

INTRODUCTION

*by Russell Tronstad and
Julie Leones¹*

This is a manual intended to help farm and ranch operators and other individuals who grow or process food products market their products and services directly to the consumer. It is one way of 'adding value' to agriculture before products leave the farm. Some forms of direct marketing are integrally linked with tourism in the local community. This manual also explains these connections and provides information on how to enhance sales and other related tourism activities and services.

Agriculture and tourism share a lot in common in Arizona. They both depend in part on nature, the weather and the quality of Arizona's natural resources. They both include large numbers of family-run businesses. Individuals in both industries are becoming aware that good marketing is a key to success of the industry and of individual businesses (Moyer). Eating and drinking establishments that serve tourists are in an excellent position to help promote local agricultural products through what they serve and the information they provide on their menus. Farms that sell products directly to visitors can help attract large numbers of visitors to a community. These visitors may also buy meals, lodging and other items from businesses that serve tourists.

As explained above, any time farmers or ranchers sell their products or services

directly to the final user they are engaged in direct farm (or ranch) marketing. Some examples of direct farm marketing include pick your own orchards and farms, roadside stands, and farmers' markets. Related farm marketing activities include selling directly to restaurants, and on-farm restaurants or restaurants with their own 'kitchen' gardens and orchards (currently the rage in California).

Large numbers of direct farm marketing operations exist in other states. Extension specialists in Wisconsin and Michigan estimate there are over a 1,000 such enterprises in each of their states. The national estimate is 12,000 U-pick operations and roadside stands. A very generous estimate of the total number of U-picks, roadside stands, farmers' markets and wineries in Arizona is 60. On a per capita basis, we might expect as many as 500 outlets to operate in Arizona based on the number of such operations in the Midwest. Hence, unlike some states, there is great potential for farmers interested in marketing directly to consumers and not much competition.

Agricultural tourism has also been referred to as 'Agritourism' and 'Agriculturally based leisure attractions'. Agricultural tourism is the visitation of agricultural attractions as part of a leisure time activity. Agricultural tourism may include visits to dude ranches, pick your own farms, roadside stands, wineries, farm or ranch bed and breakfasts, agricultural festivals and fairs and food processing facilities (such as dairies, packing plants, etc.).

Agricultural tourists are interested in having a farm **experience** and incidentally, want to buy agricultural and food products. Consequently, farmers and ranchers interested in selling to agricultural tourists, need to be aware that they are selling services as well as products.

Not all agricultural tourism involves purchasing directly from farms, but much of it does and not all direct farm marketing is done to people interested in a farm experience, but much of it is. Farm and ranch operators who plan to do some direct marketing can benefit from understanding who agricultural tourists are and what they are looking for.

The idea of creating a reference handbook on direct farm marketing and tourism came out of a study of agricultural tourism in Cochise County, Arizona and subsequent discussions with extension specialists and agents who have worked with producers interested in direct marketing. Materials pertaining to direct marketing and agricultural tourism from all over the United States were reviewed and the best materials were incorporated where appropriate. Some articles or publications have been included 'as is' while others are referenced in articles written specifically for this handbook. Finally some materials are excerpts from longer publications.

This handbook is intended for three distinct audiences. The first audience is agricultural producers in the state already involved in direct marketing. A second audience includes farm and ranch operators who are interested in direct marketing of services or products that they currently produce. The final audience are individuals such as master gardeners, 4-H members and others who want to grow or process products especially for direct marketing.

The manual is organized in sections that can stand on their own. A farm operator interested in starting to direct market may benefit from going through the manual systematically from start to finish. Farm operators already involved in direct marketing may wish to refer first to the sections that most concern or interest them. The manual has been placed in a binder to allow the addition of new materials as they become available. Each section consists of a brief introduction and a compilation of materials relating to the section topic. Each section also includes a list of references.

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CHARACTERISTICS OF DIRECT MARKETING ALTERNATIVES

by Deborah Young¹

receive a higher return for their crops is direct marketing. Instead of paying packers, shippers, and brokers to market their crops, direct marketing allows farmers to sell directly to consumers. Some of the benefits include cash sales, immediate payment, and more control over prices. Barriers that farmers may encounter include insurance liabilities and zoning restrictions. Use the following chart to help you decide which marketing method best suits your operation.

Farming is more competitive today than ever. One popular marketing option which allows farmers to

Characteristic	Pick-Your-Own	Roadside Market	Farmer's Market
INVESTMENT	less capital investment: need containers, ladders, locational signs, parking, building or stand	need building or stand, parking, containers, signs, scales, coolers, etc.	very little capital investment: rent parking or building space, containers, scales, bags, etc.
GROWER LIABILITY	high liability insurance: liable for accidents	liable for accidents; need liability insurance	need liability insurance unless covered by market
OTHER COSTS	need labor for field supervisors and check-out stand; field site transportation; advertising and promotion costs	need sales labor; advertising and promotion costs; some storage, packaging, and handling costs; may need to purchase additional produce	need sales labor; stall or sales fees; display costs; transportation, storage, packaging, and handling costs; no advertising and promotion costs
PRICING	large sales per customer; no transportation costs; no sales or broker fees	fairly large sales per customer; limited ability to sell large volumes; no transportation costs; sales or broker fees	smaller sales per customer; direct competition from other growers no
QUALITY	no grading; can sell whatever customers pick; freshness	can classify and sell more than one grade; can sell seconds; spoilage	highest quality needed
BARRIERS TO ENTRY	limited demand; limited crops; short season; location	limited demand; location; road access; marketing management; zoning	municipal restrictions; conflicting goals of organizers; marketing management
SPECIAL ADVANTAGES	average value of purchase per customer may be higher than at other direct marketing outlets	can be expanded to meet needs of producer; can be tailored to customer's tastes and preferences	potential for large number of customers; low overhead; advertising done by organization
SPECIAL DISADVANTAGES	affected by weather; damage to field, trees, plants; location may be critical	affected by weather; location may be critical	time consuming; must transport produce; do not have as much control over promotion

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DIRECT FARM MARKETING OPTIONS

by Russell Tronstad¹

Direct farm marketing has the obvious advantage in that you can increase the value of your product by eliminating (e.g., broker fees, packaging) or taking over common “middlemen” services. There are several approaches to direct farm marketing and all have pros and cons. One exclusive approach such as a fresh tomato delivery service to restaurants or a combination of direct and wholesale marketing (e.g., U-pick and sell to brokers in peak harvest) may best fit your firm’s goals. Market advantages and disadvantages to some of the more common direct farm marketing methods are discussed below. Issues related to U-pick, roadside marketing, farmers’ markets, and restaurant marketing are discussed in more detail in the Direct Marketing Alternatives section.

Delivery Service

Running a delivery service brings top dollar for your produce and probably adds more “value-added” than any other direct marketing alternative. But the per pound marketing costs can add up in a hurry with low volume deliveries, time on the road, and vehicle expenses. Interviews with potential buyers should be conducted and researched carefully before making the “delivery service decision.” In looking for delivery markets, try to pick out retailers that are out of the ordinary and sell in the upper price range. Price is not a major concern to the exotic restaurants in

town that are charging \$20 a plate for dinner. Supermarkets that are upscale, advertise for freshness, and carry unusual produce are good candidates as well. Price elasticity of demand is very elastic for these retailers. That is, if prices increase the decrease in quantity demanded will be very small. These retailers are mainly interested in the uniqueness of your product, good quality, and a reliable hassle free year round supply.

Recognize that a good portion of your produce won’t be fit for the delivery service market. If weather or insect problems cause a crop quality or volume failure, try to secure other supplies or offer heavy discounts to your buyers for reduced quality. In order to make a delivery service work you might need a mix of products to help cover delivery expenses. A mix can often improve your bargaining position as well. If a buyer wants your baby corn but doesn’t want your leaf lettuce you might say, “no leaf lettuce no baby corn.” Terms are commonly on a verbal agreement with payment received after delivery on a regular billing schedule.

Running a delivery service requires lots of time and energy in developing relationships with your buyers. If you have the desire to run a year round business, service your clients with personal care, and the ability to keep delivery costs reasonable, the personal and financial rewards of direct marketing through a delivery service can be rather handsome.

U-pick

U-pick has the obvious advantage in that you don’t have to pay a large crew of seasonal workers to harvest your crop and you can generally receive a price that is above what brokers will pay. But there are hidden marketing costs associated

with using an untrained and independent workforce. You will need good supervisory help that can train people to identify which fruit is ripe to pick, and prevent crop injury when harvesting. Customer safety, and ensuring that theft is not a problem is another task added to a U-pick. Crops that are hardy to foot traffic, very perishable, and easy to identify when ripe like blackberries, blueberries, raspberries, and strawberries are popular U-pick items. These crops also have very labor intensive picking and post-harvest requirements of washing, sorting, packaging, and storage requirements that are eliminated with a U-pick.

A U-pick opportunity allows individuals to get out in the fields and fully absorb the countryside atmosphere. This is a part of the rural experience and overall product that many individuals are looking for. Consumers also know that their produce is fresh so they are often willing to pay the same price as they would for produce already picked. Do some primary research by asking potential and current customers about whether they would like to learn harvest basics and if they like to get their hands dirty. Some do and some don't.

Cut flowers are an upcoming U-pick item. Identifying "ripeness" is generally not a problem and many individuals like to pick and choose their own variety of flowers for a bouquet. Flowers can also make your farm more attractive and improve on the rural experience — they might even be used in identifying your product position (e.g., Flower Farms U-pick Produce).

A marketing risk associated with a U-pick is that your crop may be ready for harvest this week-end but a major rain storm is coming in. If you had workers ready to go, you could probably pick a good portion of your crop before the storm and place it in storage for a few days. A cloudy day could be enough to turn away all the fair weather fans and half the regulars yet an extra nice day could cause such a large turnout that you have a stampede. To

build a solid base of U-pick workers you might consider offering a discount or the "first pick" to individuals that have gone through any "harvest training" and return later in the season or next year. If individuals are bumped lower on the priority pole when they don't show up one year, they might be enticed to make the drive and pick if rain showers are forecasted for the first harvest day scheduled.

Rent a Row or Tree

With rent a row or rent a tree farming, the customer buys at the beginning of the season before production decisions are made. Then the farmer provides all the labor and inputs necessary to grow the crop, and the customer does the harvesting at the end of the year. The market risk of having a bunch of U-pickers fail to show because the day is cloudy has been eliminated and the renter takes all the risk of crop failure from a hail storm. A written contract should be given that states quality and quantity risks are assumed by the renter, if the weather is good (poor) the customer benefits (assumes the loss).

Keeping track of the cultural practices not allowed or requested and who is renting what can be a headache for the grower. These costs and activities may prohibit this form of direct marketing for many growers. Most of these customers like to visit the farm during the year so if you have hiking trails, picnic tables, and natural beauty surrounding your farm this is a definite plus. This type of access can also bring headaches to the farmer unless customer access is restricted. Having your property open for "public access" and dealing with the public doesn't fit in line with the "low-pressure life-style" many farmers have chosen. But not all rent programs have to include public access. Sometimes companies will rent an apple tree or trees and then plan their company picnic when the apples are ready to pick. These relationships can be attractive for growers that like to keep "public access" lower.

Community Supported Agriculture

Community Supported Agriculture (CSA) operates much like rent a tree or rent a row in that the farmer receives monies for "shares" before the growing season and CSA members accept all quality and quantity production risks. CSA members act as "shareholders" rather than renters of a tree or row. Organization structure is somewhat like a cooperative where the farmer is growing for the coop. Production practices are the same for the whole field and produce is divided up throughout the year as crops mature. CSA arrangements and agreements depend on the consensus of the "community" or shareholders. Members generally reach a consensus on varieties planted, and primary production decisions (e.g., organic or conventional) by voting their "shares." Some may be arranged so that the farmer delivers produce while others may be arranged so that members harvest the crop. Finding a group of homogeneous consumers is key to making a new CSA effort successful. Share prices are generally set to cover all production costs, farmer wages, and a return to ownership costs like land "rent." The average price anticipated for produce should be competitive with supermarket prices. CSA tries to meet all or most of the produce needs of the consumer throughout the growing season and possibly some produce for winter storage.

According to Robyn Van En, one of the originators of CSA, 400 CSA projects are currently in operation in the US. By the year 2000, the number is expected to exceed 1,000. CSA appears to work best for areas that are near urban consumers that want to "link-up" with the countryside. People skills are a must for CSA. People management and organizational skills will be needed for group meetings, similar to "town hall" type meetings. You will have to be able to explain production from planting through harvest and meet people on a regular basis. But the individuals you meet from one season to the next will hopefully be the same, allowing for long-lasting relationships.

Mail Order

A mail order business offers the opportunity for receiving premium prices without dealing face-to-face with the public, if you don't have people skills. But products must be storable, ship well, and have a high price tag relative to their weight. Seeds are a classic example for a business that thrives through mail order. Other products like nuts, dried fruits, dried flowers, and processed jams and jellies have been successful mail order items. Location is a mute point for mail order since the cost of shipping is generally the same for isolated rural areas as downtown metro. Just as people skills are crucial for CSA, organization of records, promptness, and detail are crucial personality traits for the direct mail order marketer.

Although the market potential is unlimited for the mail order marketer, finding and building a mailing list is not easy. Mail order experts calculate that the mailing list is 40 to 60 percent responsible for the success or failure of a mail order business (Gibson). If you are patient, you can start small with little capital and wait for your business to grow. Most mail order businesses start as a sideline and then expand. Guestbooks and other "in-house" lists are a good starting point for a mailing list. Buying or renting a mailing list from others usually gives a response rate of less than 1 percent, even with fancy glossy catalogs. In-house lists often have a response rate of 10 to 20 percent (Gibson). Thus, if you acquire a new customer it is important to add them to your mailing list and monitor their sales activity along with all other customers. Computerized records are a must for a mail order marketer. Graphic design and layout skills are also a big plus for a mail order business. Your sales literature will need to be very catchy and attractive.

In order to justify mailing expenses, each order should be at least \$25. Postage could easily double or triple the price of a \$5 item and most shoppers will buy elsewhere, even if they value their time and like the ease of shopping mail order. To

lower per unit mailing costs you will probably have to offer a variety of products. Variety can be added by making variations on your main product too. For example, if you are selling almonds offer honey roasted almonds in addition to just plain almonds. "Package deals" that work as gifts are particularly popular around Christmas. Many Christmas gifts need to be mailed anyway, and most see mail order as a hassle free shopping solution for buying Christmas presents.

Farmers' Market

Farmers' markets are appealing in that each grower can specialize in production and not be as involved with marketing activities as the other direct marketing alternatives. But the grower takes all the production and price risk and transports her product to the consumer. A farmers' market emulates many of the characteristics of a competitive market with numerous buyers and sellers gathered at a central location. Prices must be competitive with what other growers are offering but are still generally above wholesale prices. Growers have cash in hand on the day and can sell odd-sized or oversized products that would be rejected in the wholesale market. Some farmers' markets (e.g., Sonoma California) operate so that all produce brought in must be sold by the end of the day. Thus, if you are willing to wait an hour or so before closing you may get a real bargain or go home empty. This type of atmosphere and bustling of the crowd is what draws many people to farmers' markets. According to an informal American Vegetable Grower survey, farmers' markets have almost doubled in the last five years. Bob Chorney, executive director of Farmers' Markets Ontario, Brighton, ON said: "People come for the freshness and stay for the fun."

Most established farmers' markets have individuals hired that oversee the organization, rules and regulations, and promotion for all growers. Growers are charged a membership fee for the entire season or

pay on a one time basis as space is available. Promotion expenses of farmers' markets are spread over all growers so that per unit advertising costs are generally low. And if your area has a well established thriving farmers' market, you can plug into an established reputation if you're a grower starting out. One-on-one personal skills are required while at the farmer's market since many customers may want to know how your product was grown and why it is so great. If you have an established farmers' market to plug into and want a "private lifestyle" on the farm without customers on your land and you only grow a couple of crops, the farmer's market is probably for you.

Roadside Stands

The success of roadside marketing largely hinges on location and cheap labor. A visible location is needed to attract customers. Labor expenses can add up real quick with somebody always "manning the stand." A variety of products helps to draw more consumers, but it also helps to have a specialty. Appearance, freshness, nutritional value, price, and locally grown are important for roadside stand marketing. A roadside market is definitely more of a convenient store shop for produce than a farmers' market, but customer interaction is still important. Catchy sign skills are important for getting the customer to stop. Then one-on-one personal skills are needed for selling your produce and in bringing your customers back. As phrased by Gibson, "Repeat customers — happy and satisfied customers — are the key to success in a roadside market." Staying in-tune with a suggestion box and customer conversation can help in building a base of repeat customers. Regular hours and consistently friendly service are a part of bringing your customers back again and again too.

Capital requirements for a roadside stand can vary from almost nothing to an elaborate store. Thus, a roadside stand can be a good way to get started if you have

access to a good location and have several produce items to sell. Regulations for selling on a roadside market will vary depending on location (on-farm or off-farm, city or countryside) so it is important to contact local and county authorities before establishing a roadside stand (see section on "Legal Structure" for further information). With a farmers' market, an executive director may be on board to take care of issues like zoning, licenses, health permits, food stamps, and sanitary

requirements. But these issues must be explored by the entrepreneur for the roadside marketer. The legal rules and regulations are much greater when produce leaves the farm than when it is sold on the farm, and especially when it keeps its "original form."

Gibson, Eric Sell What You Sow; The Grower's Guide to Successful Produce Marketing, New World Publishing, 1994, p. 98.

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**A GUIDE TO STARTING,
OPERATING, AND SELLING IN**

FARMERS MARKETS

by Charles Marr and Karen Gast

There is a growing interest in farmers markets or community markets. The term "farmers market" is often used since it describes the direct selling to the consumer by the producer (or farmer). But, this marketing system could also be described as a community market since there are additional advantages to the community that such a market provides. Sponsorship or establishment of these markets has come from communities, grower or producer groups, civic organizations, community service agencies, extension or educational programs, or private citizens.

Starting A Farmers Market

Advantages and Disadvantages

A major advantage of the farmers market is that it provides an effective marketing system for the producer or farmer. The producers are often part-time, retired, or hobby gardeners looking to supplement their incomes. The farmers market allows an opportunity for a "mix" of vendors operating side by side in the market. Consumers benefit by receiving fresh, high quality products and the opportunity to directly interact with the producer. Many people look forward to market day and this interaction at the farmers market. There is an advantage to the community when customers are brought to the business district, taxes and fees add to the local

business income, and a feeling of community activity results. Chambers of commerce and economic development officers recognize the enhancement to the community that such business activity provides.

Some of the problems that may arise include: 1) the location for the market is often in a public parking area which may interfere with other businesses in the area, 2) some existing businesses may resent the competition, 3) leadership to start or continue a market may be lacking, and 4) squabbles or disagreements among participants may interfere with continued operation of the market.

Markets are successful when there is cooperation, involvement, and communication among three essential groups: 1) the community or sponsoring group, 2) the producers or farmers, and 3) customers and others who support the local market.



Buyer-seller interaction adds to the appeal of a farmers market.

Initial Organization

A farmers market is typically initiated when civic-minded individuals recognize the potential benefits for both their community and producers located in or nearby the community. Usually, volunteers “start the ball rolling.” It can be advantageous to invite producers from other farmers markets to an organizational meeting. The local Cooperative Extension office can be of help in providing information. Most markets begin in an open-air location with minimal costs or expenses. Local chambers of commerce and economic development councils can provide support and assistance. Media representatives can assist in alerting both producers and consumers of progress with the market establishment.

Vendors or Sellers

For a market to be successful there must be successful vendors or sellers. In general the more vendors that participate the more appeal the market has and the more customers will begin to come to the market. It is important for vendors to realize that others are not necessarily their competition, but are necessary for the market to be successful. When establishing a market, there needs to be an initial list or organizational meeting of the vendors to discuss operation of the market. Some markets can be successful with three to five vendors but most vendors believe that ten or more make for a more successful market. A rule of thumb that some markets have followed is that one vendor can be supported by 800 residents—so a community of 2,000 could support a farmers market with about three vendors. However, a successful farmers market will attract customers from a larger trade area so it is difficult to predict how many vendors could be supported in any given area. Initial publicity should attempt to identify all possible vendors that may want to participate. From that response, a determination can be made of: 1) whether there is enough interest to establish a market, 2) possible organiza-

tion of the vendors or sellers, and 3) operational procedures for the market.

Location and Facilities

A market location that is visible, accessible, with adequate parking nearby and room for expansion should be considered. Space that is leased or rented will require a fee charged to the vendors. For that reason, most markets begin in “free” space such as a vacant lot, a public parking area, a town square, a church or a community center, or a vacant private parking area. Community officials can allow the use of public areas and can determine any local ordinances that may prevent market operation. The possibility of using privately owned land can be explored with the owner. Insurance or zoning regulations may prevent use of such space for a market.

Market customers appreciate easy access to, and adequate space for, nearby parking. This should include a safe entry with good visibility of the parking area. The size of the parking area will be determined by the size of the market and number of vendors. The parking area should be distinguished from the selling area and cars restricted from the area where vendors are located. Temporary barricades or traffic “cones” can be used to separate these areas.

Vendor space will vary with the size of the display that the vendor plans to establish. Many vendors sell from the back of trucks or vans, so spaces that are at least 15 feet wide are suggested. Some markets have smaller, half spaces available for vendors who sell from a small table or display rack.

The decision on where individual vendors are located in the selling area can be determined by the market manager on the basis of presenting an attractive mix of products throughout the market. Other markets assign vendors a “permanent” space for the season. Many markets operate on a “first come” basis for deter-

mining space assignments. Customers may associate locations and vendors, so appreciate some type of consistent pattern of locating specific vendors.

Most markets do not provide any facilities for selling products. The vendors are expected to provide their own tables, racks, shelter covers, and similar facilities. Some farmers markets provide a cart for transporting heavy items that can be shared by vendors. Access to garbage disposal facilities is important since there is often defective produce to discard as well as other trash. Access to electricity and water may be desirable but is seldom available in the public areas where farmers markets are traditionally located.

Operating a Farmers Market

Details of market operations should be prepared well in advance of the start of the market and made available to any potential vendors so the “rules and regulations” are well understood before the opening of the market. It is usually best if these can be summarized in written form. A local advisory group or organization of vendors should review the rules of operation and make modifications as necessary. The following topics should be addressed in the rules of market operation:

■ Management and leadership.

Some markets utilize a “market master or manager” to oversee the operation of the market; others operate with an elected advisory or management group to oversee operation of the market and alter rules and regulations as necessary. Some individual hired or elected, should be designated as a source of information, arbitrator of problems or disputes, and decision maker throughout the year. There should be an opportunity for all vendors and other interested community leaders to meet and discuss ideas, elect or appoint leaders or officers, and express opinions.



Well-kept displays indicate high quality products.

■ Hours of operation. Hours and days of operation should be agreeable to vendors, local businesses, and customers. Start the market when a good supply of produce can be assured and stop when the good supply is no longer available. Many markets start in late May to early June and operate until mid to late October. If most vendors have only summer vegetables a late June to mid-September operation may be best. Most markets operate on Saturday mornings, but other weekdays can be used. Some operate on selected evenings when businesses may be open. It is best to start on a once per week basis and expand days of operation later.

■ Products. Generally, products consist of fresh fruits and vegetables, eggs, honey, flowers, other home-produced items, and, in some markets, crafts and related items. Some markets limit sales to only “homegrown” items, produced by the seller. Others may allow some “shipped in” items if local products are not available at that time of year. Some markets restrict vendors to a certain geographic area and discourage outside “peddlers” from selling in the market. The appeal of the market is greatest if the vendors are local producers while some outside items are often needed to supplement a good display of produce.

