

29 Direct Marketing Options

Resource Kit for Nova Scotia Farmers

Direct marketing is a common strategy for beginning and small farmers. The main attraction compared with selling through traditional wholesale markets is that you receive the full share of the consumer dollar and have more control over the price you receive for your products. But with direct marketing, you will also incur extra costs, not the least of which is your time. Be sure to evaluate each option carefully as part of a farm business plan.

Farmers' Markets

Farmers' markets are a good place to develop your marketing skills. Start by visiting markets in your area. Inventory what's available and note what does not sell out by the end of the day. Don't grow what doesn't sell unless you can differentiate your product. For example, sell heirloom tomatoes instead of 'garden variety' fruit.

Study the customers. How many are there? What is their ethnicity? Are they young or old? Families or single buyers? Affluent or bargain shoppers? Ask shoppers and vendors what they like and don't like about the market, and get a copy of the market rules.

To be successful you need to enjoy interacting with people and be willing to invest the time it takes to pick, pack, transport, set up and sell your product. To maximize potential returns you need to sell for as long a season as possible. For produce vendors, this means growing a wide variety of crops. Farmers' markets sales alone may not generate enough money to make a living, requiring you to look at additional marketing strategies, but they are a good place to start a business.

To find farmers' markets near you in Nova Scotia, visit www.farmersmarketsnovascotia.ca or www.gov.ns.ca/agri/marketing/contact/landsea/markets.pdf

On-farm Sales

These methods range from simple, self-serve stands to multi-department, year-round farm stores that may include u-pick or agri-tourism enterprises. The higher the overhead, the slimmer the margins will be. But if done right, a successful farm market will attract many regular customers and has the potential to offer good returns. Build a product line based on what customers want, and pay attention to quality.

U-pick requires advertising and staffing. It can be profitable, but risky if it rains every weekend during the narrow harvest season. U-pick can complement agri-tourism activities as one of several activities families can enjoy. Typical u-pick crops in Nova Scotia include berry crops and tree fruit crops.

To be successful, you need to enjoy having lots of people at your farm and in your fields if you are a u-pick. Risk management and liability insurance is a must. Building loyal clientele is key and may take many years. Your business plan must be based on realistic customer numbers and sales projections.

Internet and Mail Order

If you develop unique, high-value products that are easy to ship, this strategy can complement your other direct marketing efforts. Current customers who love your product can order more and help you market your products through word of mouth. Packaging and shipping costs need to be considered, but for products that are not bulky or heavy, this can be a profitable strategy.

Community Supported Agriculture

Community Supported Agriculture (CSA) operations typically provide a weekly 'share' (box) of produce to customers who pay for their shares at the beginning of the season. The up-front money reduces financial and marketing risks for farmers, and customers share in production risks. Sometimes customers help harvest and pack shares in return for a discount. Depending on the operation, customers pick up shares at the farm, a central distribution point, or pay extra for home delivery.

One challenge is to have enough different crops each week so customers feel like they are getting their money's worth. CSA farmers often grow more than

what their customers need and have additional outlets for surplus produce. Sometimes several farms collaborate to offer a wider range of products including fruit, eggs, meat and more. Starting small and keeping customer turnover low is a good way to grow the business while minimizing risks.

A key advantage to a CSA is that you know how many customers you have early in the season, have their money in hand and can produce accordingly. This makes financial planning easier. For more information on CSA, see the *CSA Guide for the Maritimes* produced by the Atlantic Canada Organic Regional Network (ACORN) and available for free download on their website: <http://www.acornorganic.org/pdf/CSAmanual.pdf>

Restaurant Sales

Many chefs (especially from higher end restaurants) are looking for fresh, local products to feature in their menus. You will find that chefs are as busy as farmers. Develop a personal relationship with chefs, find out what they want and grow a wide range of products for them for as long a season as possible. You need to offer exceptional quality clean products that are delivered on time (avoid mealtimes). Restaurant sales need to be an intentional strategy, not a way to dump surplus product.

Drawbacks include the need for small quantities of some items. Watch that delivery costs and time don't eat up profits, and be clear on payment terms. Once a relationship is solid, less face time is needed.

Sales to Food Retailers

Increasingly small food retailers are interested in sources of locally grown food. One option is to contact retail farm markets in your area. Many do not grow all they sell. Also, check out food cooperatives, natural foods stores, and independent groceries. Most will only pay wholesale prices found at regional markets.

Everything else, from convenience stores to supercentres, is a chain and each has unique purchasing requirements. Some purchasing decisions are made at the local store level, but most require approval from the head office. Start with local store managers. For produce, a head buyer is usually involved. It is most common for retailers to buy seasonal produce. Very few handle local meats, cheese, eggs or other products.

Food retailers expect local prices to be in line with wholesale prices. Understand buyer expectations and prices before agreeing to delivery. Some may reject product on quality or simply because they have a better supply and price elsewhere. The advantage of selling to food retailers is that you can move more volume to fewer buyers, reducing your marketing costs. The disadvantage is that it can be a fickle, price-driven market. Be sure to spread your risks.

Institutional Food Service Sales

Some schools, nursing homes, hospitals, prisons, etc. can purchase local products. Talk with the managers in their foodservice departments to find out about their purchasing and delivery options. However, many are part of a buying consortium and have a single goal: keeping costs low. Meals are often pre-prepared or ready to serve, using few fresh items. Institutional food sales also come with institutional barriers, including regulations and requirements that dictate their purchasing practices. One way to tap institutional markets is to go through the distributors who sell to them. This adds a middleman and reduces returns. High quality, volume sales, standard packaging, and reliable delivery will be required.

For More Information

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[Note: The content for this fact sheet was taken from the *Guide to Farming in NY: What Every Ag Entrepreneur Needs to Know*, a publication of the NY Beginning Farmer Project, Cornell Small Farms Program. It was revised by Claire Hanlon Smith, Marketing Services Division, Nova Scotia Department of Agriculture. March 2010.]