markets as an additional source of income
- Get the latest information on potential buyers of ethnic products from MCE
- Have a commitment from potential buyers
- Work contracts for future production and delivery requirements through cooperatives for a coordinated production effort

## **4. Diversification as the Key to Success**

Most farmers use a combination of marketing methods. Research indicates that in marketing as well as in production, diversification helps provide stability and sustainability (SAN, 1999).

Providing alternative marketing strategies as well as risk management tools to small farmers through diversification may be the key to revitalizing communities and ensuring higher returns to farmers. Diversification can be not only a risk management tool but also a technique used to protect natural resources and spur therefore communities' economic development. Marketing alternative crops often creates local opportunities to process, package and/or sell new products.

Developing diversified marketing strategies can be time consuming. Yet, a combination of direct marketing, wholesale, cooperative and specialty marketing turn out to be rewarding.

## **5. Concluding Remarks**

The need for developing marketing strategies for small farmers is obvious given the marketing environment in which small farmers operate.

It all starts with a business plan, which includes four components: business description, marketing plan, production plan, human resources description and financial plan. While the business plan sets objectives and priorities with concrete programs to be achieved, the marketing plan (second component of a business plan) is a strategy for meeting the market demand. A typical farmer would ask him(her)self three fundamental questions: (1) what to produce, (2) how to produce it, and (3) for whom to produce. Failure to judge the true demand for a product is a common cause of failure in many business ventures.

Marketing strategies farmers might use to sell their products include direct markets (i.e., farmers' markets, pick-your-own, farm stands, roadside markets, on-farm sales, agri-tourism, subscription marketing, sales to restaurants, mail order and Internet sales), wholesale and produce auction markets, cooperatives and specialty markets (i.e.,

herb, organic, and ethnic produce markets). Very often, a combination of these marketing strategies known as diversification, has proven to be profitable and sustainable.

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## **7. Study Questions**

### ***I. Marketing Plan***

- 1.1 Which of the following is a component of a business plan?
  - a. business description
  - b. marketing plan
  - c. production plan
  - d. human resources description
  - e. financial plan
  - f. all of the above
- 1.2 It is generally assumed that every business plan is “wrong.” True or false? Explain.
- 1.3 Why marketing plan is an important element of the business plan?

### ***II. Direct Markets***

- 2.1 Farmers in remote areas have to be more creative than their counterparts located near larger cities. True or false? Explain.
- 2.2 Marketing Strategies of your Choice
  - (a) Give 2 types of direct marketing strategies (i.e., farmers’ markets, pick-your-own, farm stands, roadside markets, on-farm sales, agri-tourism, subscription marketing, sales to restaurants, mail order and Internet sales) you currently use at your farm.
  - (b) Are you fully satisfied with these two strategies?
  - (c) Suggest two more strategies you may want to consider at your farm in the near future and why?
  - (d) Suggest two strategies you would never implement at your farm and why not?

### ***III. Wholesale and Produce Auction Markets***

- 3.1 The Mid-Atlantic region is an excellent produce market offering many opportunities to farmers. As a farmer, what could wholesalers do to help you succeed in the wholesale business?
- 3.2 What could produce auctions do too help you increase your profit?
- 3.3 What would you do to be successful when doing business with wholesale produce markets?

#### ***IV. Cooperative Marketing***

4.1 Cooperatives are known for helping farmers market efficiently their produce. As a farmer, why would you join a cooperative?

4.2 If you had a choice, why do you think you would not join a cooperative?

#### ***V. Specialty Markets***

5.1 Why specialty markets (i.e., herb, organic, and ethnic produce markets) are important to farmers?

5.2 Do you have any fear/concern about being involved in the production and marketing of ethnic products (Oriental, African, and Caribbean produce)? If yes, what could be that concern?

#### ***VI. Diversification***

6.1 Farmers diversify when they use several marketing strategies as a risk management tool. Do you diversify in your business activities?

6.2 To what extent do you diversify? (What are these marketing strategies?)

### **8. Resources**

Please see attached appendix.

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