■ Containers, weights and measures. Sellers usually provide their own containers; however, some markets make bulk supplies of sacks, bags, and boxes available for vendors to purchase. Products offered for sale by weight should use a certified scale. Information on the types of scales to use and certification of scales can be obtained from the Kansas Division of Weights and Measures (address listed later). Items sold by the piece, box, bag, or other units can be sold and priced accordingly.

■ Stall fees. Expenses in insurance, employing market managers, publicity, bookkeeping, notices and mailings, and facilities purchases usually require some type of fee for the vendors in a farmers market. Fees should be reasonable for expected expenses and encourage, rather than discourage, vendors.

Fees may be charged on a "flat rate" basis or graduated based on sales volume. Some markets offer a lower fee for small space vendors. Fees for a season-long vendor may be less than for an occasional vendor. Lower fees may be charged for organization or association members with higher fees for "outside" vendors or peddlers. Fees may be associated with a "permanent" stall for the season. In establishing a new market, a proposed budget of expenses, expected vendors, and duration of the market can be used to determine a fair stall charge. Fees can be adjusted in subsequent years.

■ Clean-up. Vendors are usually responsible for cleaning up the market area and leaving it clean. Most customers expect that vendors of food items will present displays of sound, healthful items in a clean atmosphere. Sloppy "housekeeping" results in a poor reputation for the entire market.

■ Local regulations. Local zoning and health regulations should be explored prior to the establishment of the market. City or community governmental

units can provide information on any local ordinances that are in effect to limit specific market operations.

■ Sales tax collection. Each seller is responsible for sales tax on products sold. Some markets collect sales taxes and report sales on behalf of the entire market while others require vendors to account for their own sales taxes. Taxes can be added to the price of produce or included in the selling price. Vendors should be aware of the tax rate to be charged.

■ Insurance. Injuries may occur at a farmers market. Farmers markets that operate on private land should check with the land owner for insurance limitations. Many farmers markets purchase group insurance on behalf of the market vendors. Individual sellers should check their farm or personal insurance policies concerning coverage of sales in a farmers market situation. Insurance costs will vary depending on coverage, community, and market size.

Advertising and Promotion

For a market to be successful an effort must be made to inform customers and potential vendors that a market is or will be in operation.

Local editors, area reporters, radio or TV stations, community development and civic groups, and other local leaders should be informed and involved in promoting the benefits of a farmers market to the community. Local merchants may assist in advertising when they see that a farmers market can bring additional customers into the business district. This type of "free" publicity can be invaluable in stimulating interest in the market.

Additional advertising can be effective in reminding customers of products available each week. Newspaper and radio ads, posters, and fliers can be used through the year. All vendors should

remember that customers are potential advertisers so reminding customers to “come back,” “tell your friends,” “see you next week” and “we’re glad you shopped here” are effective forms of advertising.

Some markets have special feature days, contests, demonstrations, craftsmen or artisans, or information that can be featured in advertising to attract customers. Information about the crops, varieties, storage or preparation suggestions, recipes and other printed materials may be useful in building customer appreciation with an associated advertising benefit.

Selling in a Farmers Market

1. Using the Market Outlet Effectively

A farmers market is an opportunity for the large or small producer to sell directly to the public. It provides a way to market your products that benefits consumers in a direct way. There are several things that must be considered when marketing in this way:

■ **“Atmosphere” of the market.**

Most customers participate in a farmers market for the experience that it provides, in addition to purchasing food or related items. You must convince them that you have a high quality, nutritious, flavorful, product at a reasonable price.

■ **Don’t lose the “people touch.”**

A friendly greeting, a thank you, and taking time to visit with customers is what this type of market offers that is different from many others. Keep the people touch with your customers.

■ **Involve the family.** Many vendors make marketing a family project. Children learn valuable experience in making change, responding to customer questions, providing personal service—carrying heavy items to cars—and keeping displays filled and attractive.

■ **Keep your displays neat and your image positive.** Take time to restock your displays and discard defective items. Many markets require the seller to be identified with a sign or logo. Most people relate to who you are and where you are from.

■ **Your competitors are *not* your enemy.** During each market session there may be other vendors selling products similar to yours in competition with you. *Competition* is a natural part of any marketing process. There must be competition to make the market large, diverse and active. Numerous vendors make the market larger and potentially more prosperous. Each seller needs to assess his or her abilities to compete and coexist alongside others. In a successful market many “competitors” can each reach an effective part of the total market sales.

■ **Build loyalty.** In successful marketing it is important that you attempt to build a reputation among your customers so they will return in future weeks and years, tell their friends about you, and allow you to expand your offerings. A friendly greeting and expressing your appreciation for their purchases can help build that customer loyalty. Offering to replace defective merchandise can also build loyalty, as can providing helpful information about the produce you are selling. Most people will not take advantage of you, and they appreciate your emphasis on quality and customer service.

■ **Rome was not built-in a day.**

This old adage emphasizes that successful marketing takes time. Establishing yourself in a market, so that you and your products are recognized, cannot be accomplished overnight. *A set of written records will allow you to compare the growth of your operation from week to week and year to year.* Everyone must start somewhere and everyone who sells in a farmers market had to “pay their dues” by getting their operation started.

2. Pricing and Merchandising Strategies

There is probably no single aspect of selling in a farmers market that causes more discussion, and often more problems, than prices and selling strategies. Each seller must determine his or her approach to pricing and merchandising. The following comments describe some important considerations.

■ Know your production costs.

Costs are the basis for pricing. You must have some general idea of what it costs you to produce. Remember to include all types of costs including land, equipment, supplies, labor, equipment operation and depreciation, marketing costs, and transportation in calculating what it costs to produce an item. Each producer will have slightly different production costs, depending on the operation. For this reason, there may be differences in prices among growers based on their production systems.

■ Don't forget marketing costs.

Many growers forget that costs are involved in marketing including transportation, advertising, containers, signs, stall fees, insurance, and the time spent in the market. Your actual costs need to include these expenses as well.

■ Know the demand. It is essential that you have some estimate of what the demand for certain products may be in any given week. Some types of produce such as sweetcorn, tomatoes, or muskmelons will be sold in large quantities while other minor vegetables will not be in as great a demand. The supply that you have may not correspond to the demand. You can, however, by creative displays, suggestions, advertising, and marketing "hustle," increase the demand for any product. Some techniques for building demand include:

- stress the advantages of your product;
- avoid over-packaging or encour-

age all types of purchases by multiple types of packaging;

- creative display techniques;
- offer point of sale or "tag on" sales suggestions;
- give samples;
- use "attention getters;"
- know your product and information about it;
- encourage the customer to buy more for canning, freezing, later use, etc.

■ Price your produce fairly. Pricing your product so you make a return above your production and marketing costs, based on the demand for your product, is important. Don't apologize for your prices. Take a positive attitude. Always emphasize the quality and value that come with your product. You can offer a lower price for quantity purchases to encourage volume buying. You may also want to consider price "lining"— offering several levels of quality for different prices. You also should know your competition and realize that customers will be making comparisons of your product with others. Your prices must be somewhere in line with your competitors or you may not be able to exist in the market.

At the end of each market session you should evaluate your pricing strategies and determine what you will do next week. Most customers won't understand a constantly changing price strategy, so the key is to make only minor changes as you go along. Customers will always remember if you try to raise prices but seldom comment if prices are lowered. There always will be some customers that will complain about prices no matter where they may be set. Carefully evaluating your operation may reveal that the reason customers are not purchasing from your stall may be because of factors other than your prices.

3. Suggestions for Signs

Signs are an effective way of communicating in farmers markets. Signs can not only communicate information but also give identity and recognition to your operation as well. It is suggested that each vendor in a market have a sign or logo that clearly identifies the operation. Some suggestions for using signs are:

■ Make sure signs are readable.

Use large enough letters to be easily read from a distance of 5 to 6 feet, where most customers view your stall. Signs to identify your operation may need to be large enough to be read for 20 to 30 feet down a market aisle. For price signs, 3/4 to 1 inch letters or numbers are sufficient. Larger name signs should have 2 to 3 inch letters.

■ Sources of lettering. A wide variety of lettering materials, from stencils, plastic or vinyl lettering, to paste-on letters, are available that provide quality results with minimal expense. A permanent marker can be used on cards for pricing signs as products change through the season.

■ Use signs to add color. One of the most attractive features of a farmers market display is the variety of colors that farm products offer. Colorful signs can add to the variety and interest. Usually light background with dark lettering is preferred, but colors other than white could be used.

■ Keep it simple. Use as few words as possible to communicate your message. Use abbreviations such as lb., \$, ¢, /, when possible.

■ Signs to indicate varieties or quality. Most customers like to know the varieties or quality features of your products. "Great for freezing" or "low in calories" are phrases that help to sell your products. Identifying varieties can ensure repeat customers for that variety next week if they are satisfied.

4. Display

An attractive display is important in selling produce. You can differentiate your operation from others in the quality and uniqueness of your display.

Use contrasting colors and place different colored commodities together for contrast. Use backgrounds or table covers that contrast with the produce but are not gaudy or overpowering. Make sure your produce is clean, neatly arranged and regularly inspected for defective items.

Keep your displays full, as customers will be encouraged to buy when displays are fuller. Make sure all prices are easy to see but do not interfere with the view of the produce. Having the products at a reachable height and distance from the customer is important. Avoid distractions for those who want to "browse" or look over your displays. Keep used boxes, trash, and defective items out of sight.

Make sure your products are fresh by misting with water regularly or by storing them in insulated cartons prior to display. Some of these cartons can be used as display cartons with the tops removed. Consider packaging products in sacks or boxes and not allowing customers to take your display containers. Some highly perishable items may only be offered for sale if displayed on ice or water containers. If you use such containers, make sure that excess water does not drip onto your other displays or cause a hazard in the aisle of the market where customers may slip or get their clothes soiled.

Conclusion

Farmers or community markets offer unique opportunities to foster community involvement and economic development. They offer a market outlet for horticultural crops sold by persons supplementing their incomes via excess garden produce or farmers who have diversified their farm operations to include horticultural crops.

A market gets diverse members of the community working together for a common goal which will benefit all parties involved. For a market to be successful, it will require good planning, community enthusiasm and commitment, and high quality produce.

Additional Help

For more information on growing fruit and vegetable products in Arizona, contact your local University of Arizona County Extension Office or the Plant Sciences Department, The University of Arizona, Forbes 303C, Tucson, Arizona 85721. Telephone: (602) 621-1945.

For more information on marketing of agricultural products and services available to producers, contact the Arizona Department of Agriculture, Commodities Promotion and Development, 1688 West Adams, Phoenix, Arizona 85007. Telephone: (602) 542-0978.

For more information on scales, scale inspection, and regulations regarding weights and measures contact the Arizona Weights and Measures Department, 1951 West North Lane, Phoenix, Arizona 85007. Telephone: (602) 255-5211.

For information on health regulations regarding products that must be handled in sanitary conditions or products that must be handled in certain ways for sale in a farmers market, contact your local county health department or the Arizona Health Services Department, 1740 West Adams St., Phoenix, Arizona 85007. Telephone: (602) 255-1000.

For information on regulations on local zoning ordinances or other restrictions that may apply to the operation of a farmers market in a community, contact the local city or county government.

For more information on sales tax, registration procedures for filling tax receipts, and tax rates, contact the Arizona Revenue Department, 1600 West Monroe, Phoenix, Arizona 85007. Telephone: (602) 255-5673.

About the authors: Charles Marr is Extension horticulturist, vegetable crops; Karen Gast is Extension horticulturist, post harvest and marketing at Kansas State University.

FROM:

Cooperative Extension Service, Kansas State University,
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SHOULD I GROW FRUITS AND VEGETABLES?

PICK-YOUR-OWN MARKETS

*by Renee M. Lloyd,
Daniel S. Tilley, James R. Nelson*

Introduction

Pick-your-own or U-pick operations (PYOs) are a type of direct marketing system where consumers harvest fruits and vegetables themselves. U-pick is often preferred by consumers who like to select fresher, higher quality, vine ripened produce at lower prices. Also, many consumers enjoy picking produce themselves as a recreational event or outing. PYOs can serve as an additional selling method for producers who use other direct and non-direct marketing alternatives.

Pick-your-own operations became popular in the 1930's and 40's. During the depression and after World War II, fruit and vegetable market prices were low and producers could not generate enough income to cover container and commission costs. Also, at this time there was a low supply of paid pickers, so many producers opened their fields to consumers to come and pick the crop. During the 1940's in North Carolina, PYOs were used to supplement tobacco producers' incomes. Since the 1940's, PYOs have been organized for a variety of reasons: scarcity of pickers or containers, over-production, weather-damaged crops, and mature crops. PYOs provide producers with a marketing alternative that may supplement other marketing strategies while possibly reducing harvesting costs and increasing producers' net returns.

Producers should realize that PYOs require the producer to work very long hours, to do a variety of different jobs, and to deal with various types of people pleasantly. Producers should be prepared to face the realities (they are providing customers with a service) of a U-pick operation.

Some areas that are very important to the success of PYOs are crop diversity, quality, and advertising and promotion. U-pick operations are often more successful if they provide a variety of produce. This is especially true if there are a large number of similar operations in an area. In order to encourage repeat sales and goodwill, it is important that PYOs consistently provide high quality produce. Advertising and promotion are critical to PYO success since consumers learn about an operation's existence and about what produce is available from these efforts. These and other topics related to PYOs are discussed in this article.

Crop Diversification/Field Layout

As in any type of direct marketing system, the potential customer must be identified. Producers should evaluate the buying habits, tastes and preferences, market distance, and income levels of area consumers. The level of competition in the area can also dictate the crops and services producers provide. Producers should identify the number of similar farmers in the area and the type of crops they produce and services offered. Producers can reduce competition by planting crops at different times. Planting crops that are harvested at various times can help prolong the harvest season and possibly increase the number of customers that use the operation's service. Also, special services or products can be added to an operation to gain market share. Some examples are recipes, plants, flowers, seeds, herbs, and homemade crafts.

Long season and early season crops can be ideal for U-pick operations, especially if there are a large number of operations in a proposed area. Producers can provide several varieties of one crop (i.e., peppers, strawberries) to diversify their operations and encourage greater varieties of customers and to increase customer satisfaction. If there are any specific ethnic groups in the area, different crops and/or varieties can increase sales especially if a producer can develop a reputation as a source of the desired produce.

Field layout and spray timing of crops are important issues for PYO operations since customers may wander to an area of an operation that has been recently sprayed or planted. Also, chemical application for some crops may drift on harvestable crops that are within the vicinity of the spraying

and cause potential health problems.

Figure 1 shows two example field layouts for PYOs. Existing enterprises can also dictate how the field layout is arranged.

Quality

High quality produce is important to the PYO operation. The quality of the produce influences several other factors in the operation such as the number of customers that patronize the PYO, the price levels set for the produce, and the amount of word-of-mouth advertising generated. Producers should remember that high quality is

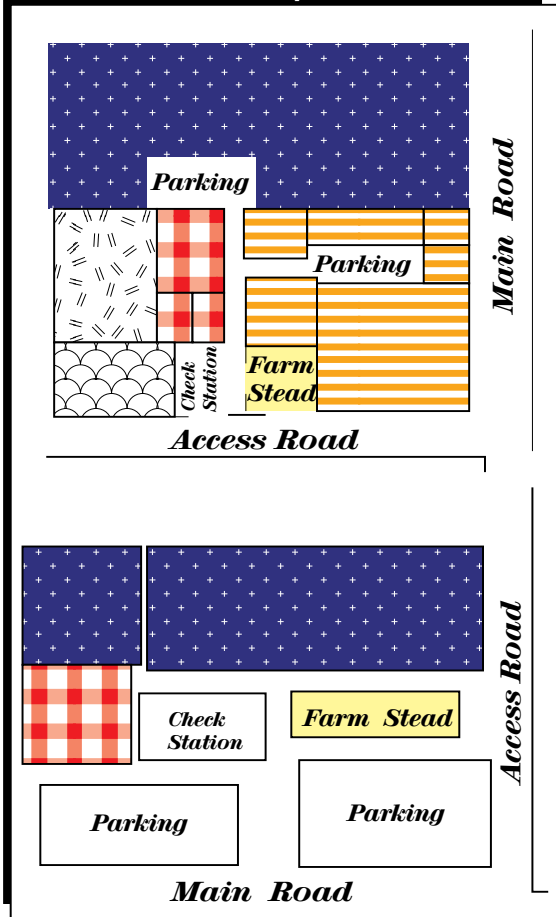
important to customers but they also appreciate honesty about the quality of the produce available. Producers may be able to gain credibility and goodwill by honestly representing and explaining the quality level of their produce. The quality level may mean the difference in repeat sales, volume, and profit levels for the operation.

Advertising and Promotion

U-pick advertising plans can be as simple as a roadside sign or billboard or as complex as a mailing flyer. Probably the best form of advertising and promotion for a U-pick market is word-of-mouth advertising from satisfied customers. However, until a PYO has developed a reputation for high quality produce at a convenient location for reasonable prices, other forms of advertising will be required. Local newspapers ads and roadside signs are the most common forms of PYO advertisements. Also, local radio spots or direct mailings can be used. Advertisements should include the location, business hours, working days, types of produce, and any special, unique services that a PYO operation provides. It is not necessary to include price in ads unless there is some type of special. Local radio spots and direct mailing are especially helpful for advertising current popular produce in season and market specials. Mailing lists for the market area can be obtained through organizations' churches, or local social groups if producers do not already have their own listing of customers.

Signs. Signs can serve as advertisements and information sources for U-pick customers. For advertisements, signs should be placed on a busy road near the U-pick site. Signs should direct customers to the farm and enhance customers' need for the fruits or vegetables that are offered. The most popular crops should be mentioned along with the directions to the site. Once at the U-pick site, signs should explain parking, pricing, minimal quantities, hours and days of

Figure 1. Examples of field layouts for PYO operations



operation, volume discounts, containers, and settlements of disputes.

Both advertisement and site signs should be neat and readable in bright, attractive colors. The use of different colors for important key words can emphasize their importance. Also, the use of symbols can make signs easier to read, especially on roadsides. Zoning regulations should be checked concerning roadside signs and also for the PYO access area.

Promotion. PYOs can be promoted at county fairs or craft shows, or through local media channels. A booth at local events such as county fairs or craft shows can help consumers become aware of a U-pick operation's existence. At the booths; flyers, recipes, free samples, and contests can be used for promotion. Contests for various amounts of free produce can be a way to develop a mailing list. News articles especially in a small town weekly or free advertising newspapers can be a good promotional tool. Many times local papers are interested in human interest or new business stories in the area.

General Management Concerns

Pricing. Producers can use competitors' prices as a yardstick for setting their own prices. Competitors' prices that could be used are other U-pick operations, local grocery stores, farmer's markets, roadside stands, or wholesalers. Price levels should reflect quality of produce, picking conditions, distance to the market, services offered, and other advantages and disadvantages that the operation offers. Producers should also consider their production costs, expected sales, and yields when setting price levels.

Produce may be sold by weight, volume, or count. The simplest method for calculating prices is to **sell by** volume. However, producers must provide the containers for the customers so correct

volumes can be measured. Even with the specific containers correct volumes are not guaranteed, some pickers will over fill the containers which may result in a significant amount of fruit obtained at no charge. **Pricing by weight** can eliminate the container problem but requires more time and labor. When pricing by weight, the containers must first be weighed prior to picking and the weight recorded. Filled containers must be reweighed after picking and the produce weight calculated. A scale, pen, and roll of masking tape should be all of the equipment needed for this process. Even with a weight pricing system, it may be necessary to provide some containers since all consumers will not bring their own. Charges for containers are appropriate in these instances. **Count pricing** is a simple method that prices produce on a per item basis. However, count pricing obviously cannot be used for all types of fresh produce (i.e., blueberries). No matter what pricing method is selected, it is recommended that the price be rounded to the nearest nickel or dime for easy price calculation. Also, the pricing method or need for containers should be mentioned on signs and other forms of advertising.

Facilities. Parking facilities are critical to U-pick operations. If at all possible, **parking** should be within reasonable walking distance of the production site for customers of all ages. If parking is not available near the site, then safe transportation should be provided to the fields. Signs should instruct drivers how to park their vehicles. Many times signs alone are not enough to direct orderly parking at PYOs, particularly on high customer traffic days. Therefore, parking attendants may be needed to direct customers and assist them to the check in area and answer general questions about the operation.

The **check station** should be located so it can be seen from the parking area. The station should separate the parking area from the fields in order to discourage "free" produce. If possible, it should be located where people must

pass by on the way to and from the fields. Usually the check station is in an existing building or if in the field, a tent or the back of a truck. The check station should serve as an area to instruct customers, to collect money, and to sell harvested produce. Also, the check area can serve as a storage area for customers' produce while they are still picking in the fields. Field supervisors can write the customer's last name on the filled containers and take them to the check station where they can be stored in alphabetical order until the customer is finished picking.

Rules of the operation should be posted at the check station. Rules should include operation practices such as provision of containers (by consumers or by producer), hours, and prices. It should be remembered when establishing operational rules that too many rules may discourage customers who come to the U-pick for a recreational outing.

The check station also should provide information on the location of the picking sites and about whether or not transportation is provided to the site. The check station's attendants should provide information on what areas of the field are available to pick and what crop varieties are available.

Optional facilities can increase the customer services that the U-pick provides and also increase the goodwill of the firm. The facilities could help differentiate one PYO from another and increase the competitive edge. Some optional facilities that can be provided are restrooms, play areas for children, designated picking areas for children, picnic tables, water coolers, and shady resting areas.

Containers. Containers can pose a problem for some producers — should producers or consumers provide them. Producers would need to supply a variety of containers that would be appropriate for the produce they have for sale. Some producers design their own specialized containers. The containers se-

lected should be sturdy, should avoid bruising the produce, and should not hold such large quantities that consumers cannot easily carry them. The PYO can have their name, logo, and map to the farm printed on the containers for a minimal charge. The printed information encourages repeat sales and a discount could be offered to consumers if the boxes are used repeatedly or returned.

If consumers bring their own container, a greater amount of time is spent with each customer weighing in the containers and then weighing the produce after picking. Therefore, the check-in and checkout process is slowed down but it provides a fair pricing system for producer and consumer. Also, some consumers will not bring containers with them, and it will be necessary for the PYO operator to have some type of containers available for their use. No matter what container system is chosen, a sign and any advertisement should explain the container policy.

Labor. The amount of labor needed for the U-pick operation depends on the services offered, length of growing season, distance to the site, and type of containers. Most operations will need people for field supervisors and check station operators. If the farm offers only one crop throughout the growing season then two or three people could supervise the entire operation. If the operation offers more crops or services, then other employees may be necessary. Besides the field supervisors and check station operators, baby sitters or play ground helpers, container distributors, and transportation operators might be needed. Often high school students can provide the supplemental labor that is needed for a PYO. The amount of labor will vary with the services provided.

If possible, it is a good idea to have employees wear some type of similar clothing to identify them as workers. Some examples are t-shirts, caps, or bandanas with the U-pick logo or farm name on them. Identifying attire can help

customers easily recognize the employees and receive the needed assistance.

Even though it is expected that most of the produce will be harvested by the customers, some harvesting may have to be done by the operator. Some customers will not be able to pick the produce for various reasons, so some harvested produce may be made available to sell to these customers at a higher price. Also, a sufficient number of customers may not come to pick all the crop when it is ripe so some of it may need to be sold through other market channels. A field supervisor or driver who picks while also helping customers may be all the harvest labor required.

Liability. Producers increase their liability by inviting the public to come on their property to pick produce. Generally, producers should be concerned about the safety of children and older people who are more likely to be involved in an accident.

Producers should contact their insurance agent when they consider a U-pick operation and have their policy appropriately adjusted. Producers can also take their own measures to insure customer safety and reduce their level of liability. Ladders used to pick tree crops can be especially dangerous and increase liability. To reduce liability, dwarf trees

can be planted and producers can pick the top portion of the trees to reduce the temptation of customers to climb the trees. Rules on picking and climbing should be clearly stated. Other ways producers can increase the level of safety are to fence dangerous areas, to keep chemicals and machinery locked up or away from the public area, and to keep animals tied or penned away from production sites.

Summary

Table 1 lists the advantages and disadvantages for U-pick producers and consumers. General advantages for producers are cash received at the time of the sale, no middleman concerns, and reduced labor requirements. Potential disadvantages are increased non-harvest labor, long working hours, and potential liability. Consumers like the selection of fresh, high quality produce at a reasonable price but must spend time to reach the farm and harvest the produce.

PYOs offer producers an additional marketing outlet that provides the opportunity to sell produce directly to consumers, to reduce harvesting costs, and to sell produce that is mature, over-produced, or weather-damaged. Consumers have the opportunity to select their own produce at lower prices and to visit the production site.

Table 1. Producer and Consumer Advantages and Disadvantages Associated with PYO Operations

<p>Advantages for producers are:</p> <ul style="list-style-type: none"> Reduced harvest labor requirements Elimination of most grading, packing and storing Reduced container costs if customer provides them Cash in hand No middlemen No labor housing Potential to sell lower quality produce More stable prices 	<p>Disadvantages for producers are:</p> <ul style="list-style-type: none"> Liabile for accidents Long hours Getting customers to picking site Matching volumes to number of pickers Loss of total yield Dealing with all types of people Inability to sell all the crop at one time
<p>Advantages for consumers are:</p> <ul style="list-style-type: none"> Field fresh produce Select own produce Larger quantities possibly available Lower prices Recreational/educational experience Sense of accomplishment satisfaction 	<p>Disadvantages for consumers are:</p> <ul style="list-style-type: none"> Takes time, labor, and transportation Required to put in own input for lower prices

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**SHOULD I GROW FRUITS
AND VEGETABLES?**

ROADSIDE STANDS

*by Renee M. Lloyd,
James R. Nelson, Daniel S. Tilley*

Roadside stands or markets are a type of direct marketing system where a grower establishes a selling place (stand) near a roadway and sells produce directly to consumers. Often a stand is located on a farm or orchard. Produce sold in a roadside stand may be grown exclusively on the farm or may be purchased from outside sources. A roadside stand may be open only during harvest periods or throughout the year, depending on produce supply sources. A roadside stand may be operated from a year-round permanent structure or a truck, trailer, or tent during the harvest period. Generally, a permanent, year-round roadside produce business is referred to as a roadside market. Market produce is supplied by the grower/operator and/or by purchases from off-farm sources (often other area growers).

The purpose of this fact sheet is to discuss the important establishment factors for a roadside stand. Some of the areas to be considered are producers and consumers use of the market, location needs, display characteristics, and legal considerations. This publication is an overview of strategies that have worked for some producers in Oklahoma and other states.

Producers use roadside stands for several reasons: to help supplement their incomes, to provide employment for family members, and to dispose of extra produce. Large volume stands require producers to possess more management

skills and to select locations that can accommodate larger businesses. Producers should remember it may take several years for a roadside stand to show a profit. Besides possible financial benefits from establishing an outlet for produce, producers may also enjoy the customer exchange process, receive a sense of personal pride and independence from the operation, and gain satisfaction from growing and selling quality crops.

Consumers shop at roadside stands in order to purchase fresh, flavorful, high quality produce in a convenient, friendly atmosphere at a reasonable price. Besides quality and price levels, other factors that draw people to roadside stands are convenience, advertising, and recreation. Some problems consumers experience shopping at roadside markets are the distance to the market, heavy traffic, variable quality, and inconvenience caused by out-of-stock produce. If producers can solve or minimize these problems then repeat customers may be established for a market.

Sales potential. When producers consider the sales potential for their stand, they should consider: the number of potential customers, the competing businesses in the area, and the traffic flow. Some population factors growers should consider are age, income levels, family size, ethnic or racial mix, and information on travelers (i.e., Is traffic local residents or tourists? Where are drivers going? What time of day is the heaviest traffic?, etc.). Some common roadside stand patron characteristics are as follows:

- distance travelled is usually less than 15 miles;
- shopping frequency is at least twice a month;
- average shopper is middle aged, from a two person, middle income household; and

- shoppers usually learn about a stand from driving by or from satisfied customers.

Producers should consider the number of similar businesses in the area and how they compare to their operations. Producers should consider the level of customer interest and whether it is great enough to support several stands. Often several markets can benefit from the competition and operate profitably in the same approximate area.

In order for several stands to operate in close proximity, there must be a traffic flow to generate sufficient income for the various stands. As long as traffic moves slowly, sales may increase as the number of cars that pass the stand increase. However, there is an inverse relationship between sales and the speed of the passing traffic.

Hours of operation. The business hours that a roadside stand keeps greatly depend on the operator and the amount of produce that is available for direct sale. Some roadside stands operate seven days per week for 8 to 10 hours per day, year round. However, some stands are only open Friday, Saturday, and Sunday for 5 to 8 hours from June to late October. The highest customer traffic occurs on weekends, particularly on Saturdays.

Location. The location of a roadside stand can greatly influence its profitability. Some variables to consider when evaluating sites are the traffic count on the road, number of people in the area, per capita income, distance from customers, distance from competitors, and produce offered. The more successful stand sites are located near customers and are easily visible from the road. If a stand is close to a city, then the average weekly sales may be higher than if the stand was in a more rural area, especially if the road is a busy, main thoroughfare to and from the city or town. However, in higher population areas, consumers will travel a shorter distance to a stand (approximately

a 15 minute boundary for travel time to the market). Roadside stands are generally more successful if the average highway speed is 47 miles per hour or less, and if they are located on a straight road where the stand may be seen from the road.

Off-road parking is essential for the safety of customers and users of the highway. A frontage road is not necessary but the stand should have a safe, easy entrance that is visible from the road. The stand should also have adjacent parking spaces. The parking lot should be a well drained grassy or graveled area. If the stand is generating a large amount of traffic, then traffic flow directions may be needed to assist in orderly parking.

Facilities, buildings, and equipment. The facilities used to house a roadside stand do not need to be elaborate but should serve operational needs. Besides the sales area for the produce, the facilities should provide protection for produce, employees, and customers. Essential facilities for the market are a sales area, parking spaces, and roadway access. Some optional facilities are a cool storage area, restrooms, playground, and a picnic area.

Buildings used for a market may be new or converted buildings. Buildings that can be converted to a roadside market are barns, one-room schoolhouses, or sheds. The main purpose of the building is to protect the produce and customers from the weather. When building a structure, producers should consider the expected sales levels, the length of the season, and types of produce to be sold. From these factors, growers can determine the size of the building, the appropriate building design, and needed construction materials.

After evaluation of their market expectations, growers may find that in some cases no permanent roadside stand structure is needed. If the grower only has one or two items to sell, a temporary stand or a simple pole shed type facility might be

quite adequate. A temporary roadside stand could simply be a canopy covering a hay rack or truck. Irrespective of the structure used, it is important to keep the rural image with a colorful creative stand.

The amount of **equipment** can vary with the type of stand. The only necessary pieces of equipment for a roadside stand are a money box or a cash register and a produce display. Other equipment that might also be included are scales, an ice machine, and accent lighting fixtures. Depending on the market type and services, some specialized equipment might be needed which includes a pallet jack, forklift, shopping carts, oven, meat slicer, cider press, juice machine, and other equipment for the market's special products.

Source of Produce. The source of produce depends on the grower's choice of market type. Growers may specialize in one product or sell a variety of goods. The produce may be entirely grown by the market operator, purchased from other area growers, or purchased from wholesalers. Some markets sell one, superior quality product during the harvest season. However, some growers, who specialize in a single product, do sell small volumes of other products. Multiple product stands expose consumers to more produce which can result in increased sales. Depending on the stand, the length of the growing season, and off-farm produce purchase; multi-product roadside stands generally offer 6 to 7 products. In either type of stand, consistent, high quality produce is necessary to establish repeat sales. At roadside stands, high demand crops usually are sweet corn, tomatoes, green beans, cucumbers, onions, peppers, pumpkins (especially in October) and, in certain areas of the country, apples, peaches, pecans, potatoes, blueberries, and strawberries.

Displays and Produce Handling. Producers should handle and display their fruits and vegetables to generate impulse purchases and to main-

tain produce quality. Stands design and lay out can greatly influence display methods. Location of produce can influence the sales level of all products, since many sales are impulsive. High demand, popular produce should be placed so customers walk past other produce. Some general practices to help maintain produce quality and create attractive displays are to avoid direct sunlight and excess air movement, to keep leafy vegetables moist by spraying or displaying on a bed of ice, to keep displays full, and to display produce at an easy to reach level.

The type of display can also have an influence on the quality of the produce. Produce may be displayed in bulk or in prepackaged form. Bulk displays allow customers to choose their own items and encourage large volume sales. The problem with bulk displays is produce may become damaged with continuous customer handling, which may create mixed produce quality. Inconsistent quality or bruised produce can decrease sales volume and price. Produce may be prepackaged to maintain freshness and reduce shrink; to allow advance preparation; to efficiently handle small fruits and vegetables; to enhance appearance; to allow for quicker shopping; and to maintain neater displays. However, prepackaged produce may impair the farm image of the roadside stand and deprive customers of their selection process.

Pricing. Produce at roadside stands like at other direct markets (pick-your-own and farmers' markets) may be priced by weight, count, or volume with competitors' prices used as guidelines. If produce is sold by weight, then state inspected and approved scales are needed to verify the weight of produce sold. Selling by weight assures consumers and producers that they receive full dollar value for the produce. For some types of produce, such as sweet corn, the count price system is more practical and easier to control. The volume system works well for crops that lend themselves to packaging such as small fruits or items sold in large volumes (i.e., bushels).

Producers should use signs with the prices listed in units so customers are charged the same amount for their produce. It is a good idea to price produce with 5 and 10 cent intervals to maintain the farm image and ease of calculation.

Advertising and promotion.

Advertisements should make customers aware of what produce is available, hours of business operation, and the location of the stand. The best form of advertising for roadside markets is word-of-mouth advertising from satisfied customers. Some other forms of advertising that can be used until the stand has a large number of satisfied customers are signs, container labels, newspapers, flyers, and radio. The stand may provide information on canning, freezing, fresh storage, processing, recipes and cooking ideas. Much of this information may be obtained through the county Cooperative Extension Service home economist.

Signs are the most common form of advertising used by roadside stand operators. Signs should be placed far enough from the stand that drivers have time to make the turn into the market. Usually, signs are placed at the market site and also at least one-quarter mile from the stand in either direction. The signs should be simple and easy to read with only a few words in bright colors. The farm name, distance to the market, and perhaps a picture of the produce may be the only information needed on signs. For reading ease,

letters used on signs should be 1/5 as wide as they are high. Information about sign readability is presented in Table 1.

Newspaper advertising may only be necessary when sales levels are low and more customers are needed to move produce, when the stand opens, or when new produce comes in-season. Ads can be run in the classified section or in a display format. The classified ads are generally less expensive and reach consumers who use produce for canning or freezing. Display advertisements are often used to catch customers attention and announce special events at the stand.

Promotion techniques for roadside stands can be individually or community based planned activities. Producers can use forms of goodwill such as friendly, courteous service, volume price discounts, or superior quality produce. Some planned community activities that can help promote a stand are tours, bulletins and leaflets, giveaways, produce or monetary donations or discount coupons passed out at community service organization activities (i.e., barbecues, ice cream socials), exhibits at craft shows and fairs, and sponsorship of community events or teams.

Labor and personnel management. Principal labor sources for most roadside stands are growers and their families. The type of additional labor needed to operate a stand is generally seasonal, sales positions. The off-farm individuals usually hired for this work are homemakers, students, teachers, friends, relatives and retirees.

Hired individuals do not needed to be professionally trained sales people, but they should be friendly, helpful, alert, and courteous.

The manager of a stand should be able to plan, organize, direct, coordinate, and control the entire op-

Table 1. Example distances and words read at various speeds with recommended letters heights and widths.

Distance (feet)	Letter Width (inches)	Letter Height (inches)	Number of Words at Speed:			
			30	40	50	60
			(Miles Per Hour)			
50	3/8	1 3/4	4	2	1	0
100	3/4	3 1/2	8	5	4	3
200	1 3/8	7	15	11	8	6
300	2 3/16	11	22	16	13	10
400	2 7/8	14	30	22	17	14
500	3 1/2	17 1/2	38	28	22	18

eration and its employees. Managers should have some type of merchandising and customer relations skills in order to have a successful roadside stand.

A friendly, helpful atmosphere is one of the most important characteristics that a roadside stand must possess to gain repeat customers. Workers should be courteous and helpful to the customers when they first arrive at the stand. Workers should be able to distinguish the differences between the stand's various fruits and vegetables, intelligently discuss produce varieties, and be honest about produce quality.

Legal considerations. There are many legal regulations and restrictions with which a roadside stand operator may need to comply. At the state level, health permits, licenses, sales taxes, weight and measure requirements, sanitary requirements, and zoning and right-of-way regulations need to be checked for each individual operation. These same legal considerations should be checked at the local level. Another area that should be considered is insurance requirements that will be necessary for the stand to cover accident liability and product liability.

Records. Market managers need to keep daily records to explain operation practices, for financial information needed for taxes, for analyzing sales performance, and to provide a guide for

changing operational practices. Some areas for which records should be kept include sales volumes, gross margins, labor and other input costs, and cash flow.

Concluding remarks. To help make a roadside stand successful, growers should try to follow some of these suggestions for market improvement:

- roadside signs should be placed far enough from the market to attract customers and to provide enough time for them to stop safely at the stand;
- overripe produce should not be offered for sale unless it is marked and displayed as such;
- if possible, place the stand on or near the farm or orchard to create a farm atmosphere;
- post prices clearly so all customers are treated fairly and equally;
- home grown produce generally increases sales and the percentage of repeat customers; and
- a pleasant personality with a strong emphasis on courtesy, honesty, and integrity are helpful in dealing with the public.

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Cooperative Extension Service, Division of Agriculture,
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RUNNING A ROADSIDE STAND

Some helpful tips

Experience goes a long way, and third generation roadside stand operator Nita Gizdich of Watsonville, Calif., has been asked to share her expertise at various seminars and farm conferences, such as the National Farmers' Direct Marketing Conference. "A lot of farmers want to know if they should start a roadside operation", says Nita. "I say if you're within five or six miles of a main highway, why not?"

Proximity to a major metropolitan area is not so vital as it once was, explains Nita. "The way people are today, they want to come to the farm, and it doesn't seem to make too much difference how far away it is. Today a woman called wanting pumpkins, and I suggested a place near her. She said: 'Oh no, I want to go out to a farm.' So I suggested another place, 15 miles away from her, and that was fine."

The Gizdich Ranch's average customer comes from about 60 miles away, which is in line with the national average of a 40 - 60 mile radius for roadside stands. Most of the Gizdiches' customers are from San Jose or Bay Area, dropping by on their way back from the beach. The farther you are off a well-traveled road, Nita cautions, the more variety you need to offer, to create interest in your farm and attract customers for repeat visits. "We know one farm that offers just a few specialty items, but they are on a highly-travelled highway. Where we are, we need more kinds of attractions."

Something Nita has learned from experience about farm stand layout is the importance of traffic flow: make it easy for the customer to get in and out. Before the Gizdiches made an exit road through a corner orchard, customers had to exit on the same one-lane road they came in, creating headache traffic jams. Another layout tip is to spread your sales areas out. At the Gizdich ranch, customers are making purchases at the pie shop, or the sales room, etc. "People don't want to come out to the country and be all bunched up like in a department store."

Customer Satisfaction

In all aspects of merchandising, whether display, pricing or packaging, make it as easy and convenient as possible for the customer to buy. If the customer has to pick up a heavy box, or go get an attendant to get it because it's up too high, a sale may be lost. Nita favors hand-carried baskets over shopping carts, feeling that carts take too much space. Attendants are ready to help carry the customers' box to the checkstand: "As soon as we see a customer looking at one of our 40 lb. boxes, we offer to help."

Prices at the Gizdich Ranch are set for the year, so that customers can be notified by mail for roadside stand and U-Pick prices. Prices can be lowered, of course, for specials—it's a lot easier to lower prices than to raise them. Except for the U-Pick, all pricing at the Gizdich Ranch is by the count, or by the box or container, so as to save time. For the same reason, there is no price dickering. Especially at the stop-and-go types of roadside stands, Nita emphasizes, make it convenient for the customer by pricing by the container—strawberries, for example, might be in pre-wrapped containers, ready to take out.

The biggest advertisement for the Gizdich Farm, is word-of-mouth, the intangible “extra” that seems to make businesses sink or swim. One way to show customers that you’ve got quality is to let them sample it. “We’ll hand out samples of our juice,” says Nita, “and the customers say: ‘Oh, that tastes so good—we’ll take a gallon’.” In addition, boxes in the sales room will say ‘Sample One’, and contain samples of the nine apple varieties offered by the ranch. “People walk in here with no idea of which kind of apple they’d like to buy,” says Nita. “Sampling lets them find out.”

By the same token, Nita looks for sales people who enjoy talking to people. “People want you to sell them,” she says. “They may not know a lot about some of the produce you offer, but if you can explain what it is and how they can use it, they’ll end up buying. After we explain the varieties of apples and how they’re used, for example, they may end up buying one kind for eating, others for cooking.

Besides the constant feedback Nita gets from talking and listening to customers, she sometimes does more formal surveys, such as asking each customer if they saw a recent ad. One survey revealed that almost no one had seen an ad placed in a major metropolitan newspaper. “The larger the newspaper, the worse it is for our ad,” concludes Nita “it just gets lost.” The ads in smaller, local newspapers seemed to draw well.

Farm Festival

At a recent farm conference, Nita gave a seminar entitled “How To Design a Farm Festival For Expansion of Your Clientele.” If you feel you’re too small to hold a festival yourself, she told her audience, get together with two or three other farm families. One may raise strawberries, another apples, while another does pottery etc., so that together you can have a “Country Farm” festival.

Picking up a tip from an East Coast grower, Nita got together with some neighboring farms, and notified the media shortly before pick-yourself strawberry time that they were planting the whip-cream out amongst the strawberries, which would be ready to harvest in two weeks. The media loved it, and came out to take pictures of the farmers putting whip-cream on the strawberry plants. Customers loved it too, and were given little cups of whipped cream and shortcake as they came up to the U-Pick checkstand with their strawberries. Customers were given also red, strawberry-shaped balloons, stamped with the farm logo. “This is a way not only to have a fun and festive time with customers, but to get the media out and advertise the farm,” says Nita.

“Have a theme”, advises Nita, and she gives the example of a farm which arranged a Halloween Pumpkin festival around different “story book areas”, such as a haunted house, the witch and big black cat. While Halloween-pumpkin festivals are probably the most popular of seasonal festivals, Nita emphasizes that other harvest festivals are nice, too—if you raise grapes, make it a grape harvest festival. California’s largest single festival just miles away from the Gizdich Ranch, is the Gilroy Garlic Festival, which draws thousands of people each year to sample the hundreds of garlic recipes.

Make the festival special by offering the customer something. If it’s sweet corn time, have a sweet corn roast—give the city dweller a special reason to come out to the farm. Vary it each year—“next year we’ll have square dancers”—so that they’ll want to come back each year.

The advantage of having a harvest festival Nita explains, is that they generate new customers. Studies show that about 20% of roadside stand or farm-attraction customers are lost each year; some move away, or pass away, go down the

road to Farmer Joe's, or just plain missed the festival this year. Farm festivals serve as a constant replacement for that 20%.

At the Gizdich Ranch's Apple Butter Festival customers often are surprised to find all the different attractions that the farm offers in addition to the apple-butter. "They'll see the ad for the apple-butter and come out just for that," says

Nita, "and then discover the antique shop, saying: 'Oh, I didn't know you had this here!'

Repeat business, according to Nita Gizdich, depends on your product and how you treat the people. "Our customers get a lot of smiles and hello's when they come here, whether we know them or not," she says. "Smiles go a long ways these days."

FROM:

Direct Farm Marketing and Tourism Handbook. Article and photos were excerpted with permission from the Spring 1991 issue of the *Rural Enterprise* magazine. The magazine temporarily suspended publication with the Summer 1992 issue.

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SELLING TO RESTAURANTS

by Eric Gibson

This article is excerpted from a new book by Eric Gibson, "Sell What You Sow: A Guide to Successful Produce Marketing."

In many of today's top restaurants, diners are facing dishes made with fruits and vegetables they've never seen before. The sorbet is made with prickly pear; the salad is a symphony of edible flowers; and greens have foreign names like mizuna and radicchio.

The flood of new produce items has given top-notch chefs a whole new palette. Chefs are increasingly willing to buy directly from growers in order to find field-ripened vegetables and tree-ripened fruits that are difficult to purchase from distributors and purveyors.

Although many restaurants buy directly from growers hoping to get a lower price, white-linen restaurant chefs often pay top-dollar for hard-to-find, quality produce. Ina Chun, a specialty grower and distributor with her company, Ocean Resources near Graton, California, says: "Chefs can't find a good tomato through brokers. Bring them a great-tasting tomato, and you've got a real 'in'." Selling to restaurants, Chun adds, represents the "state of the

art" in growing: "It's an incredible feeling to grow all this great produce and know you're getting it to where it's really appreciated."

Restaurant concerns are for freshness and quality; price; consistency and reliability of supply and delivery; and for specialty produce not available in wholesale markets.

Chefs stress that they welcome sales calls from farmers, but are rarely approached. As one chef said: "We are in the yellow pages; the farmers are not, so it is up to them to contact us."

Advantages of Selling to Restaurants Include:

- *Steady market* throughout the production season. If you can establish a solid relationship with a restaurant, you can peg a price on a product and stay with it.
- *Top-dollar* for your product. A minimum of 10% over wholesale terminal prices for standard items at mainstream restaurants; much more from upper scale restaurants for specialty items that they can't get wholesale.
- *Personal contact* with the owners, manager or chef allows greater flexibility in products grown. Dealing with creative chefs gives you a marketing edge in your other marketing outlets.
- *Brand Recognition:* Restaurants like to emphasize their locally-grown produce, so they often mention the names of their farm suppliers on the menu.

Disadvantages in Selling to Restaurants:

Since restaurants have limited cooler space, they require frequent deliveries, and accept only limited volume per delivery. This means more restaurants to deliver to, more invoices and paperwork, and lots of time away from growing.

Product liability insurance may be required by state law and/or the individual buyer you are selling to. The premium could outweigh the profits. Check with your State Department of Agriculture regarding required insurance in selling to restaurants.

What to Grow

Quality is generally a top priority with restaurants. Never compromise on quality. Separate the seconds, identify them as #2's, and sell them for a lower price. Restaurants can use seconds in salsa, pizza, and salads.

Concentrate on specialty items that restaurants can't get from traditional distributors, or for which you can offer premium freshness and quality. Use sequential plantings and choose varieties to make sure you have a steady supply all season. Stay in constant communication with buyers as to what's up and coming, so they can plan ahead, and you can move your crops when they're harvested.

Researching the Market

Make a list of all the restaurants that can be easily served from your location, say within a 50-mile radius, or are along a delivery route in a city an hour or two drive away. Look in the Yellow Pages, or dining guide surveys in newspapers, or restaurant guidebooks in libraries or bookstores. Find contacts also in restaurant association trade and food shows. Look for restaurants which feature natural foods, regional specialties or unique cui-

sine, fresh vegetables, specialty salads, and homemade soups.

Start lining up prospective restaurant buyers as much as a year in advance. Call first and arrange for an appointment, as visitors to the kitchen are not welcome during rush hours (2 to 4 p.m. is generally a slow period, between lunch and dinner). Ask to speak to the executive chef.

Find out if the restaurant buys locally, what crops they might be interested in buying, and as much as possible about how the restaurant operates. Find out the quantities they use per week, how often they order, payment terms and the prices they pay, and some of their preferences for packaging, grading and delivery.

Determine the products you can supply the restaurant that are different, fresher, or better than those presently being purchased. Give the buyer a reason to buy from you; let him know how your products and services are different or better. Stress the special varieties or each-day delivery you offer, for example, or the freshness, uniqueness, vine-ripened flavor, extra care, and personal service of your products. Bring samples and a cutting board with you; make sure they taste your great produce. Also, leave a fact sheet listing your products, the various types and varieties, and availabilities and prices.

Payment and Pricing

Discuss payment up front; some restaurants are notorious for not paying their bills. Be very cautious in extending credit, especially to small restaurants, or restaurants that are new to the market. Ask them to fill out a credit application, and ask for references of other farmers they deal with.

Discuss the need for a delivery charge on less-than-minimum orders, and the need for on-time payment. Ask what the

restaurant's normal billing schedule is. Two weeks, 30, 45 or 90 days is common; if you can live with that, accept it. Be sure that the restaurant lives up to its agreed-upon schedule. Offer an incentive for early payment, such as a 3% discount for payment within 10 days.

Consistent quality is often the key to keeping chefs from arguing too much over the price. But they will argue if the produce occasionally falls below top-quality.

Is it profitable? Take a close look at the distances for delivery, the volume of produce you are able to move through restaurant channels; the time you spend in making phone calls and deliveries, and finally, the comparative value of restaurants compared to other markets. Make sure you are making money!

Establishing a Working Relationship

Try to establish an on-going working relationship with the restaurant, either as supplier for a specified commodity or as their "restaurant garden" to supply a wide range of their needs. Try to get a written contract if possible; verbal agreements are more common. A contract or agreement may specify kinds of produce to be delivered; amounts and delivery times; price and terms; trucking fees and reliability. Make sure you are dealing with someone you can trust—you'd be left in the lurch if your restaurant pulled out on you!

Pinpoint your relationship with your restaurant buyer. Discuss delivery days and times, and find out who should sign off on your delivery. Figure out how much it takes to make a stop worthwhile; then establish a delivery charge for less than minimum orders. Small orders that don't even pay for delivery can kill your good business. Also let them know that you need X number of hours or days to place special orders. Request that orders be made by 5 PM the day before delivery.

When your first crops are ready to harvest, contact the restaurants you'll sell to, and confirm the date, time and quantity of delivery. Be prompt with deliveries and supply exactly what you've promised. Reliability is a must. If you don't show, it means panic in the kitchen and missing items on the menu. They may not buy from you again!

Keep in touch, and make it easy for the restaurant to reach you. An answering machine will allow them to call you for special orders. List what's available and then ask them to leave their order on the answering machine. If you have a FAX machine, fax them your price/availability list with check-offs for their order.

Service What You Sell

Chefs want information about how to store and handle the products, shelf life, and ways in which the product can be used. Some may also appreciate recipe suggestions.

Since affordable labor is one of the biggest problems faced by chefs, they are glad to buy food products in a semi-prepared form, such as pre-sliced vegetables, pre-peeled potatoes, pre-washed greens, or tomatoes and potatoes sorted according to size. The less time spent preparing produce in the kitchen, the better. Chefs use big tomatoes, for example, for slicing, and little tomatoes for salads.

Increasing the Order Size

One of the biggest challenges in selling to restaurants is in finding ways to increase the order size. Work your way "in" to a restaurant by growing small amounts of some obscure specialty item; then try to supply them with more items to fill out the orders. If you've got a restaurant that buys your mushrooms, for example, give them a free bag of your edible flowers, along with some suggestions on how to use them in salads.

Grower-Chef Relationships

One of the most enjoyable aspects of selling direct to restaurants is the ongoing dialogue with these food professionals. Feedback from chefs allows you to upgrade your products and services.

Always communicate if there is a problem. If you are short on a product, call the restaurant to let them know so they can cover themselves on the menu. If your products are frost damaged or insect damaged, for example, chefs still may be able to use the product, as long as the damage is cosmetic only. Discount the price and sell it as seconds.

Hold regular meetings with buyers to review and plan. Bob Cannard meets quarterly with the Chez Panisse management to talk about what he grew that was right, and what he grew too much or too little of. In addition to quantity and variety, the meetings decide how things are grown, picked and packaged. Salad greens for example, can be either plucked as small,

tender edibles, or allowed to mature for greater color, tone and texture.

Working with Other Growers

Some of the challenges of selling to restaurants—small volume time spent in selling and delivery, having enough variety to build up your accounts, etc.—can be overcome by working with other growers.

When Ina Chun and John Mero began selling edible flowers to restaurants in the Bay Area from their farm in northern Sonoma County, they soon found themselves “picking up” produce from neighboring farmers. Now their distribution services have become a major part of their business.

For more information, contact:

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622-2248.

FROM:

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Cooperative Extension, University of California,
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THE FRESH CONNECTION KEEPS FARMERS AND CHEFS IN TOUCH

by Bonita Oehlke

The Massachusetts Department of Food and Agriculture developed The Fresh Connection newsletter to encourage chefs to buy direct from farmers.

The "Fresh Connection" newsletter is part of a new direct marketing promotional program at the Massachusetts Department of Food and Agriculture in Boston. The program is designed to help local growers find markets, and improve the communication between local producers and restaurant chefs.

"We are finding more and more growers who want to reach the restaurant market," says Janet Christensen, public information officer and editor of the newsletter.

Both growers and restaurants are featured in the newsletter, which is published six times each year. The Fresh Connection features products and the producers who are determined to start selling products or increase their sales to restaurants. Restaurants that feature regional cuisine and those wanting to contract or work with local growers are also highlighted in the newsletter.

The "What's Available Now" section of the newsletter lists producers with their products and provides contact information. A survey to identify producers interested in working with restaurants

and their crops was included in the initial newsletter last June. Brochures describing cider mills, farmstead cheese producers, egg producers, orchards and specialty gifts have also been included in newsletter mailings.

Of the newsletter's nearly 950 circulation, about 50% are producers and growers, 45% are chefs and about 5% are in media or education.

Besides the newsletter, the Fresh Connection program has helped coordinate food commodity representatives at state and national food shows for the restaurant and food service industry. The program also helped plan and staff special events to showcase Massachusetts food products. Participation in these events is funded by the department's bureau of markets.

"Restaurant chefs and food buyers are saying, 'find us the farmers,'" says August Schumacher, Jr., Massachusetts Commissioner of Agriculture. "Quality and freshness are very important to de-

Photos: Diane Baedeker



The Massachusetts Department of Food and Agriculture's Fresh Connection newsletter is edited by Janet Christensen (standing), who is also a department public information officer. Bonita Oehlke is a writer and project coordinator for the newsletter.



Diane Baedeker is the Fresh Connection's graphic artist. This four-page newsletter is primarily sent to growers and restaurant operators. It mainly features stories on Massachusetts growers and also lists the growers' products and addresses.

veloping a working relationship with restaurants. By contracting ahead, growers may increase sales of traditional crops and diversify into specialty crops that command a premium price."

Restaurant Food Sales

Schumacher says food consumption patterns and the marketing environment have changed dramatically in recent years. "Today, up to 40% of all meals are eaten away from home," he says. "Many of our farmers are looking for new markets and want to serve the restaurant segment. And the chefs want quality, fresh products."

Pursuing the restaurant food dollar is worthwhile for growers in Massachusetts, considering the revenue this industry produces. Based on sales tax information for 1986, more than \$5 billion was generated in sales, according to Ray Murgia, president of the Massachusetts Restaurant Association.

"While growers tend to concentrate on the market with which they're most familiar, we hope that many of the traditional

roadside stand operators and growers, as well as smaller farmers, will see the potential sales value of the restaurant market," says Schumacher.

"There is no question that restaurants are willing to buy locally grown products. The only problem is that most of our fresh produce isn't available all year round. Although some of the nearly 1,000 roadside farmstands in Massachusetts are open year round, most supplement their own farm products during the winter with items from other states."

The idea for the Fresh Connection program occurred to Schumacher during a conversation with Walter Zuromski, local executive chef of The Charles Hotel in Cambridge.

This challenge, along with the chef's interest in using fresh, local products, prompted the selection of The Charles Hotel to hold a dinner in February 1986, featuring the state's outstanding foods.

The publicity generated from this event prompted several inquiries from other chefs who were searching for sources of local, fresh foods. At a subsequent meeting in

March, a few growers and chefs discussed ways to get together.

"We have great hopes that the Fresh Connection program will really expand and stimulate the exchange between growers and restaurants chefs," says Christensen. "It's the first time that we've aimed a major direct marketing promotional program towards restaurants."

Taft Farms, Inc.

A good example of selling products to restaurants can be found at Taft Farms, Inc., which is located near Great Barrington, Massachusetts. This roadside farm stand, which is open year round, was featured in the February 1986 issue of the Fresh Connection newsletter.

"Two years ago, about five to ten percent of my revenue came from sales to restaurants," says Danny Tawznsky, of Taft Farms, Inc. "Now, it's up to about forty to fifty percent."

His farm stand is 72 by 40 feet, including the prepping area. He farms 240 acres, producing mostly sweet corn, potatoes and green beans. He also raises strawberries and about 15 to 20 acres of "gourmet vegetables."

"I've always had a few restaurants buying from the farm stand," he says. He would sell a half or whole case lot at the wholesale rate, and retail quantities would be sold at the retail value minus a 10 to 12% discount.

At first, it was difficult for Tawznsky to sell retail to regular customers and wholesale to restaurants. "It seemed that the restaurant representatives would show up at my busiest time and require a lot of attention," he says.

Delivering the product helped solve that problem, although he says there are a few chefs who insist on stopping to pick out their products. "My wholesale business hinges on the delivery service," Tawznsky says. "If I stopped offering deliveries, my business would be cut by at least half."

Setting ground rules has made the deliveries run smoothly. "An order must be in by 10 a.m. for an early delivery so the routes can be established and organized," he says.

Tawznsky supplies 60 local restaurants. Some are open seasonally. "In the summer, the crowds are substantial," he says. "A few three- and four-star restaurants are included among his customers."

Tawznsky offers the following advice for working with the restaurant trade. "Restaurant chefs are really interested in quality," he says. "If you don't have it, forget it. Deliveries need to be on time, and you need an intimate knowledge of your product. If consistency in supply isn't possible, you need to have a knowledge of adequate substitutes."

Linking restaurants to producers, roadside farm stand and farmers markets will continue to be a priority of the Fresh Connection program. Eventually, the program will expand by working with restaurants, hotels and institutions which buy food products in large volumes.

Presently, the Massachusetts Department of Food and Agriculture is planning a seminar that would link growers with professors and students of culinary schools in the state. The newsletter will also contain a section featuring a local chef with recipes and menu ideas that feature the state's foods.

¹ *Bonita Oehlke, Communication Specialist, Massachusetts Department of Food and Agriculture, 21st Floor, Leverett Saltonstall Bldg., 100 Cambridge St., Boston, MA 02202 Phone: (617) 727-3018.*

FROM:

Direct Farm Marketing and Tourism Handbook. Article and photos were excerpted with permission from the Winter 1987 issue of the **Rural Enterprise** magazine. The magazine temporarily suspended publication with the Summer 1992 issue.

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OPPORTUNITIES FOR ADDING VALUE TO YOUR PRODUCTS

by Douglas Dunn¹

It is projected that roughly three-fourths of the retail value of food, fiber and forestry products will be represented by processing, marketing and distribution activities by the beginning of the 21st century. This beyond-the-farm-gate sector of the U.S. economy generates employment and wealth in other localities that could be retained in our rural communities. Rural entrepreneurs look for opportunities to "add value" to the products they sell and thus increase their profit potential. Value can be added through processing, e.g. converting fruit into jams, pies, fruit leather, cider and various bakery goods. Value can also be added by providing various services or experiences with the product, e.g. chuckwagon barbecue, pick your own, pumpkin festival, homemade food, a trail ride, a farm animal petting zoo. Profit potential is increased when an indistinctive raw commodity is converted into a unique product or experience, e.g. apple cured hams, an Old McDonald's farm tour, Willcox apple pie mixes, Dorothy Lynch's salad dressing, gourmet sweet corn, pistachio gift boxes, chile wreaths, prickly pear concentrate, Mama's Menudo, historic bean varieties, apple/chili chutney, special herb mixes and organic bird seed. This involves recognizing and then capitalizing on the unique ideas, skills and homemade products of local residents. Customers are generally willing to pay more for uniquely packaged, high quality, locally-grown products. Experience also indicates that farms which cater to the

produce varieties and food products sought by different ethnic groups have been well rewarded. Another money making opportunity is to expand your product line to include other complementary items or activities, e.g. on-farm camping, bed and breakfast, guided tours, nursery plants, honey, poultry products, local crafts, coffee and other refreshments, a place to eat and "your farm" t-shirts. Particularly good are those goods and services that help the consumer use the products you produce, e.g. canning supplies, local recipes and cook books, special seasonings, demonstrations and displays, ice and cloth bags (with your name and logo on it).

Enhance and Promote the Rural/Farm Experience

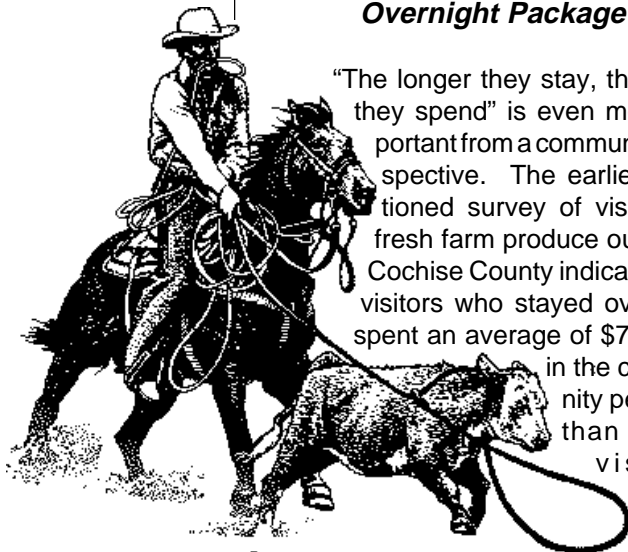
Direct farm marketers need to continually focus on the fact that their customers are coming for an experience as well as a quality product. It is sometimes difficult for people raised on a farm or in a small town to see agriculture as a potential tourist attraction. Urban residents seek opportunities to get out of the hustle-bustle of city life and to leave their workday stresses behind for a relaxing, wholesome, fresh-air experience and respite to the outdoors. They fantasize about what it would be like to live on a farm or in a small town, and to reestablish their roots with the soil. In a recently completed survey of visitors to the fresh farm produce outlets in Cochise County, when visitors were asked what they most like about their visit, 45% indicated "the farm experience." Twenty-nine percent indicated "freshness of the product," 15% said "quality of the produce," and 10% indicated "the drive out here."¹

¹ "Agricultural Tourism in Cochise County, Arizona" by Leones, Dunn, Worden and Call, Arizona Cooperative Extension.

The same study showed that 44% of the visitor parties included children. A strong motivator among those visitors was the opportunity for their children to experience farm life and to learn where food comes from.

Segmentation of the tourist market shows that 30% of all travelers are “knowledge seekers” who want to learn on a vacation. Such visitors want to talk with the farmer about how the crop is grown, and develop a personal relationship. Today’s “baby boomers” are increasingly seekers of “immersion experiences,” and are willing to pay for quality.² They prefer natural experiences over contrived activities. Also, trends indicate that people today are taking shorter, more frequent vacations and are looking for weekend get-aways. For most direct farm marketers, the quality of the experience they provide will be their strongest marketing tool and determinant of success. Care should be taken, however, to insure that the experiences and services provided are cost-effective in increasing sales and profit. The importance of providing visitors with opportunities to experience farm life is simply summarized by one direct farm marketer, “the longer they stay, the more they spend.” Today’s tourists are willing to pay for these experiences; don’t feel you must give them away free.

Develop and Promote an Overnight Package



“The longer they stay, the more they spend” is even more important from a community perspective. The earlier mentioned survey of visitors to fresh farm produce outlets in Cochise County indicates that visitors who stayed overnight spent an average of \$76 more in the community per party than those visitors who stayed

only for the day.³ A study of nature-based tourism in the Sierra Vista area of Cochise County showed similar results, with \$7 per person being spent by the average day-trip visitor and \$51 per person being spent by the average overnight visitor.⁴ The banding together of direct farm marketers with other businesses in the community to develop and promote an overnight get-away package is one of the greatest opportunities they have for expanding their business and its economic impact on the community. The goal of cooperative promotion is to exchange customers. A summary of the recommendations coming out of the Cochise County study follows:

- a. Identify and promote other (already existing) complementary activities as part of the farm/rural experience. Examples might include:
 - Rex Allen Museum
 - ball games
 - swimming/city park/ramada
 - Saturday night western dances
 - livestock auction
 - historic walking tour
 - calf roping
 - buy cowboy/farmer duds

2 "Agri-Tourism in New York State: Opportunities and Challenges in Farm-Based Recreation and Hospitality," by Duncan Hilchey, Department of Rural Sociology, Cornell University.

3 Overnight visitors spent an average of \$130 per party compared to \$54 spent by the average day tripper.

4 "Nature-Based Tourism and the Economy of Southeastern Arizona," by Crandall, Leones and Colby, Department of Agricultural and Resource Economics, The University of Arizona.

b. Identify opportunities for local entrepreneurs to develop other money making activities to be offered as part of the farm/rural experience. Examples might include:

- outdoor BBQ/steak fry/chuckwagon
- farm/ranch guided tour
- horse/hay rides
- story teller
- bed and breakfast
- vacation on a working farm
- on-farm camping
- ostrich weekend
- working cowboys rodeo

c. Market as a “fresh air” activity. Encourage visitors to stay overnight to experience the peaceful solitude of early morning (or early evening) on a farm. Pick in the cool of the morning. Hear the rooster crow and other early morning sounds of the farm. Breathe fresh air at its finest. Have a country breakfast.

d. Provide for overnight cooling and storage of produce.

e. Provide visitors with a weekend calendar of events. Plan evening activities. Plan for the special interests and needs of (1) families with children, (2) retirees, (3) group tours. Be open.

f. Restaurants serve dishes made from local farm fresh produce, e.g., okra, black-eyed peas, apple burgers, desserts.

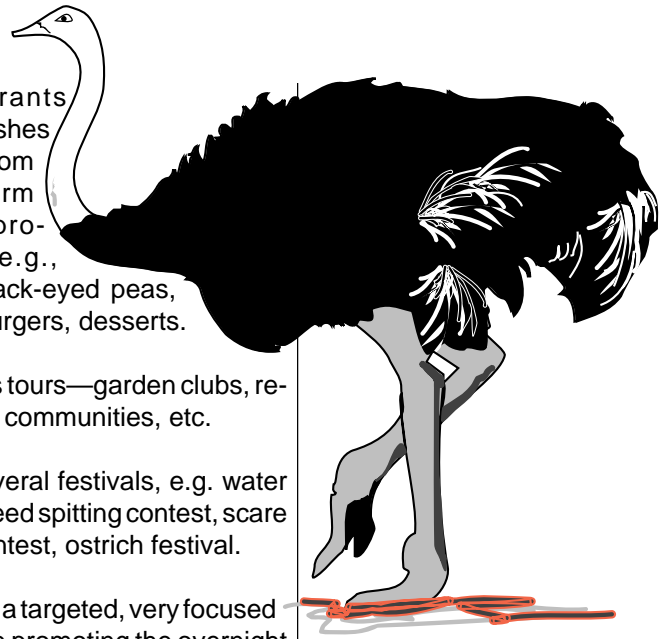
g. Host bus tours—garden clubs, retirement communities, etc.

h. Host several festivals, e.g. water melon seed spitting contest, scare crow contest, ostrich festival.

i. Develop a targeted, very focused brochure promoting the overnight package, with a clear sequence of activities. People will have trouble getting around unless you make it easy for them.

j. Find out who your customers are; work at getting them back. Develop the reputation as a tourist-friendly community.

k. Be willing to also promote the rest of Cochise County.



Stand Out From the Crowd

You can't be all things to all people. Direct farm marketing is often a day-break to dusk activity. Serving the public is often a challenge. Start small. Find your niche and do it well. Differentiate yourself from other food and recreation establishments.

¹Prepared by Douglas Dunn, County Director and Extension Agent, Community and Economic Development, Arizona Cooperative Extension (Cochise County, Willcox).

1 5 0 I D E A S

FOR ADDING ADDITIONAL VALUE TO YOUR PRODUCT AND EXPANDING YOUR BUSINESS

Add to the visitor's experience

- On-farm walking trails
- Wagon rides
- Field tours
- Special events
- Contests
- Seasonal festivals
- Bed & breakfast
- On-farm camping
- Farm/ranch tour
- Craft demonstrations
- Farm museum
- Old tools and equipment
- Working farm vacation
- Hay ride
- Horseback riding
- Horse-power farming
- Nature study
- Farm animal petting zoo
- Religious services on the farm
- Weddings
- Pick in the early morning
- Educational exhibits
- Bus tours
- Fishing
- Swimming
- Learn more about farming
- Observe harvesting techniques
- Bird-watching
- Cattle drive
- Bridle paths
- Cut your own Christmas tree
- Things for kids to do
- Pedal tractor rides
- Pony rides
- Train employees
- Menudo cook-off
- Pie baking contest/displays
- Sweet corn roast
- Celebrity tomato pitch



- Pumpkin carving contest/display
- Drawings
- Musicians
- Chuckwagon barbecue
- Pick your own

Add value to the product

- Desserts
- Pies
- Cider/juice
- Apple bread
- Home-made products
- Steamed corn to eat
- Gift baskets
- Bakery goods
- Jams and jellies
- Cured/smoked meats
- Custom slaughter
- Gourmet hog dogs
- Pesticide-free produce
- Syrups
- Dried fruit
- Special seasonings
- Menudo mix
- Apple pie mix
- Salsa
- Chile wreaths

Offer other services

- Picnic facilities
- Newsletter
- Customer mailings
- Calendar of events
- Friendly employees

Offer other products

- Rent-a-tree
- Lunch/farm restaurant
- "Your Farm" T-shirts
- Bird seed

- Mulch
- Pleasant surroundings
- Drinking water
- Produce washing area
- Educational exhibits
- Recipes
- Compost
- Canning supplies
- Flea market
- Antiques
- Crafts
- Gift certificates
- Clean restrooms
- Picking instructions
- Canning demonstrations
- Drying instructions
- Cookbooks
- Snack shop/coffee
- Nursery stock
- Flowers
- Ethnic foods/varieties
- Child care
- Things for kids
- Water fountain
- Mail order
- A place to sit and rest
- Coolers
- Ice machine
- Organic produce
- Farm fresh eggs
- Gourmet vegetables
- More parking
- Provide seasonality information
- U-Pick memberships
- Accept credit cards
- Wheeled carts for produce
- Honey
- Herbs
- Ostrich meat
- Salsa
- Dried fruit
- Bulletin board
- Suggestion box
- Play area for kids
- Provide a receipt
- Wheelchair accessible
- Mushrooms
- Wine
- Fresh meats
- Indian corn
- Sugar cane
- Pay telephone
- Fire wood
- Historic varieties
- Fee fishing
- Dairy products
- Grains



1 5 0 I D E A S

FROM:

Direct Farm Marketing and Tourism Handbook.

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THIS MARKET BOOSTED SALES WITH BAKERY

*Donuts and other baked goods
help attract new customers.*

When Charlene and Dave Strock started baking donuts at their farm market near Defiance, Ohio, they knew the physical structure of their building would have to be improved to meet health and safety standards. They also knew they'd spend more time in the market baking donuts and marketing them.

Ultimately, the benefits outweighed the drawbacks. Even though it took about \$10,000 to set up the bakery, and there are some mornings when Charlene gets up at 3 a.m. to complete orders, the donuts have paid substantial dividends.

"It was expensive, and it did require a big commitment," Charlene says. "But we had the space and the expertise to make it work. We also had enough steady customers to support us. I think the biggest selling point of our donuts is that they are homemade. Customers see us baking donuts in the back, and they know we don't add preservatives. There was never a time when I regretted making the decision to sell donuts."

There are several management decisions that prompted Charlene to include baked goods in her farm market. Charlene was interested in earning additional income. She was also interested in keeping the

Photos: Jerry Rohrs



Charlene Strock says donuts are a profitable addition to her on-farm retail market in Defiance, Ohio. Charlene and her husband, Dave, own Andrews Fruit Barn. In addition to selling fruits and vegetables grown on their 45-acre farm, donuts now make up about 15% of their total sales.

farm market open all year instead of only six to eight months. The donuts extended the market's season and provided a steady cash flow.

Charlene also developed a lucrative wholesale market from the donuts, and she picked up new customers who now buy fruits and vegetables when they stop to pick up donuts.

Merchandising Techniques

Charlene's farm market is earning more because of the donuts, but she had to learn new sales techniques and place a

greater emphasis on merchandising the donuts compared to other products. Charlene says the donuts, as well as other baked goods, are more of an impulse item, which means they have to make samples available to customers to show the quality of the products. Once the customers recognize the quality, they are more apt to return for more donuts and other products. Charlene says another benefit of improving merchandising skills is that they boosted sales of all products.

"I think the biggest selling point of our donuts is that they are homemade. Customers see us baking donuts in the back, and they know we don't add preservatives."

Charlene and Dave, along with her children, Marvin and Donald Andrews, operate the 45-acre farm and retail market that's called Andrews Fruit Barn. Marvin and Donald's grandparents, Floyd and Sadie Andrews, started the farm in the 1920s. The farm market was opened in 1971.

The Strock family usually grows about six acres of strawberries; five acres of tomatoes, peppers, cucumbers and green beans; 15 acres of sweet corn; five acres of muskmelon and watermelon; two acres of pumpkins and squash; and they have a 10-acre apple orchard. They also have a small cider press and sell about 3,000 gallons of cider a year. The Strocks have two greenhouses where they start vegetable plants. Charlene buys bedding plants locally and sells them in the spring.

At one time, Charlene says all of their strawberries and some of their other produce were sold on a U-pick basis. Today, she estimates that less than 50% of the produce is sold on a U-pick basis. She says customers are now less interested in picking fruits and vegetables than they were 10 years ago.

As the farm market developed a loyal following, customers began requesting a wider variety of fruits and vegetables as well as other food products. In addition to fruits, vegetables and baked goods, Charlene sells honey, jelly, apple butter,

jams, canned meat and cheese. The success with these specialty foods convinced Charlene that donuts could be popular with her customers.

Promotional Events

The donuts attract many customers, but they are also used by Charlene to promote other products in the farm market. In fact, the first year that she sold donuts, she ran a special promotional event in conjunction with her U-pick apple business that is now held annually.

"During the first year we sold donuts, we gave free donuts to all customers who stopped to pick apples," she says. "We gave away one free donut and a cup of cider or coffee to everyone who went into the orchard. This promotion became successful for several reasons. Customers had a chance to taste how good our donuts taste, which brought many of them back to buy donuts."

"Plus, this became a good public relations event for us. We make it a point to talk with our customers, and we pay close attention to their suggestions. Another important point is that people are stopping for donuts who might not have stopped for the produce."

Charlene uses donuts in promotions when she has bumper crops of fruits and vegetables. She sometimes offers a dozen free donuts to customers who buy large quantities of produce. For example, she has given away donuts to customers who buy 25 pounds of strawberries. She has also given away fruit or vegetables to customers who buy large orders of donuts.

Charlene also uses donuts when there is a crop failure. Several years ago the strawberry crop was almost destroyed by extremely hot temperatures, and she had very few to sell. Charlene promoted a special strawberry-filled donut in advertisements just to remind customers that Andrews Fruit Barn still handles straw-

berries, but they would have to come back another year for the fresh berries.

Charlene mentions donuts in advertisements, but the fruit and vegetables usually get top billing. Of her total farm market income, the fresh fruits and vegetables make up about 75%. The donuts usually bring in between 11 to 16%, and the other specialty foods make up the remaining 9 to 14%.

Branching Out

In addition to the walk-in trade and impulse purchases, Charlene has developed a wholesale market for donuts. Until recently, she supplied fresh donuts daily to a local supermarket. She now sells donuts to local schools and hospitals. She even has a unique arrangement with local nonprofit organizations to supply donuts for fund-raising events. She works with Cub Scout groups, swim clubs, the YMCA, church choirs and youth groups, and even the high school football team.

She says the advantage of the fund-raising events is that all of the donuts are pre-ordered, and she can schedule workers to fill the orders in advance.

On many merchandising, marketing and packaging matters, Charlene received advice from the company that leased the automatic donut machine to her. The company, called Hol'n One Donut Company of Ohio, sells the donut mix and also trained Charlene and her employees to operate the equipment.

Charlene has a lease-maintenance agreement with Hol'n One Donut Company. She paid \$2,500 to lease the machine which also covers all maintenance and parts.

"The initial payment of \$2,500 covers the cost of using the machine for five years, and if the machine breaks down, even over a weekend, the contract says a repairman has to be here within 24 hours to repair the machine," she says. "The maintenance agreement was one of the



Top: Before Charlene and Dave began selling donuts, they offered their customers specialty foods such as jellies, jams and apple butter. Their success with specialty food products encouraged them to sell donuts. **Bottom:** Charlene (middle) and Dave agree that produce sales have increased since they started selling donuts at their market. Many customers who initially only bought donuts are now buying other products.

major selling points on the machine. There have been times we needed service on weekends because we had wholesale orders that had to be filled. The company promptly repaired the machine."

"The only thing we do to honor the contract is buy the company's donut mix. I also buy all of our shortening from Hol'n One. It is a good arrangement because it guarantees that we will have a stan-

dard product that doesn't vary in quality or taste."

After the donuts became an established product at Andrews Fruit Barn, Charlene installed a convection oven that she uses for pies, cinnamon rolls, cookies and turnovers.

One word of advice that Charlene has for other farm marketers who are considering fresh baked goods is to make sure they meet local or state health regulations. She also says it is important to

make sure you have enough liability insurance. She had to increase the market's liability coverage when she began marketing the baked goods to wholesale markets.

Editor's note: For more information on selling donuts and other baked goods at farm markets, you can contact Charlene Strock, Route 6, Defiance, Ohio 43512 or call 419-393-2213; or you can contact Ron Stryker, Hol'n One Donut Company of Ohio, 305 Curtis St., P.O. Box 366, Delaware, Ohio 43015 or call 614-369-4800.

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RESTAURANT ADDS TO DIVERSITY OF HUBERS' FAMILY FARM

their fruit and vegetable farm located near Starlight, Ind. "Although this was entirely new to us, we were still confident that a restaurant featuring country-style dinners, our fresh fruit and vegetables and friendly atmosphere and service would really help draw more customers to our pick-your-own farm," says Joe, who is also president of the Indiana Vegetable Growers Association.

More people are eating out at restaurants nowadays than they were a few years ago, and this growing trend has caught the attention of some enterprising roadside marketers who operate near large metropolitan areas.

In July 1983, for example, Joe and Bonnie Huber and their family built a restaurant on

At first, Joe and Bonnie anticipated the restaurant would draw at least 500 people during the weekend. However, when they opened the restaurant, the number of customers rapidly climbed as the word spread around about this unique country restaurant. "The response was overwhelming," says Joe. "Today, we often



Known for its wholesome, country-style cooking, people come from miles around to eat at the Joe Huber Family Restaurant near Starlight, Ind. Shown here are, from left to right: Beverly Huber; Joe Huber III and his wife, Kathy; Joe Huber, Sr. and his wife, Bonnie; Louie Huber and his wife, Katie; Tracey and her husband, Chuck Huber.

serve 6,000 meals during the week, and two-thirds of those are served during weekends.”

The Hubers’ family restaurant has been successful for several reasons. First, there are more than one million people within a 30-mile radius of the Joe Huber Family Farm, Orchard and Restaurant, covering such cities as Louisville, Ky. and New Albany, Jeffersonville and Clarksville, Ind. Joe also produces his own radio commercials for the restaurant and farm and airs them during a popular gardening program on a Louisville station.

Country-Style Cooking

However, the biggest selling point of the restaurant has been its excellent reputation for wholesome, country-style cooking. The restaurant always features country-style fried chicken served with home-grown vegetables, potatoes, dumplings and fried biscuits with Hubers’ homemade apple butter or honey. “The biscuits served with apple butter are very popular,” says Joe. “Sometimes we have served as many as 3,600 biscuits daily during the weekend. Even during the summer, we often serve 6,000 ears of sweet corn in the restaurant during weekends.”

The restaurant menu also features soups, salads, sandwiches and other entrees, such as Amish ham, farm-raised catfish and steaks. The meals can be topped off with the Hubers’ fruit cobblers or fruit of the season or homemade pies.

To minimize construction costs, the restaurant is a 50 by 100 pole-type building. The restaurant, which is kept immaculate inside and out, can seat 270 and has a modern, well-equipped kitchen for cooking food in large volumes. To create a warm feeling, the walls inside are lined with native Yellow-poplar boards. Throughout the restaurant, the walls are also decorated with color paintings from a local artist, and there is a dance floor and

stage area in one corner of the restaurant where customers are treated to live country western music on weekends. Behind the stage is a mural painting of the Hubers’ family farm. Outside, the restaurant is well-landscaped with shrubs and flowers, and there is parking for 800 cars. The restaurant can also be reserved for banquets, parties and family reunions.

Since large crowds flock to the restaurant on weekends, Joe and his sons, Joe III, Louie and Chuck, also added two carry-out windows on the northeast side of the restaurant where customers can order from the full menu. An 18 by 110 patio with an awning was constructed on the east side of the building where people can sit down and eat in the shade. This patio seats 92 people.

But even this wasn’t enough to handle the overflow from the restaurant on weekends. That’s when Joe masterminded the Chuck Wagon Dinner. Using a covered wagon equipped with a 12-foot long, gas-fired grill, people can order hot dogs, bratwursts or the specialty that includes a full, 16-ounce porterhouse steak along with corn on the cob (still in the husk) and a baked potato stuffed with green peppers and sweet onions with a sprinkle of real bacon bits on top. Apple cobblers and soft drinks are also available. A tent, which is leased, is set up for seating another 120 people. “Instead of adding on to the restaurant, the Chuck Wagon Dinner was a low-cost way of serving more people,” Joe says. “But my sons and I are seriously considering building a more permanent structure that is more rustic looking than a tent.”

The girls serving the Chuck Wagon Dinner are dressed up in Indian costumes, and the boys who cook the meals wear cowboy outfits. People can also sit on sun dried logs or straw bales and listen to a live country western band while eating. “We create a super atmosphere,” says Joe. “It’s country, and it really turns people on. I like to call it profit through entertainment farming.”

Many of the planned activities on the Huber farm focus on family entertainment. Square dance clubs often come to perform at the farm. Hay rides are offered, and the children can get some corn to feed the ducks at one of the irrigation ponds on the farm. A shelter with picnic tables is also available by this pond. Special activities are also planned for the children during Halloween season. "Children are our best salespeople because when the kids are having fun, the parents enjoy themselves, too," says Joe.

Complementing Enterprises

According to Joe, the restaurant has been successful because it features the farm's fresh, high quality fruits and vegetables. "Serving real, wholesome food is what makes this restaurant go, and what we feature in the restaurant seems to sell really well in our farm market sales room," he says. "These two enterprises complement each other."

To supply their pick-your-own trade plus the farm market and restaurant, the Hubers farm about 360 acres, raising nearly 48 different types of fruits and vegetables, such as strawberries, raspberries, thornless blackberries, sweet corn, asparagus, green beans, broccoli, cauliflower, pumpkins, lima beans, peppers (sweet and hot), cabbage, cantaloupe, squash, turnip greens, okra, snow peas, Chinese cabbage, grapes and 12 different varieties of apples produced from semi-dwarf trees, to mention a few. This is a dramatic change from 1967 when Joe and Bonnie were raising seven different fruits and vegetables on their 80-acre farm and were working hard to make the switch from wholesale to direct marketing.

With the exception of sweet corn, potatoes and asparagus, all the produce is available on a pick-your-own basis. The produce is also available in bulk or as prepackaged in the farm market sales room.



The restaurant, which can seat 270 people, always features country-style fried chicken, homegrown vegetables, dumplings and fried biscuits with homemade apple butter. It has also received good reviews from food critics at local newspapers.

"You need the variety and quality to make it attractive and economical for the customers to drive out to the farm," says Joe. "Although our sales are higher than they've ever been, Bonnie and I have noticed an overall decline in pick-your-own sales since 1981. Then, we were selling about 90% of our crops as pick-your-own with the remaining being sold as prepicked. Today, we sell 70% of our crops as prepicked and 30% as pick-your-own. The market has really changed mainly because the customer is more affluent and because many women are now working and don't have the time to pick it themselves, but they still want high quality, nutritious produce for their families. Consequently, we've geared our farm market sales room to cater to the customers' demand for convenience and variety"

For example, the Hubers offer produce in different sized packages. Apples are available in half pecks. Potatoes are available by the half bushel. Sweet corn is sold by the half dozen. Peas are sold in three-pound packs, and for those who pick their own peas, they can have them shelled right on the spot for 5 cents per pound. The Hubers also cater to those who like to can and freeze produce. Bonnie frequently



A large variety of high quality fruits and vegetables is what attracts customers to Hubers' farm market sales room, which is located near their restaurant. The sales room and restaurant are open from March through December. Many other items are also offered such as jellies,



Some 60,000 people visit the Hubers' farm each year, and many are treated to country music and other family entertainment activities.

But the biggest reward that Joe and Bonnie have received from years of hard work and from starting the restaurant is knowing that their sons and daughters and in-laws were able to work into the business and keep the farm in the family without any debt hanging over anyone's head.

visits with customers, handing out brochures which offer canning and freezing tips along with her favorite recipes for preparing tasty meals and desserts. "This is the kind of personal touch that a customer can't get at a supermarket," says Joe. "Our family works hard at satisfying the customer, and it's our top priority to provide them the best, wholesome produce possible."

The Huber family is also very committed to working cooperatively with other local roadside marketers. During the mid-1970s, Joe and Bonnie formed a cooperative known as Starlight U-Pick Farms along with Joe's cousins, Gerald and Carl, who own and manage the Huber Winery and Orchard, and with Stumler's Orchard. Each year, the group gets together to discuss prices and a budget for advertising Starlight U-Pick Farms. Some harvesting equipment is even owned and used cooperatively by the group. "We all benefit by cooperating instead of trying to compete with each other," says Joe.

Joe III is fully managing the farm, and his wife, Kathy, handles the bookkeeping for the restaurant and farm. Louie manages the kitchen, and his wife, Katie, manages the dining room in the restaurant. Beverly manages the farm market sales room. Beverly's husband, Kenny, and sister, Kim, work part-time at the farm market. Chuck manages the packing shed for the farm market sales room and restaurant, and his wife, Tracey, is a hostess in the restaurant.

"I love the customers, and I'm just so thrilled to see the family actively involved with the business," says Bonnie. "When Joe and I were younger, we planned on building something for our children so that they could enjoy life a little more. For us, putting in those long, hard hours was well worth it."

Editor's note. Joe Huber's address is Huber Family Farm, Orchard and Restaurant, R.R. 1, Box 648, Borden, IN 47106. Phone: (812) 923-5597 (farm) or 923-5255 (restaurant).

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BED AND BREAKFAST: HOSTING TRAVELERS FOR EXTRA INCOME

By Barbara Koth¹

Although the concept is not new, many rural families are discovering it's possible to earn extra income by opening bed and breakfast businesses and selling the farm experience and rural lifestyle to guests.

Many rural families are considering B and Bs as a supplemental income source

because urban families are looking for new and exciting weekend "getaways."

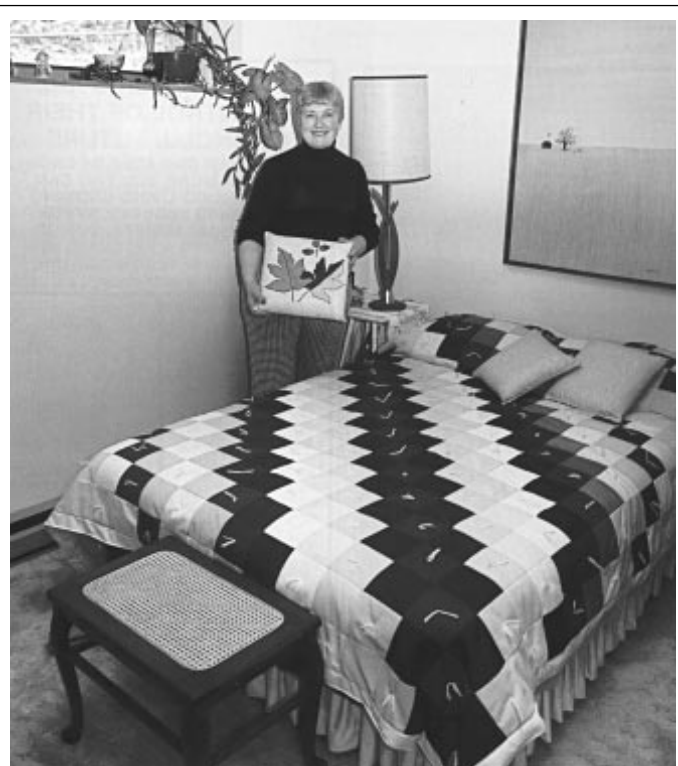
Bed and breakfast guests are also interested in local culture, history, scenery and other recreational activities. Travelers are looking for the bed and breakfasts that give them the true flavor of the region, and B and Bs are an economical alternative to commercial lodging.

The added appeal of farm B and Bs is the unique opportunity for urban guests to experience farm life firsthand. Other rural residents see an opportunity to share their lifestyle, too. In Minnesota, the most common bed and breakfast operators are retired couples and farm families with large homes. Another common feature of bed and breakfasts is that they are located in very scenic regions or in regions with a rich, historical background.

How to be Successful

The first thing that people must realize before starting a bed and breakfast is that guests require a lot of personal service and attention. If you are not an active person who truly enjoys meeting and waiting on people, chances are you are not suited to operate a B and B. Hospitality is the major key to success.

"I treat all guests the same way I treat family members who visit for the weekend," says Lois Barrott, who, with her husband, Budd, started one of Minnesota's first farm bed and breakfasts in Shafer. "When guests stop at our Country Bed and Breakfast, I greet them at the door, call them by their first names and let them set the pace for their visit. I've met many good friends, and I often keep in touch with them."



Last fall, Lois Rissman and her husband, Bill, opened their new, earth-sheltered home to visitors. The Rissmans are beef producers based near Preston, Minn.

If you have the personality suited for the bed and breakfast business, think about the benefits and trade-offs and then ask yourself why you want to go into the business. Bev and Paul Meyer own Evergreen Knoll Acres near Lake City, Minnesota. Because they are dairy farmers, it's almost impossible for the Meyers to get away for an extended vacation. Bev says one benefit of their bed and breakfast is that they get to make a lot of new friends.

But guests can be demanding. They expect well-kept farmsteads that are visually appealing. They also want comfort. Regardless of bedroom decor, there should be top-quality mattresses for guests. You may need additional items such as a comfortable bedroom chair, reading lamp and new linens and towels. You may also want to spruce up common areas such as entrance ways, the dining room, living room and bathroom.

The host's individual style and creativity come into play at breakfast. A hearty, home-cooked meal will be expected in the heart of farm country. Eating breakfast is often the last thing guests do before they leave, so many hosts try to make it a memorable experience. Use your imagination and serve your specialties. Options range from breakfast delivered in a basket to the door and a breakfast nook in the room to sit-down meals in the dining room.

When you share your home with guests, you have the right to establish rules. To avoid misunderstandings, state your policies ahead of time regarding smoking, alcohol, children, pets, reservation policies, deposits, and meal times. After considering the personal attributes of operating a B and B and what guests expect from you, there are other business details that need attention.



After Lois and Bill Rissman built a new earth-home on their farm in southeast Minnesota, they also kept their original home open to visitors and travelers. Many vacationers spend weekends on their farm to take advantage of local outdoor activities.

The Licensing Process

Many states regulate B and Bs as formal lodging establishments through zoning, food and lodging licensing, fire safety requirements and building codes. The cost of compliance, rather than licensing fees, is important in determining the economic feasibility of your business.

First, you need to determine if B and Bs are acceptable according to existing zoning ordinances. Zoning should not be a problem on farms, although if you are the first operator to seek such approval, you may have to work with the county or township zoning commission to change the ordinances. In small communities, approval may be granted as a "matter of right" if the B and B complies with specific standards for residential neighborhoods. Alternatively, a conditional-use permit involves an administrative process that may include public hearings. Some issues that frequently surface regarding B and B zoning include provisions for guest parking, signs, lighting, length of stay, exterior appearance and number of meals served.

Many state departments of health regulate B and Bs through an annual inspection and licensing process. Regulations are designed to insure safe food handling practices and customer safety. There may be requirements on using household equipment versus a commercial kitchen, depending on the number of guests served.

You also need to find out whether you can serve homegrown fruits, vegetables, jams and jellies, baked goods, eggs and home-slaughtered meats. A limited food license may be available if you only want to serve beverages and prepackaged items. The quality of the water or shallow wells can be a problem on some farms. Lodging rules also deal with the number of bathrooms required, and room and window sizes.

Fire codes refer to smoke detection and fire alarm systems, exits and fire extinguishers. If you expand or renovate your home, building codes come into effect. Apply for a sales tax permit if rates charged for guest accommodations and meals are subject to a state sales tax. Once these business details are handled, you have to establish a business plan.

Preparing a Business Plan

To estimate your income, you need to determine your prices. The first step in setting rental rates is to estimate your costs carefully to insure the price you charge covers your occupancy costs. Initial investment varies widely, depending on the condition of the home, how elaborate the facilities are, the site of your B and B operation and the type of guests you expect to entertain. Most operators suggest step-by-step improvements rather than going into debt.

Having adequate insurance coverage is also important. The cost of \$500,000 of general insurance coverage could be significant. As the B and B industry establishes a track record, it's becoming possible for farmers to purchase a business



Paul and Bev Meyer, dairy farmers from Lake City, Minn., receive some of their bookings from Vern Michel's Farm Vacation network, which advertises nationwide and then places families on farms for a percentage of the bed and breakfast fee.

rider to current liability coverage for several hundred dollars. Rates increase when there's more contact with farm activities and as on-site recreational activities are added.

In rural communities, your homeowner's policy will not cover the risks associated with paying guests. Work with an insurance company that has experience with this special type of hospitality business to create an insurance package.

After you use start-up, operating and variable costs to price your product, then compare your expected rates with other lodging establishments. In Minnesota, 1987 rates for farm or rural B and Bs ranged from \$25 to \$80 for double occupancy.

It may take three years to establish clientele. Friday, Saturday and Sunday nights are easier to fill than weekday nights, and your overall occupancy in early years may be only 30%. For this reason, B and Bs are generally a supplemental income source for rural families, bringing in \$1,000 to \$4,000 per year. Most B and B hosts have another source of income. B and Bs are more often a lifestyle or hobby than a business.

Marketing Strategy

You do not have to be in a traditional tourist area to attract bed and breakfast trade. The B and B itself can be an attraction that draws visitors. For example, there are successful B and Bs in historic, older homes furnished with antiques. You must assess local resources that will attract tourists. People travel for a variety of reasons, including the availability of outdoor recreation, historic sites and scenic views, shopping, to visit family and friends, and for business purposes. This situation analysis is part of the overall marketing plan. In analyzing market feasibility, you also need to look at your competition and determine your strengths and weaknesses.

Use this information to position your product. Decide what features and benefits your B and B will emphasize. Create an image that distinguishes you from other operations.

Mavis Christensen's brochure for her B and B in Good Thunder, Minnesota, includes the following statement: "Cedar Knoll Farm is the embodiment of many dreams—the hopes and wishes of generations of prairie folk—an entity incorporating the efficacy and challenges of the family farm as a way of life. Ours is a peaceable kingdom. We invite you to share its potential for tranquility." This statement has an emotional appeal, and suggests the quiet, relaxing experience available at her B and B.

Next, you must select a target market. It is more cost-effective to appeal to a very specific market segment that can be reached through specialized publications and organizations than to appeal to a wide audience. For example, a Vermont company organizes bike tours that stay overnight at bed and breakfasts. Just-N-Trails Bed and Breakfast, which is operated by Don and Donna Justin, dairy farmers from Sparta, Wisconsin, offers the outdoor enthusiast 20 kilometers of trails for cross-country skiing, hiking and

mountain biking. Karen Berget operates American House in Morris, Minnesota, and she takes many bookings from a local college.

Advertising Plan

In other family-owned lodging businesses, it is common to spend a minimum of 4 to 6% of gross sales for advertising. You will need a well-designed brochure that you can mail to potential guests and distribute at visitor information centers. An inexpensive, one-color brochure with line drawings, and a rate card can be effective.

Bed and breakfast operators often advertise cooperatively under a banner headline in newspapers and magazines to create awareness of B and Bs as a lodging option. A bookstore or library can help you find the numerous guidebooks that list B and Bs on a nationwide or regional basis. Your state office of tourism may publish a directory, and there are many community tourism guides where you can place a listing for a minimal fee.

There are also ways to get your business noticed without spending money on advertising. You can cultivate local referrals in your community by holding an open house, joining the Chamber of Commerce, hosting local groups, and speaking to community organizations.

You can't buy the kind of publicity you get from a newspaper or magazine feature story. Invite travel writers or editors to your B and B and develop ongoing contacts that will encourage them to visit. You could also organize a "farm tour" with the local Chambers of Commerce to familiarize travel professionals with area attractions and hospitality services. Incentives such as a week-day discount, lower rates for extended stays, coupons, gift certificates and promotional drawings help introduce guests to your B and B.

If you don't want to do the advertising yourself, there are reservation service organizations that maintain and publicize listings and take bookings. Typically, there is an annual fee and a 15 to 25% surcharge on each reservation.

Editor's note: For more information, contact: Minnesota Historic Bed and Breakfast Association, 649 W. Third

Street, Hastings, MN 55033, (612) 437-3297; American Bed and Breakfast Association, P.O. Box 23294, Washington, DC 20026, (703) 237-9777; The National Bed and Breakfast Association, Phyllis Featherstone, President, 148 East Rocks Road, P.O. Box 332, Norwalk, CT 06852, (203) 847-6196; The Bed and Breakfast Society, Kenn Knopp, Coordinator, 330 West Main Street, Fredericksburg, TX 78624, (512) 997-4712.

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BUSINESS PLANS ARE MORE IMPORTANT NOW THAN EVER

Jenni Jeras¹

Small-business owners who need financing are smart to do their homework, and that includes creating a comprehensive business plan. Lenders in today's economy want to be assured that they are putting money into a sound venture, and they have to understand the business to make that determination. "It's extremely critical in dealing with a bank to have a business plan. It's the only way you'll get financing, unless you have substantial assets in the bank", says Bill Moss, a partner in the Phoenix accounting firm Henry & Horne. A business plan is much more important in today's tighter economy, Moss says. "Everybody got burned with the real estate market and the downturn in the economy, so the banks really pulled in the reins," he says. "I don't think it's all bad, but they don't want to get burned on these loans."

Unfortunately, not enough small businesses are equipped with business plans, says Brent Stewart, a partner in the accounting firm Stewart, Beebe & Co. "Many small businesses have not considered what it takes, and there aren't enough questions being asked by people who know what questions to ask," he says.

What the plan essentially does is force the business owner to spend some time thinking about the business, industry and

competition, and to determine the best direction for the business. "We think of the business plan as very basic," says Dennis Landauer, a partner in Gallant & Co. "Most people can't cook without a recipe or go to college without a curriculum. That's how we think of it" Typically included in a business plan are background information about the owner and key people within the company, a detailed explanation of the industry, and geographic and statistical data on which to base projections. "The business plan is the tool that helps the lender understand what the business does, how it makes money and how the borrower will pay back the loan," Landauer says. Sources agree that the plan shows the lender whether the owner understands the business well enough to make it a success and eventually, to pay back the loan.

While creating a business plan costs money, small businesses on a tight budget don't have to neglect the plan simply because of that factor. Business owners can turn to books or consultants, or even do much of the work themselves in order to keep costs down. "Most of the publications that I have seen are pretty well written" say Landauer. A more complex business requires a more sophisticated and possibly more expensive plan. But it might be able to recoup the cost in the future, he says. "The more sophisticated the borrower, the greater chance of negotiating a lower interest rate," Landauer says. "That can more than offset the cost of the business plan over a two or three year period of time." However the plan is prepared, the business owner needs to be a participant in the process, Stewart says. "You can hire someone to give you direction, and they can help you, but you need to have the answers," he says. You have to know what's going into the plan, and you have to address the issues."

**BUSINESS PLANNING
CHECKLIST - IS YOUR PLAN
COMPLETE?**

Description of Business

- ___1. Business form: proprietorship, partnership, corporation or cooperative?
- ___2. Type of business: retail, wholesale, manufacturing, service or consulting?
- ___3. What is the product and/or service? What makes it unique?
- ___4. Is it a new business? A takeover? An expansion? A franchise?
- ___5. When is your business open?
- ___6. Is it a seasonal business?
- ___7. How long have you been in business?
- ___8. What have you learned about your business from past operations or (if you're a start-up) from outside sources?
- ___9. Why will your business be profitable?
- ___10. What are your personal and business goals?

Product/Service

- ___1. What are you selling?
- ___2. What benefits are you selling?
- ___3. What is unique about your goods or services?
- ___4. If you are a consultant, what process will you use?

Market

- ___1. Who buys from you?
- ___2. Are your markets growing, steady or declining?

___3. Is your market share growing, steady or declining?

___4. Have you segmented your markets? How?

___5. Are your markets large enough for expansion?

___6. What social, political, regulatory, economic and technological changes are taking place that could impact your industry, your market or your market's perception of and desire for your products/services?

Competition

___1. Who are your-nearest direct competitors?

___2. Who are your indirect competitors?

___3. How are the businesses similar to and different from yours?

___4. What have you learned from their operations? From their advertisements?

Product Development Plan

___1. What other products/services (if any) are you currently considering?

___2. What is your time frame for developing and introducing them?

Marketing Plan

___1. Who will actually buy from you (e.g., do you sell to distributors, wholesalers, retailers, businesses, consumers?) And how does this impact your marketing plan?

___2. How will you attract and hold your target market and increase your market share?

___3. Are you planning to enter or leave any markets?

___4. How do you price your products?

___5. Where are you (will you be) located?

___6. Why is this a desirable area? A desirable building?

___7. What kind of space do you need?

___8. Are there any demographic or other market shifts going on in your area that could impact your marketing plan?

Sales Plan

___1. Who will do the selling in your business? (You? Company salespeople? Independent sales representatives?)

___2. What are your weekly, monthly and quarterly sales goals?

___3. What other checkpoints have you established for reaching those goals?

___4. What sales approach will you use?

Operations Plan

___1. How will you organize the flow of work through your business? (This is especially important if you have several people doing different parts of the overall tasks, such as in a factory or a farming operation.)

___2. How will you assure that all tasks are performed? Performed on time?

___3. How will you monitor quality?

___4. How will you keep costs under control?

Personnel Plan

___1. What are your current personnel needs?

___2. What skills will your employees need in the near future? In three years?

___3. What are your plans for hiring and training personnel?

Management Plan

___1. How does your background/business experience help you in this business? For your own use: What weaknesses do you have and how will you compensate for them? What related work experience do you have?

___2. Who is on the management team?

___3. What are their strengths and weaknesses?

___4. What are their duties?

___5. Are these duties clearly defined? How?

___6. What additional resources are available to your business?

Application and Expected Effect of Loan (Investment)

___1. How will the loan (investment) make your business more profitable?

___2. Will you buy or lease your equipment, location or vehicles?

___3. Do you really need this money? Or can you make do without?

Financial

___1. Have you completed your financial projections? (As a minimum you should have profit and loss statements, cash flow and income projections for three years and a current balance sheet.)

___2. Will you need additional cash? If so, how will you get it?

___3. Have you shown that your business will be profitable?

START-UP EXPENSES

Start-up expenses are the various expenses it takes to open your doors for business. The majority of these expenses will be one-time expenditures, while others will occur every year. Examples of these expenses are listed on the next page. If you have an existing business, skip this work-sheet.

Step 1:

Fill in Total available cash for starting your business venture.

Step 2:

Review the expenses listed on the next page. You probably can use this list for the expenses for your business. You may have some expenses which are not listed here, write them under Other expenses.

Step 3:

Estimate your cost for each expense.

Step 4:

Calculate the total for your start-up expenses.

Step 5:

Calculate Beginning Cash Balance by subtracting Total Start-up Expenses from total available cash. This amount should be written on the Projected Cash Flow worksheet under each month on the Beginning Cash Balance line.

START-UP EXPENSES	
EXPENSE	COST
Total available cash	\$ _____
Total of capital equipment (find this total on next page)	\$ _____
Beginning inventory of merchandise for retailing businesses	_____
Legal fees	_____
Accounting fees	_____
Licenses & permits	_____
Remodeling work	_____
Deposits (public utilities, etc.)	_____
Advertising (grand opening, etc.)	_____
Promotions (door prizes, etc.)	_____
Other expenses: _____	_____
_____	_____
TOTAL START-UP EXPENSES	\$ _____
Beginning Cash Balance	\$ _____

CAPITAL EQUIPMENT

Equipment	Cost	Acquisition Date	Useful Life (in months)	Monthly Depreciation

Total Costs Capital Equipment	\$	Total Monthly Depreciation	\$
--------------------------------------	----	-----------------------------------	----

Projected Cash Flow

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are greater than the cash disbursements, you will have a positive cash flow. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (\$5,218).

Step 1:

Fill in your beginning cash balance for the first month. This amount should be taken from the start-up expenses worksheet if your business plan is for a new business.

Step 2:

Fill in the various categories for Cash Receipts and total them for the first month only.

Step 3:

Fill in the various categories for Cash Disbursements and total them for the first month only.

Step 4:

Calculate the Net Cash Flow for the first months (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first month. (Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month, (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months remember to complete one month at a time!

PROJECTED CASH FLOW

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Beginning Cash Balance													
CASH RECEIPTS													
Cash Sales													
Collect Account Receivables													
Loans from Banks, Etc.													
Other Receipts													
Total Cash Receipts													
CASH DISBURSEMENTS													
Purchases (merchandise)													
Salaries													
Payroll Benefits													
Occupancy Expenses													
Insurance													
Interest													
Other:													
Other:													
Purchase Capital Equipment													
Loan Principal Repayment													
Owner's Withdrawals													
Total Cash Disbursed													
Net Cash Flow													
Ending Cash Balance													

PROJECTED INCOME STATEMENT

You are now ready to assemble the data for your projected income statement. This statement will calculate you net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures; just recopy on the work sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures; just recopy on the work sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of labor-related operating expenses (salaries, mandatory benefits, optional benefits). You estimated these figures already; just recopy them on the work sheet.

Step 5:

Fill in the Operating Expenses — Non-labor. You estimated these figures; just recopy them.

Step 6:

Fill in the Monthly Depreciation Expense. You estimated this figure already; just recopy them for each of the 12 months.

Step 7:

Calculate the Total Operating Expenses for each month by adding all operating expenses.

Step 8:

Calculate the Net Profit or Net Loss (before income taxes) for each month (Gross Margin minus Total Operating Expenses).

PROJECTED INCOME STATEMENT

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Sales													
Cost of Goods Sold													
Gross Margin													
OPERATING EXPENSES													
Salaries & Wages													
Mandatory Benefits													
Optional Benefits													
Occupancy Expenses													
Car/Delivery													
Supplies													
Advertising													
Legal/Accounting													
Insurance													
Bad Debts													
Interest													
Other													
Depreciation													
Total Operating Expenses													
Net Profit (or Loss) Before Income Taxes													

BALANCE SHEET

The balance sheet can be compared to a picture of your financial condition on a particular day. This statement is a list of your assets (at your cost), your liabilities (your debts), and your equity in those assets.

You are going to prepare a balance sheet as of the end of your last fiscal year or as of the start-up date of your business. You should include all the assets and liabilities as of the appropriate date. You will also be preparing a projected balance sheet for a date one year in the future.

Step 1:

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

Step 2:

Fill in the amount for Fixed Assets, (Land, Buildings and Equipment), less accumulated depreciation.

Step 3:

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

Step 4:

Fill in the amounts for current and long-term liabilities and calculate the required totals.

Step 5:

Calculate the Owner's Equity (Total Assets - Total Liabilities).

Step 6:

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

Step 7:

Repeat Steps 1 through 6 for the end of the year projections.

BALANCE SHEET

Assets	As of	As of
Current Assets		
Cash	\$ _____	\$ _____
Accounts receivable	\$ _____	\$ _____
Inventory	\$ _____	\$ _____
Prepaid expenses	\$ _____	\$ _____
Other current assets	\$ _____	\$ _____
TOTAL CURRENT ASSETS		
Fixed Assets		
Land	\$ _____	\$ _____
Buildings (Less Accum. Depr.)	\$ _____	\$ _____
Equipment (Less Accum. Depr.)	\$ _____	\$ _____
Other fixed assets	\$ _____	\$ _____
TOTAL FIXED ASSETS		
Total Assets	\$ _____	\$ _____
Liabilities		
Current Liabilities		
Accounts payable	\$ _____	\$ _____
Federal & State taxes owed	\$ _____	\$ _____
Other current liabilities	\$ _____	\$ _____
TOTAL CURRENT LIABILITIES	\$ _____	\$ _____
Long-term Liabilities		
Notes payable to bank	\$ _____	\$ _____
Mortgages payable	\$ _____	\$ _____
Other long-term liabilities	\$ _____	\$ _____
TOTAL LONG-TERM LIABILITIES	\$ _____	\$ _____
Total Liabilities	\$ _____	\$ _____
Owner's Equity		
Owner's Equity	\$ _____	\$ _____
Total Liabilities + Owner's Equity	\$ _____	\$ _____

Jenni Jeras¹
The Business Journal
July 8, 1994

FROM:

Direct Farm Marketing and Tourism Handbook.

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SOURCES OF SMALL BUSINESS ASSISTANCE

Julie Leones¹

A wide variety of organizations offer assistance to small businesses. These are just a few of the most popular and easily accessible sources. One warning: these organizations seem to change addresses and phone numbers frequently, so check the phone directory if you can't reach them at the addresses and phone numbers provided here.

Arizona Business Connection

Arizona Department of Commerce
3800 N. Central Ave., Suite 1500
Phoenix, AZ 85012

Phone: (602) 280-1480
FAX: (602) 280-1339
Hours: M-F 8 a.m. - 5 p.m.

A resource for information, referrals, analysis and advice. This is a good place to start if you are looking for information about starting or running a small business.

Arizona Farmers, Growers and Producers Association

P.O. Box 14188
Phoenix, AZ 85063-4188

Phone: (602) 848-1234
FAX: (602) 848-8253

A nonprofit organization that organizes and manages farmers markets in the metropolitan Phoenix area and elsewhere. A good source of information on opportunities to sell in farmers' markets.

Better Business Bureau

4428 N. 12th St.
Phoenix, AZ 85014

Phone: (602) 264-1721
FAX: (602) 263-0997

Better Business Bureau of Southern Arizona

3620 N. 1st Ave., Suite 136
Tucson, AZ 85719

Phone: (602) 888-5353
FAX: (602) 888-6262
Hours: M-F 9 a.m. -5 p.m.

Provides business reliability reports, conciliation, mediation and arbitration of complaints, public education and counseling.

The Entrepreneurs' Center

2425 E. Camelback Rd, Suite 102
Phoenix, AZ 85016

Phone: (602) 912-0031
FAX: (602) 912-0043

The center sells information for start-up businesses and offers meeting places for groups of small business owners.

The HomeBased Business Association

919 W. Mission Drive
Chandler, AZ 85224

Phone: (602) 464-0778
FAX: (602) 899-0605

The Association provides assistance to home based businesses by publishing a directory of home based business and helping home based businesses find customers.

Service Corps of Retired Executives (SCORE)

2828 N. Central Ave., Suite 800
Phoenix, AZ 85004-1025

Phone: (602) 640-2324
FAX: (602) 640-2360

Chapter 402 (East Valley)

26 N. MacDonald St.
Mesa, AZ 85201

Phone: (602) 964-4846

Chapter 532 (Prescott)

101 W. Goodwin
Suite 307
Prescott, AZ 86301

Phone: (602) 778-7438

Northern Arizona	(602) 778-7438
Sedona	(602) 282-5440
Lake Havasu City	(602) 885-7812
Flagstaff	(602) 556-7333
Dewey	(602) 772-7969
Glendale	(602) 937-4754
Kingman	(602) 753-6644
Bullhead City	(602) 754-4121
Yuma	(602) 782-2400

Chapter 118 (Tucson)

300 W. Congress
Seventh Floor, Rm. 7-H
Box FB 33
Tucson, AZ 85701-1319

Phone: (602) 670-4761
FAX: (602) 670-4763

Promotes development of small business by offering free counseling and low cost seminars on starting, operating and growing a business. Run by volunteers who are retirees with business or management experience. SCORE is supported by the U.S. Small Business Administration.

Small Business Development Centers (SBDCs)**Arizona Western College**

281 W. 24th St.
Suite 152
Century Plaza
Yuma, AZ 85364

Phone: (602) 341-1650
FAX: (602) 726-2636

Cochise College

901 N. Colombo
Room 411
Sierra Vista, AZ 85635

Phone: (602) 459-9778 or
1 (800) 966-7943 ext. 778
FAX: (602) 459-9737

Coconino Community College

3000 N. Fourth St., Suite 25
Flagstaff, AZ 86004

Phone: (602) 526-5072 or
1 (800) 350-7122
FAX: (602) 526-8693

Eastern Arizona College

622 College St.
Thatcher, AZ 85552-0769

Phone: (602) 428-8590 or
1 (800) 678-3808, ext. 8590
FAX: (602) 428-8462

Gateway Community College

108 N. 40th St.
Phoenix, AZ 85034

Phone: (602) 392-5223
FAX: (602) 392-5329

Mohave Community College

1971 Jagerson Ave.
Kingman, AZ 86401

Phone: (602) 757-0894
FAX: (602) 757-0836

Northland Pioneer College

Institute for Business and
Community Development
P.O. Box 610
Holbrook, AZ 86025

street address:

1001 Deuce of Clubs
Show Low, AZ 85901

Phone: (602) 537-2976
1 (800) 266-7232
FAX: (602) 524-2227

Pima Community College

4903 E. Broadway, Suite 101
Tucson, AZ 85709-1260

Phone: (602) 748-4906
FAX: (602) 748-4585

Rio Salado Community College

301 W. Roosevelt, Suite B
Phoenix, AZ 85003

Phone: (602) 238-9603
FAX: (602) 340-1627

Yavapai College

Elks Building
117 E. Gurley St., Suite 206
Prescott, AZ 86301

Phone: (602) 778-3088 or
1 (800) 922-6787
FAX: (602) 778-3109

SBDCs generally provide assistance to small businesses or people interested in starting small businesses. They often offer both individual counseling and seminars. The SBDCs are supported by the U.S. Small Business Administration and community colleges of Arizona.

Small Business Institute

Arizona State University West

4701 W. Thunderbird Rd.
P.O. Box 37100
Phoenix, AZ 85069-7100

Phone: (602) 543-6225
FAX: (602) 543-6221

Northern Arizona University

Box 15066
Flagstaff, AZ 86301

Phone: (602) 523-7324
FAX: (602) 523-7331

Provide consulting services to small businesses. This is also a program of the U.S. Small Business Administration.

Small Business Service Bureau, Inc.

554 Main St.
P.O. Box 1441
Worcester, MA 01601-1441

Phone: (508) 756-3513 or
1 (800) 222-3434
FAX: (508) 791-4709

Provide legislative advocacy, management assistance and group benefits (health, retirement and financial plans) to small businesses.

U.S. Small Business Administration

2828 N. Central Ave., Suite 800
Phoenix, AZ 85004-1025

Phone: (602) 640-2320
FAX: (602) 640-2360

300 W. Congress
Seventh Floor
Rm. 7-H FB 33
Tucson, AZ 85701-1319

Phone: (602) 670-4759
FAX: (602) 670-4763

Assist, counsel and back small business through government-backed loans and management assistance.

*Julie Leones¹
Extension Economist
Department of Agricultural and
Resource Economics
Cooperative Extension
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Tucson, Az 85721*

FROM:

Direct Farm Marketing and Tourism Handbook.

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A BUSINESS PLAN IS IMPORTANT WHEN WORKING WITH A LENDER

You don't have to borrow money to expand a business and make your dreams come true, but borrowing money can make those dreams come true sooner than if you wait to save all the necessary cash.

That means you have to have a good, working relationship with your banker or other agricultural lender. After all, when you borrow money, the lender becomes your partner and has a vested interest in your business. As your partner, the lender will want to know as much about your business as possible. He'll have a lot of questions and may even play the devil's advocate—just to make sure you have a well-conceived business or marketing plan.

Gary Kirking is a rural enterprise specialist at the Western Wisconsin Technical College (WWTC) in La Crosse, Wisconsin. Among the many skills Kirking brings to the college is his ability to help enterprising farmers and growers organize and start new businesses. He says the first step usually involves borrowing money.

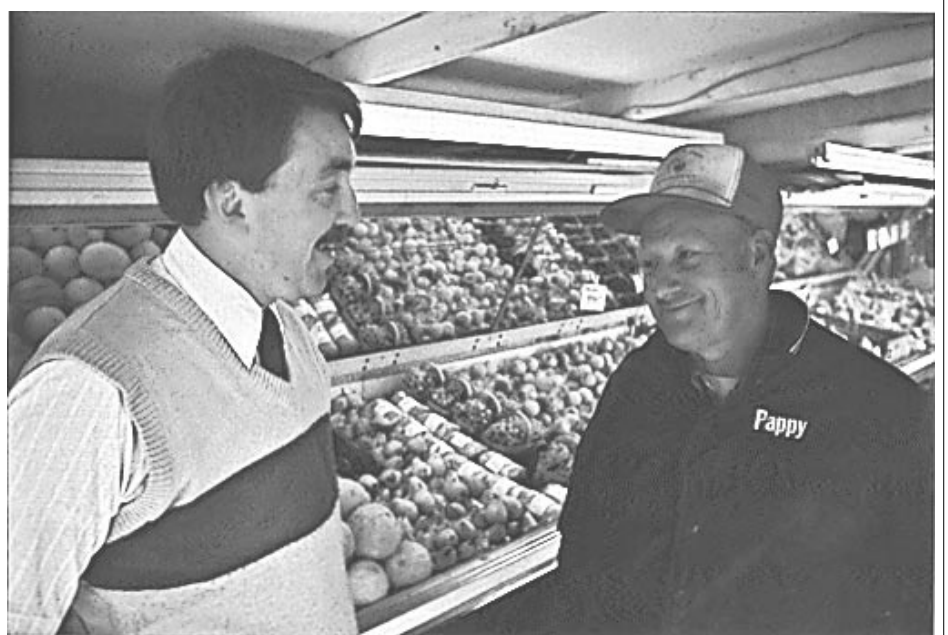
Working with lenders is an area Kirking understands. Prior to joining the WWTC staff, he worked as a lending officer for 12 years, including 10 years with Farm Credit Services. His experience includes working with dairy, beef, fruit and vegetable and fish farm-

ers. If a grower in the Mississippi River Valley and surrounding coulee country near La Crosse has a question about loans, Kirking can tell them how growers and lenders can pool their objectives and work as a team in rural enterprise financing. Kirking can give advice on on-site evaluations, loan analysis, budgeting discussions and business and marketing plan reviews.

Kirking says open lines of communication between borrowers and lenders are important to a successful loan relationship.

"Loan applicants have to realize that today there is strong competition, for available money," Kirking says. "Loan officers can generate fast returns from car loans, and in some cases, agricultural loans may not be as popular with bankers as other small business loans."

But don't let that hinder your plans for securing a loan. Kirking says lending



John Jolivet (right) and Gary Kirking say that growers who want to expand should be prepared to talk about their businesses when they meet with a lender. A lender actually becomes a partner who wants to know as much as possible about your production and marketing plans.



School tours are a major attraction at Jolivettes' farm market. Every October more than 9,000 school-age children are invited to the farm. The children receive a small pumpkin as a giveaway item.

agencies are in business to make money, and they recognize that a viable agricultural loan is likely to generate further business for the lender.

"Remember, the lender wants your business to succeed," Kirking says. "And there are five major factors a lender will consider when reviewing a loan application."

According to Kirking, the lender will consider the human factor, the financial history of the business, how the loan will be repaid, what collateral is available to secure the loan, and the purpose of the loan.

"The human factor' is a major consideration for most lenders," Kirking

says. "Each lender will have a different set of criteria for each type of loan, but the borrower should be willing and able to communicate pride in the business, enthusiasm for the business plan and confidence in his or her management abilities."

"In direct marketing enterprises and other rural businesses, the lender may also strongly consider the role of other family members in the business. The lender may want to know who will keep the books, what labor inputs will be made by children, or if the business plans have the emotional support of other family members."

Strong Family Commitment

John Jolivette, a fruit and vegetable grower from West Salem, Wisconsin, about 15 miles east of La Crosse, agrees that a strong commitment by family members is

important not only for the success of his business, but it's also a factor that his lenders have brought up.

John and Joan Jolivette and four of their six children grow and market strawberries, peas, beans, sweet corn, cantaloupes, cucumbers, peppers, potatoes, tomatoes, squash, pumpkins and zucchini on 270 acres of cropland. They also rent an additional 100 acres and grow soybeans and corn.

From early May to late December, the Jolivettes market directly to consumers. The family operates a greenhouse and sells bedding plants to kick off the growing season. It's hard to miss their market from U.S. Highway 16 because the Jolivettes fill large balloons with helium and anchor them to their market. The Jolivettes are known for their strawberries and pumpkins, and for their tours that bring in thousands of school children each year.

The Jolivettes' direct marketing enterprise didn't happen overnight. John started his farming career with 40 acres and 10 milk cows. He was a full-time factory worker and a part-time farmer. After expanding the dairy herd and then selling out a few years later, John decided to try direct marketing fruits and vegetables. His father and grandfather operated a large truck farm on French Island, which is just up the Mississippi River from La Crosse, many years ago. So this business wasn't new to John.

John and Joan purchased his cousin's farm along the western edge of West Salem. From that base, the Jolivettes developed their fruit and vegetable farm and farm market. In addition to selling all of their fruits and vegetables at the market, they also handle some wholesale produce and other add-on sales merchandise, such as jams, jellies, honey and crafts.

John says that the ideal situation is to handle most operational expenses with revenue from the farm market business.

However, when it comes to buildings and improvements, he relies on local lenders.

The Jolivettes live in an area where dairy farms are predominant. Consequently, John has explained his business to many a lender. Direct marketing enterprises that deal in fruits and vegetables are not the most common form of agriculture in the area. For example, John has outlined how a strawberry planter is valid collateral and how a proper insulation job may cost more than the expense of the original building.



John Jolivette's farm market is located on a major highway in west central Wisconsin. Strawberries and pumpkins are the market's specialties, but he sells a wide variety of homegrown crops.

Financial Planning History

John says there is no substitute for a sound financial history of the business when seeking money for expansion. The Jolivettes recently hired an accountant to back up and double-check the recordkeeping system handled by his wife and daughter. John's lender also receives an annual report from the accountant.

"I know our lender keeps a current copy of our financial spreadsheet on file," John says. "We also plan to install a computer system to improve our recordkeeping and to provide more accurate figures to our financial advisors."

A sound financial history will also help the lender determine a loan repayment plan. Kirking says lenders want to know if the business will generate enough cash flow to pay bills, pay off the loans, buy capital items, provide for family needs and turn a profit.

"Lenders like to see a two-to-one asset-to-liabilities ratio," says Kirking. "This can be outlined in the net worth statement a borrower provides for the lender."

John says that in a seasonal business like his, lenders have to understand when loan payments can be made. "We do

about 50% of our annual business in the first three months of the growing season," he says. "Our first major payment comes at the end of June. The next payment is in late November—after field crops have been harvested."

John says borrowers ought to ask about fluctuating interest rates as well as flexible repayment schedules. He says some lenders are open to renegotiating interest rates if the relationship between the borrower and the lender has been positive. "It doesn't cost anything to ask," he says.

Explaining Your Business

Kirking says borrowers should be prepared to explain collateral fully. The better a lender understands a borrower's collateral, the more likely they are to make a loan.

"No one plans on failure, but in reality a percentage of businesses do fail," Kirking says. "Even if only one out of 90 fails, the lender has to see enough value in the business to cover the loan if the business plans don't work out. You have to



John Jolivette and an employee check produce before it is placed in the farm market's bin. High-quality produce brings customers back, says John.

make the lender feel comfortable about lending you the money, and your collateral is the lender's only security blanket."

When explaining to the lender why a loan is needed, a well-conceived marketing plan is essential. Kirking says the lender will want to know how, when and where the loan money will be used. The lender also wants to know what the borrower's response will be if the market changes and there is a problem repaying the loan.

John admits he tries not to make too many long-range promises when it comes to crop farming because in any given season, at least one of his specialty crops could fail. He counts on his proven ability to make adjustments to reassure the lender.

John also reassures his lender by investing in a strong insurance program. He says that's important in today's lawsuit-happy environment. The Jolivettes are also considering incorporating the business to obtain better insurance cov-

erage and to protect the personal interests of other family members involved in the business.

Helpful Loan Hints

Kirking says that good business management is best demonstrated in the products you sell and the quality of service you provide. These factors are also instrumental in making a lender feel more comfortable doing business with you.

"It has been said that 'If I hear, I may forget. If I see, I will understand, and I will remember,'" says Kirking. "It is important for the lender to get a good understanding of the business that will be using the loan."

John agrees that lenders who visit his operation ask more intelligent questions and learn what it takes to make the operation successful. He has found most lenders are anxious to visit his farm and farm market to look at the business up close. The key is that John asks the lenders to visit his operation.

Kirking says there are a number of mistakes borrowers can make in seeking loans. Borrowers may not present themselves or their business in a confident manner. For example, they may not be familiar with their own marketing or business plan. Or, they show a general lack of planning. They also may not ask the questions which could get them better interest rates or a more favorable repayment schedule.

"If a borrower doesn't get his loan, he or she should find out why and make improvements on the presentation," Kirking says. "Be sure to keep up-to-date on lending practices and the current economy. Timing a loan application to a lender's availability of funding can make a big difference. Also, don't ask for seasonal operating loans in May."

Kirking also suggests that borrowers be assertive in seeking assistance and advice. Local and county state extension offices and technical colleges offer a variety of courses and valuable brochures.

Editor's note: For more information, you can contact Gary Kirking at Western Wisconsin Technical College, 304 North Sixth Street, La Crosse, WI 54602. John Jolivette can be contacted at Jolivette's Berry Farm, Route 2, West Salem, WI 54669.

You can also order the following sources for additional information: Publications #1003 and #1004— Understanding and Evaluating Money Sources, which are available from your area Small Business Administration office; Direct Marketing Brochure, available from the Wisconsin Department of Ag, Trade and Consumer Protection, 801 W. Badger Rd., PO. Box 8911, Madison, WI 53708 or call (608) 266-1531; or NCR 54—Credit Management for Business Firms, available from the UW Extension Office, Ag Bulletins, Room 245 30 North Murray St., Madison, WI 53715 or call (608) 262-3346.

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TRAINING HELPS FARM MARKET EMPLOYEES SUCCEED

by Bernard L. Erven

No matter how carefully a farm market operator recruits and selects employees, they will not come to their new jobs with all the necessary knowledge, skills and abilities. Training is essential if employees are to reach their potential. Training should help them feel like they are improving and creating better opportunities for themselves.

Training is anything an employer does to help employees learn to do their work the way the employer wants them to do it. Training is an investment in people, benefiting both the employer and employee. In an ideal employer-employee situation, the investment in teaching allows an employee to do the job better. Doing the job better benefits both the employee and the farm market.

Trainers (teachers) are challenged to understand what the employees (learners) know from previous training and experience. Trainers need to see the job through the eyes of the employees. Good training makes complicated and complex tasks seem simple.

Note how complicated riding a bicycle seems until one knows how. All experienced computer users know there is not an "any key" on a computer keyboard. Yet many inexperienced users have searched in vain for such a key to be able to follow the direction in the computer manual which says, "Press any key and

continue." Finding pneumonia in the dictionary happens only after one knows that it begins with a "p" rather than an "n".

The importance of training programs in farm markets will increase dramatically in the 90's. Customers will have higher expectations of market employees. Equipment will become more complicated. The work in successful markets will be more complex. People with all the necessary skills and experience for success in a farm market can not be hired. Without training programs, labor can easily become the weakest link in the plans for success of the farm market.



With a proper training program, employees will know how to use their time more efficiently, even if it involves such basic tasks as cleaning.



Showing the employee the proper steps of each task and explaining the importance of doing the task can help the employee perform the job better.

Content of Training

Training of farm market workers involves four kinds of learning: knowing, doing, combinations of what is known or can be done, and combinations of knowing and doing. Learning implies:

1. Knowing something intellectually or conceptually one never knew before. Two examples of this kind of learning are: (a) Apples bruised during harvest will be unmarketable coming out of storage. (b) Some apples are better suited for baking than eating raw.
2. Being able to do something one couldn't do before. Two examples are: (a) Operate a cash register. (b) Change the oil in a truck.
3. Combining two knowns into a new understanding of a skill, piece of knowledge, concept, or behavior. Examples are: (a) Knowledge about apple varieties

and knowledge of how cider is made being combined to select apples for cider versus apples for fresh market. (b) Knowledge of which chemicals can damage eyes and knowledge of what can happen to liquid under pressure combined to always wear protective goggles.

4. Being able to use or apply a new combination of skills, knowledge, concepts, or behaviors. Examples are: (a) Combining the skill of being able to back a trailer with a tractor and the knowledge of the gears in a new semi-tractor to be able to back a semitrailer up to a loading dock. (b) Combining mechanical skill, attention to detail, knowing what to listen for, and superior hearing to recognize when a belt needs tightening.

All four kinds of learning should be part of a training program as appropriate. Training must be

more than teaching employees how to do things. Helping them understand the importance of the job, the principles behind the job, and how they can use what they already know are important.

Each farm market should have a plan for training. The plan should include creation of a positive environment for learning. Reinforcing the following assumptions in each trainer and employee helps create an ideal learning situation:

- All employees can learn.
- Learning should be made an active process.
- Learners need and want guidance and direction.
- Learning should be sequential.
- Learners need time to practice.
- Learning should be varied to avoid boredom.
- Learners gain satisfaction from their learning.
- Correct learner behavior should be reinforced.
- Learning does not occur at a steady rate.

Training Objectives

An employee training program should have three distinct phases: (a) orientation, (b) learning to do the first job, and (c) preparation for future tasks and responsibilities. Orientation is limited to answering immediate questions and providing essential information for a new employee to get off to a good start. Some of the orientation will have been done during

the application and interviewing process. Written job descriptions, an employee handbook, a written employer-employee agreement, and openness to questions also are important to orientation.

Sensitivity to immediate information needs and postponing the nonessential information to the second phase of training are the keys to successful orientation. Where to park the car, what to wear to work, location of the bathroom, names of co-workers and to whom to go with questions are essential to orientation. The details of a retirement program and procedures for arranging which week to take vacation are not.

Training the employee to handle the first tasks logically follows the orientation. Preparation for future tasks and responsibilities is a continuous process based on the employee's skills and aspirations, and changes in the farm market.

The relative amount of time devoted to orientation, training for the first job and preparation for future responsibilities varies with the type of employee. Temporary workers may receive only orientation and training focused on the seasonal job, e.g., harvesting and loading apples. Long-term key employees may continue to receive training for both immediate and future tasks and responsibilities for as long as the employment lasts.

Job instruction can be divided into getting ready to train and training. Trainers in farm markets are often so experienced in what they are teaching that taking time to prepare for training seems like a waste of time. "I don't have time to prepare" or "I know this job so well I don't need to think about how to teach it" may be foolish attitudes. Muddled and confused instruction increases the time spent on training and causes frustration for both trainer and employee.

Two important questions guide preparation for training. What is the objective of the training? Define specifically what the

learners are to know or be able to do at the conclusion of the training. An acceptable level of performance and timetable for the training should be established.

What are the principal steps in the task and in what sequence should they be done? Analyzing each task can be helpful. Develop tips on how the job can be made easier, done more quickly or done with less frustration for the employee.

Having answered these two questions, the trainer is ready to prepare equipment, materials, learning aids and the work place for the actual training. Looking for equipment or supplies during training leaves the learner suspicious that the teacher is careless or incompetent or both.

The actual instruction can be aided by a five step teaching method:

1. **Prepare** the learner. Learners are prepared when they are at ease, understand why they need to learn the task, are interested in learning, have the confidence that they can learn and the trainer can teach. The most important part of learner preparation is creating a need to know or desire to learn on the part of the trainee. It helps to show enthusiasm for the task, relate the task to what the learner already knows, help the learner envision being an expert in the task, have the learner explain how the task will relate to success at the farm market, add fun and prestige to the task when possible, and associate the task with respected co-workers.
2. **Tell** the learner about each step or part of the task.
3. **Show** the learner how to do each step or part of the task. In demonstrating the task, explain each step

emphasizing the key points and more difficult steps. Remember the little and seemingly simple parts of the task. Get the learner involved by asking questions about what is being shown.

4. Have the learner **DO** each step of the task while being observed by the trainer and then without the trainer observing. Ask the learner to explain each step as it is performed. If steps or parts of the task are omitted, re-explain the steps and have the learner repeat them.
5. **Review** each step or part of the task with the learner, offering encouragement, constructive criticism and additional pointers on how to do the job. Be frank in the appraisal. Encourage the learner toward self-appraisal.

“Training must be more than teaching employees how to do things.”

—Bernard L. Erven
Dept. of Ag Economics
Ohio State University

Improved training for both new and experienced employees offers farm market managers a way to increase employee success. Training programs rarely change quickly and easily. Deciding what can

be accomplished through better training is a good starting point. Create a good environment for learning. Prepare before jumping into changes in training. Learn and use a five step method, Prepare-Tell-Show-Do-Review, to steer both trainers and employees toward greater success.

Bernard L. Erven is an extension specialist in farm labor management and professor of agricultural economics at Ohio State University. Erven received his B.S. and M.S. degrees from Ohio State and his Ph.D. from the University of Wisconsin-Madison. He teaches a new course in human resource management in small businesses. He also teaches courses in farm management and principles of agribusiness management. He is doing research on farm labor productivity, and employee compensation and benefits.

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SIZING UP THE MARKET WINDS

by Russell Tronstad¹

"Knowing what's happening in the marketplace is the difference between the farmer who makes it and the farmer who doesn't make it"

— specialty vegetable grower
Don Anderson, Santa Cruz, CA.

Farming in the 90s could be compared to hang gliding. The best hang glider skills in the world may not be enough to keep from crashing in a down draft. Also, strapping an individual into a top-of-the-line hang gliding harness that has had no instruction or training would likely bring tragedy, even if the wind currents are perfect. A successful hang glider is one that can assess good wind conditions before "take-off" and have the technical skills to glide for an enjoyable long safe flight. Similarly, mastering the best production techniques doesn't guarantee that your direct marketing operation will be a success. Just as good hang gliding skills are a valuable asset for avoiding disaster, they are by no means a guarantee for a safe flight. Having the technical skills to grow a beautiful looking and sweet tasting crop is no guarantee that you will make a profit or even "break-even." In fact, thunderstorm winds combined with the best hang gliding skills in the world often results in disaster. Market analysis could be likened to a hang glider assessing wind currents. That is, dynamic supply and demand relation-

ships determine what the "wind currents" will be and much like the wind, these relationships are not always well understood or easy to predict. This section outlines some general considerations for better understanding some of the fundamental supply and demand relationships. First, some general consumer and industry trends are summarized.

Consumer and Industry Trends

General market trends are always a consideration even for the direct marketer. Consumer's food preferences can change over time and it is important to consider what changes might be more perception than reality. Per capita consumption patterns for wholesale fruits and vegetables are given below to analyze these changes. Although the numbers shown represent wholesale shipments and don't include direct marketing figures, they give a good synopsis for what is happening with consumers. Virtually all direct marketing customers are reflected in these wholesale figures. Per Capita consumption patterns are also useful for calculating what your potential market may be. Some herb crops are consumed in such small quantities that an additional 2 acres of production could double the US supply. Be conservative on estimating how many visitors and customers you can attract when starting out.

Table 1 gives the annual fresh fruit consumption estimates of the US from 1970 through 1992. Total per capita fresh fruit consumption has increased 19.42 lbs. since 1970 with an average annual increase of 1.09%. Not all fruits have increased consumption though. Total fresh citrus has actually declined by .3% during this period. However, grapefruit was the only citrus category with a negative consumption pattern. Limes posted a 9.02% annual increase. Thus, when looking at trends commodity specific data needs to be analyzed. Consumption pat-

Table 1. U.S. Per Capita Fresh Fruit Consumption, 1970 to 1992.

Year	Citrus fruit						Total 5/ --Pounds--	Noncitrus fruit						Total non- Citrus 5 /	Total fruit 5/
	Oranges	Tange- rines	Tan- gelos	Lemons	Limes	Grape- fruit		Apples	Apri- cots	Avo- cados	Bananas	Cher- ries	Cran- berries		
1970	16.16	1.60	0.61	2.04	0.19	8.18	28.78	17.02	0.12	0.44	17.38	0.50	0.18		
1971	15.72	1.78	0.70	2.24	0.18	8.52	29.14	16.42	0.13	0.83	18.06	0.67	0.19		
1972	14.48	1.63	0.73	1.86	0.22	8.53	27.45	15.53	0.08	0.44	17.92	0.38	0.15		
1973	14.44	1.69	0.61	1.93	0.22	8.54	27.43	16.13	0.09	0.83	18.16	0.73	0.19		
1974	14.42	1.88	0.67	2.00	0.22	8.21	27.40	16.40	0.06	0.68	18.49	0.58	0.15		
1975	15.88	2.00	0.99	1.95	0.24	8.32	29.38	19.49	0.08	1.16	17.64	0.69	0.14		
1976	14.74	1.98	0.93	1.90	0.25	9.24	29.04	17.08	0.10	0.79	19.25	0.82	0.19		
1977	13.44	1.84	0.94	2.10	0.25	7.70	26.27	16.52	0.09	1.27	19.21	0.63	0.18		
1978	13.45	1.62	0.81	2.12	0.24	8.32	26.56	17.95	0.07	1.01	20.19	0.53	0.18		
1979	12.61	1.75	0.68	1.90	0.25	7.26	24.45	17.14	0.08	1.22	20.98	0.68	0.13		
1980	14.32	2.10	0.71	1.91	0.38	7.27	26.69	19.20	0.10	0.82	20.82	0.68	0.14		
1981	12.37	1.33	0.81	2.00	0.39	6.63	23.53	16.85	0.10	2.13	21.48	0.53	0.21		
1982	11.70	1.38	0.69	2.06	0.39	7.19	23.41	17.54	0.08	1.47	22.54	0.52	0.21		
1983	15.03	1.52	0.73	2.31	0.59	7.80	27.98	18.27	0.08	1.91	21.25	0.73	0.14		
1984	11.86	1.46	0.61	2.14	0.55	5.96	22.58	18.35	0.13	2.17	22.18	0.71	0.13		
1985	11.59	0.96	0.55	2.29	0.65	5.51	21.55	17.26	0.16	1.84	23.48	0.42	0.13		
1986	13.43	1.10	0.50	2.46	0.69	6.13	24.31	17.84	0.10	1.54	25.82	0.48	0.14		
1987	12.81	1.29	0.49	2.47	0.62	6.31	23.99	20.83	0.08	2.31	25.01	0.71	0.13		
1988	13.90	1.26	0.51	2.46	0.65	6.65	25.43	19.98	0.16	1.60	24.28	0.52	0.11		
1989	12.58	1.29	0.49	2.49	0.78	7.50	25.13	21.48	0.10	1.41	24.71	0.64	0.20		
1990	12.41	0.95	0.40	2.59	0.71	5.04	22.10	19.91	0.16	1.23	24.36	0.42	0.24		
1991	8.34	1.00	0.42	2.64	0.75	6.77	19.92	18.74	0.13	1.43	25.27	0.41	0.26		
1992 /6	12.90	1.40	0.50	2.50	1.00	5.90	24.20	19.30	0.20	2.10	27.30	0.50	0.30		
Average Annual															
% Change	0.33%	1.00%	0.15%	1.16%	9.02%	-0.47%	-0.30%	0.90%	8.19%	17.17%	2.16%	4.81%	5.18%		
Noncitrus-continued															
Year	Figs	Kiwi- Grapes fruit 2/	Nectari- nes 3/	Peach- es	Pears	Pine- apples	Papayas	Plums and prunes	Straw- berries	Miscel- laneous fruit 4/	Total non- Citrus 5 /	Total fruit 5/	--Pounds--		
1970	0.01	2.50	N.A.	0.05	0.58	5.82	1.90	0.70	0.12	1.47	1.73	0.09	50.61	79.39	
1971	0.01	2.23	N.A.	0.07	0.61	5.66	2.54	0.64	0.10	1.28	1.83	0.09	51.36	80.50	
1972	0.03	2.22	N.A.	0.07	0.82	3.88	2.28	0.78	0.11	1.08	1.67	0.08	47.52	74.97	
1973	0.04	2.68	N.A.	0.10	0.72	4.26	2.57	0.92	0.14	1.14	1.58	0.08	50.36	77.79	
1974	0.05	2.85	N.A.	0.11	0.95	4.34	2.48	0.90	0.16	1.50	1.83	0.09	51.62	79.02	
1975	0.03	3.20	N.A.	0.15	0.89	4.98	2.74	1.03	0.16	1.33	1.80	0.09	55.60	84.98	
1976	0.02	3.23	N.A.	0.16	1.00	5.14	2.84	1.15	0.20	1.25	1.66	0.07	54.95	83.99	
1977	0.03	3.17	N.A.	0.13	1.25	5.09	2.38	1.36	0.25	1.55	1.91	0.04	55.06	81.33	
1978	0.03	2.79	N.A.	0.14	-	6.10	2.30	1.44	0.25	1.54	2.12	0.02	56.66	83.22	
1979	0.03	3.13	N.A.	0.19	-	6.67	2.30	1.46	0.17	1.63	1.90	0.01	57.72	82.17	
1980	0.02	3.47	N.A.	0.23	-	7.10	2.61	1.50	0.21	1.54	1.97	0.07	60.48	87.17	
1981	0.01	3.74	N.A.	0.22	-	6.87	2.82	1.56	0.26	1.71	2.17	0.10	60.76	84.29	
1982	0.01	5.72	N.A.	0.31	-	5.35	2.85	1.66	0.16	1.07	2.37	0.15	62.01	85.42	
1983	0.01	5.59	0.02	0.44	-	5.43	2.99	1.68	0.18	1.41	2.32	0.10	62.55	90.53	
1984	0.02	6.09	0.15	0.39	-	6.70	2.54	1.51	0.26	1.84	2.96	0.18	66.31	88.89	
1985	0.01	6.84	0.18	0.40	-	5.49	2.79	1.48	0.18	1.43	2.99	0.18	65.26	86.81	
1986	0.01	7.10	0.21	0.48	-	5.84	2.97	1.73	0.18	1.29	2.89	0.14	68.76	93.07	
1987	0.01	7.05	0.28	0.55	-	6.05	3.51	1.63	0.19	1.91	3.11	0.14	73.50	97.49	
1988	0.01	7.78	0.27	0.37	-	6.58	3.26	1.76	0.16	1.72	3.33	0.07	71.96	97.39	
1989	0.01	7.96	0.39	0.40	-	5.68	3.29	1.96	0.15	1.77	3.28	0.21	73.64	98.77	
1990	0.01	7.96	0.48	N.A.	-	5.52	3.20	2.05	0.18	1.50	3.25	N.A.	70.47	92.57	
1991	0.01	7.28	0.41	N.A.	-	6.26	3.30	1.92	0.17	1.48	3.60	N.A.	70.67	90.59	
1992 /6	0.01	7.20	0.50	0.70	-	5.90	3.10	2.00	0.20	1.80	3.50	N.A.	74.61	98.81	
Average Annual															
% Change	9.17%	5.64%	17.66%	13.75%	12.91%	0.97%	2.83%	5.26%	4.71%	2.94%	3.65%	37.03%	1.85%	1.09%	
N.A.= Not available.															
1/ All data are on calendar-year basis except for citrus fruits, October or November; apples, August; grapes and pears, July; prior to years indicated. 2/ Reported separately beginning 1983. 3/ Included in peaches beginning 1978. 4/ Includes olives, persimmons, pomegranates (until 1990), kiwifruit (until 1983), and other fruit. 5/ Some figures may not add due to rounding. 6/ Preliminary.															
Source: Commodity Economics Division, ERS, USDA.															

terns for many fresh fruits also coincide with seasonal production. For example, fresh strawberries have a limited shelf life and more than 50 percent of their annual consumption is during the two months of April and June (Brown and Suarez). Strawberry prices are at their low point of the year during these two months as well. Seasonal factors are often present in produce and tourism data and great care should be taken at analyzing seasonal impacts for your location. Market window analysis focuses on taking advantage of seasonal price opportunities.

those between 18 and 29 years of age, have increased their fruit and vegetable consumption more than other age groups. Seniors, those in the 60+ age group, appear to be stable purchasers of fruits and vegetables.

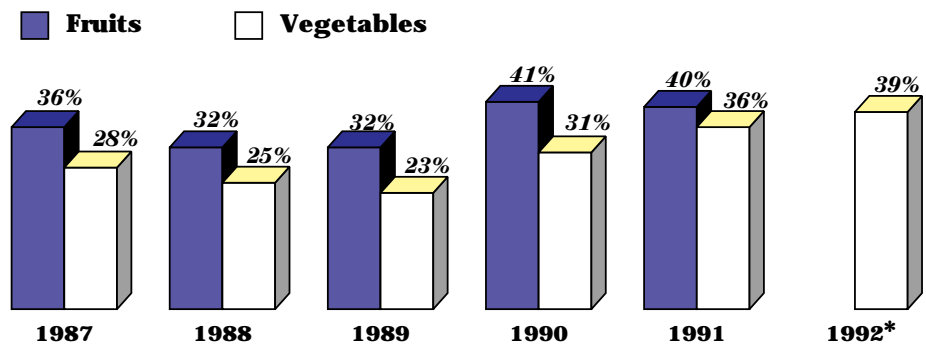
For those that reported they have increased consumption, popular answers for why they are eating more produce are; use more fresh fruit and vegetables for snacks, eat more fresh salads and desserts, and diet/nutrition/health concerns. You may

Non citrus fruits have increased per capita consumption by an annual average of 1.85% since 1970, or a whopping 24 lbs. per person. Some strong percentage gainers have been fruits relatively new to the US like mangos (13.75%), kiwi (17.66%), and avocados (17.17%). Apricots, cranberries, figs, grapes, and pineapples all increased on average over 5% annually. Apples (.90%) and peaches (.97%) posted the smallest increases for non-citrus fruits, and no non citrus fruits had a negative consumption trend.

More recent history, from 1987, indicates that citrus and non citrus fruit consumption has been rather flat. Could it be that consumers have plateaued in their fruit consumption? Figure 1 shows the results of consumers surveyed by the Packer's 1992 Fresh Trends Survey. About 30% to 40% of all consumers indicate that they have increased their fresh fruit consumption since 1987. But aggregate measures don't show much of an increase, if any. Demographic results show that young consumers,

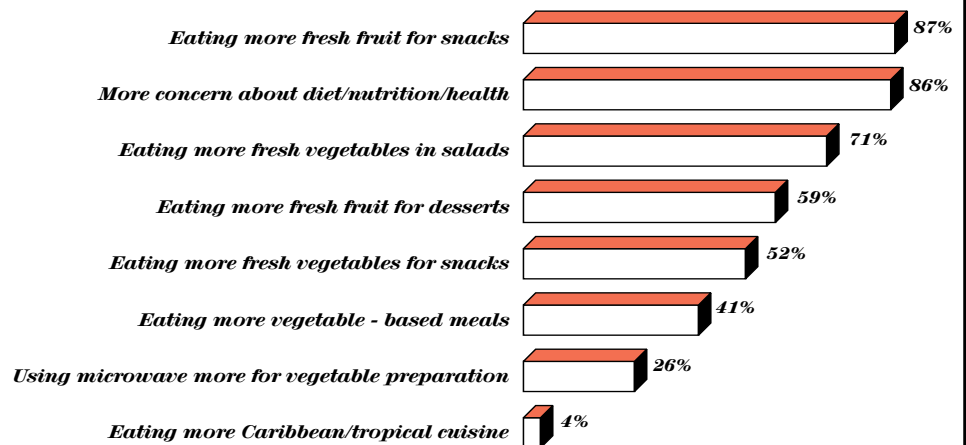
Figure 1

Consumers eating more fresh fruits and vegetables compared to 12 months ago.



* Question combined in 1992.

Reasons for increasing consumption.*



* Of those reporting increased consumption; Can give more than one response.

Source: The Packer's 1992 Fresh Trends Consumer Profile Study.

be able to find ways to exploit these concerns and ideas in your direct marketing of produce. If a bed and breakfast is your business, you might include fresh produce in snacks for your customers.

Figure 2. U.S. Shares of Processed and Fresh Fruit for Citrus and Non-Citrus Consumed from 1970 to 1992.

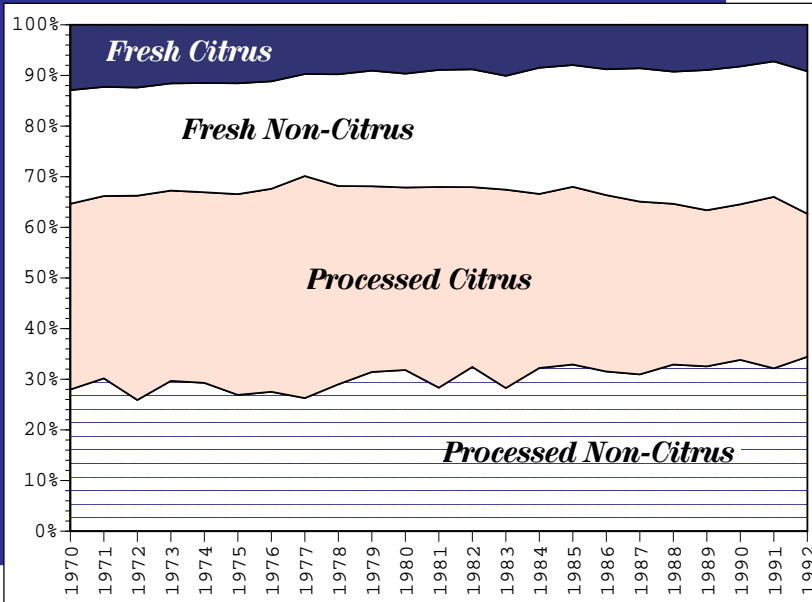


Figure 3. US Per Capita Consumption of Fruits and Vegetables with Average Annual Percentage Change from 1970 to 1992.

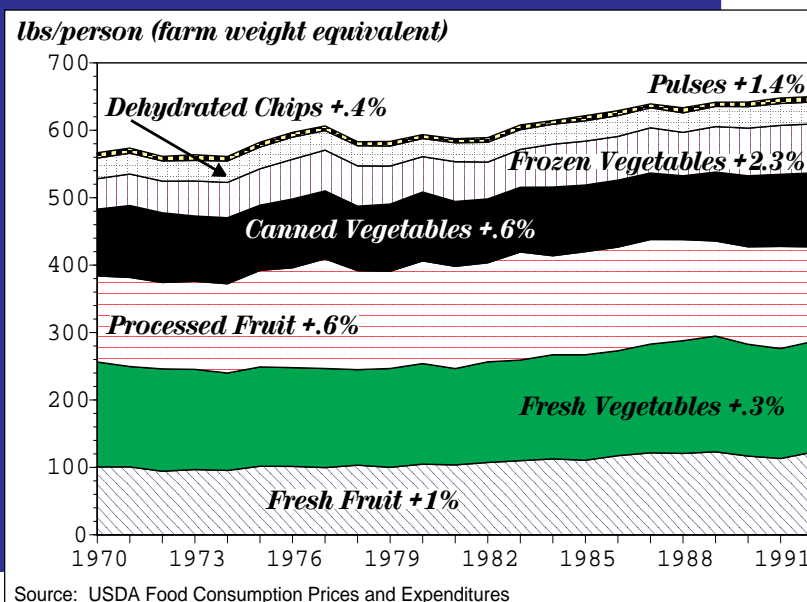


Figure 2 graphs the shares of processed and fresh fruit for citrus and non-citrus between 1970 and 1992. The graph portrays how the share of fresh citrus consumed has declined relative to non-citrus fruit. Processed citrus products have also declined relative to non-citrus products as well. Even though processed products have lost some “market share,” they can be very important for increasing the value added of your produce and extending your marketing season. As shown in Figure 3, per capita consumption of processed fruits and vegetables has increased in the last two decades and some categories have done relatively well. Refer to the section of “Opportunities for Adding Additional Value to Your Products,” for ideas on how processed products might fit into your operation.

Fresh vegetable consumption trends are given in Table 2. US consumers have increased their consumption of fresh vegetables at an annual rate of .39% between 1970 and 1994. This rate appears lower than that for fresh fruit, but if one excludes potatoes the average annual percentage change is .99%, comparable to the 1.09% rate for all fresh fruit. Similar to fresh fruit, vegetable consumption has been rather flat since 1988. Some exceptions are onions, bell peppers, and leaf/romaine lettuce which have shown a fairly steady increase in recent years. In looking at annual trends since 1970, broccoli has been the largest percentage gainer at 8.80%. Garlic is not far behind with a 8.51% average. Honeydews have increased more than watermelons or cantaloupes. Honeydews have increased 3.80%, whereas cantaloupes and watermelons have averaged an annual increase of 1.30% and .54%, respectively. Escarole and Endive have shown the largest percentage decline at -3.61%. Their annual per capita consumption has dropped from .6 lbs. in 1970 to only .2 lbs. in 1993. Other percentage decliners have been cabbage (-1.31%), fresh potatoes (-.78%), sweet corn (-.73%), and celery (-.44%).

Table 2. U.S. Per Capita Fresh Vegetable Consumption, 1970-94.

	Asparagus	Broccoli	Carrots	Cauli- flower	Celery 1 /	Sweet corn	Lettuce	Onions	Tomatoes	Cabbage	Spinach	Cucumbers	
	-- Pounds, farm weight --												
Year													
1970	0.4	0.5	6.0	0.7	7.3	7.8	22.4	10.1	12.1	11.4	0.3	2.8	
1971	0.4	0.7	6.1	0.7	7.3	7.5	22.4	10.7	11.3	11.2	0.3	2.8	
1972	0.4	0.7	6.5	0.8	7.1	7.8	22.4	10.7	12.1	10.4	0.3	3.0	
1973	0.4	0.8	6.7	0.8	7.6	7.9	23.1	10.2	12.5	11.0	0.3	2.7	
1974	0.4	0.8	6.9	0.8	7.4	7.7	23.5	11.2	11.8	9.0	0.3	3.0	
1975	0.4	1.0	6.4	0.9	6.9	7.8	23.5	10.5	12.0	9.1	0.3	2.8	
1976	0.4	1.1	6.4	1.0	7.4	8.0	24.2	11.0	12.6	8.5	0.3	3.1	
1977	0.3	1.2	5.3	1.1	7.0	7.6	25.8	11.1	12.4	8.6	0.4	3.5	
1978	0.3	1.0	5.3	0.8	7.2	6.6	25.1	10.9	12.9	8.7	0.3	3.8	
1979	0.3	1.2	5.9	1.1	7.2	6.5	25.1	11.4	12.4	8.2	0.4	3.8	
1980	0.3	1.4	6.2	1.1	7.5	6.5	25.6	11.4	12.8	8.1	0.4	3.9	
1981	0.3	1.7	6.1	1.4	7.4	6.2	24.9	10.7	12.3	8.2	0.5	4.0	
1982	0.4	2.0	6.6	1.3	7.6	6.0	24.9	12.2	12.5	9.2	0.5	4.2	
1983	0.4	2.0	6.5	1.4	7.2	6.1	22.4	12.2	13.5	8.5	0.5	4.5	
1984	0.4	2.5	6.7	1.8	7.3	6.4	24.9	13.1	14.3	9.0	0.5	4.7	
1985	0.5	2.6	6.5	1.8	7.0	6.4	23.7	13.6	15.0	9.2	0.7	4.4	
1986	0.6	3.0	6.5	2.2	6.6	6.1	21.9	13.7	15.9	8.2	0.6	4.6	
1987	0.6	3.1	8.3	2.1	6.7	6.3	25.7	13.4	15.8	8.0	0.6	5.1	
1988	0.6	3.8	7.2	2.2	7.2	5.7	27.0	14.5	16.8	8.0	0.6	4.8	
1989	0.6	3.8	7.9	2.3	7.5	6.4	28.8	14.8	16.8	7.9	0.6	4.8	
1990	0.6	3.4	8.0	2.2	7.2	6.5	27.8	15.1	15.5	7.8	0.8	4.7	
1991	0.6	3.1	7.5	2.0	6.8	5.7	26.1	15.7	15.4	7.5	0.8	4.6	
1992	0.6	3.4	8.6	1.9	6.7	6.7	25.9	16.1	15.2	7.7	0.8	5.2	
1993	0.6	2.8	8.4	1.7	6.2	6.3	24.6	15.7	15.9	8.4	1.0	5.5	
1994f	0.6	3.1	8.0	1.8	6.4	6.2	24.9	16.2	16.0	7.9	0.9	5.4	
Average % Change	2.22%	8.80%	1.59%	4.94%	-0.44%	-0.73%	0.61%	2.10%	1.27%	-1.31%	5.86%	2.98%	
	Arti- chokes 1/	Snap beans	Eggplant 1/	Escarole/ Endive	Garlic 1 /	Bell pep- pers1/	Leaf/ romaine	Fresh Potatoes	Water- melon	Canta- loupe	Honey- dews	All others 2/	Total
	-- Pounds, farm weight --												
Year													
1970	0.4	1.5	0.3	0.6	0.4	2.2	--	61.8	13.5	7.2	0.9	0.8	171.4
1971	0.4	1.5	0.3	0.6	0.3	2.3	--	56.1	13.0	6.8	0.9	0.9	164.5
1972	0.4	1.5	0.4	0.6	0.4	2.4	--	57.9	12.3	7.0	1.0	0.8	166.9
1973	0.4	1.4	0.4	0.6	0.5	2.5	--	52.4	12.7	6.1	1.1	0.9	163.0
1974	0.4	1.4	0.4	0.5	0.7	2.7	--	49.4	11.3	5.3	1.0	0.8	156.7
1975	0.4	1.4	0.4	0.5	0.7	2.5	--	52.6	11.4	5.2	1.1	0.9	158.7
1976	0.4	1.4	0.5	0.5	0.5	2.7	--	49.4	12.6	5.3	1.0	0.9	159.2
1977	0.4	1.3	0.4	0.5	0.6	2.8	--	50.1	12.6	5.8	1.1	1.0	160.9
1978	0.3	1.3	0.5	0.5	0.7	2.8	--	46.0	11.9	6.6	1.6	0.9	156.0
1979	0.5	1.3	0.5	0.5	1.0	2.9	--	49.3	11.4	6.1	1.6	1.0	159.6
1980	0.4	1.3	0.5	0.5	0.9	2.9	--	51.1	10.7	5.8	1.4	0.9	161.6
1981	0.6	1.3	0.5	0.4	0.7	2.8	--	45.8	11.7	6.1	1.5	1.0	156.1
1982	0.6	1.3	0.5	0.4	0.8	3.0	--	47.1	12.5	7.7	1.8	0.8	163.9
1983	0.5	1.2	0.5	0.4	1.1	3.3	--	49.8	11.3	6.5	1.8	0.8	162.4
1984	0.6	1.3	0.5	0.4	0.8	3.6	--	48.3	14.4	7.7	1.8	0.8	171.8
1985	0.7	1.3	0.5	0.4	1.1	3.8	3.3	46.3	13.5	8.5	2.1	0.8	173.7
1986	0.6	1.3	0.5	0.4	0.8	4.0	2.4	48.8	12.8	9.4	2.4	0.8	174.1
1987	0.7	1.2	0.5	0.3	1.2	4.2	2.5	47.9	13.0	9.1	2.2	0.7	179.2
1988	0.6	1.2	0.4	0.4	1.2	4.5	3.2	49.6	13.5	7.9	2.3	0.8	184.0
1989	0.7	1.2	0.4	0.3	1.1	4.7	3.6	50.0	13.6	10.4	2.5	0.9	191.6
1990	0.6	1.1	0.4	0.2	1.4	4.5	3.8	45.8	13.3	9.2	2.1	0.9	182.9
1991	0.6	1.1	0.4	0.2	1.6	5.1	4.0	46.4	12.8	8.7	1.9	0.8	179.4
1992	0.6	1.4	0.4	0.2	1.7	5.6	4.7	48.9	14.2	8.3	2.0	0.8	187.6
1993	0.5	1.6	0.4	0.2	1.6	5.9	4.9	51.9	14.2	8.5	1.6	0.8	189.2
1994f	0.6	1.4	0.4	0.2	1.5	5.6	5.0	49.1	14.3	8.3	1.8	0.8	186.4
Average % Change	3.56%	-0.01%	1.81%	-3.61%	8.51%	4.09%	5.78%	-0.78%	0.54%	1.30%	3.80%	0.49%	0.39%
-- = Not available. f = ERS forecast.													
1/ Includes fresh and processing. 2/ Includes radishes and brussels sprouts.													
Source: Economic Research Service, USDA.													

Total US per capita consumption (farm weight equivalent) of all fruits and vegetables from 1970 through 1992 are described in Figure 3. Total consumption has increased at an average annual rate of .64% from 1970 to 1992. All categories have shown growth in the last two decades. Frozen vegetables have been the biggest gainer, increasing from 45.2 lbs. in 1970 to 72.6 lbs. in 1992. Much of this increase is undoubtedly due to the increase in demand for prepackaged and frozen convenience foods as more women are working outside the home. Convenience should be a major consideration of any on-farm processing efforts. Pulses include dried peas, lentils, and edible beans. Although this market is relatively small with only 8 lbs./person consumed in 1992, a steady increase in Hispanic and ethnic populations has kept this market strong. Mexico's annual consumption of edible beans is around 50 to

60 lbs. per person, almost 10 times US per capita consumption.

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PRODUCT POSITION

by Russell Tronstad'

*The one who aims at nothing
generally hits nothing.*

Product position refers to what the consumer thinks of your product (e.g. lowest price, best service, freshest produce, "certified residue free," easy access, etc.) when they are making a purchase decision. A concept often related to product position but different is niche marketing. Large retailers like Wal-Mart, Best, and Target have taken a product position of low prices, but none of these are niche marketers. A niche market refers to a small segment of the total market that is being ignored by others. Two items are involved with developing a market niche; 1) identifying the wants of a small group of consumers that are being ignored by others, and 2) taking a product position that meets the wants of these consumers.

In a broad sense, direct farm marketing to consumers could be referred to as niche marketing since so little produce is sold directly to consumers. But to be a niche marketer of direct farm products you really need to be unique from other competitors. Growing ethnic vegetables could be an example of niche marketing, provided that no other local grower is selling ethnic vegetables. If someone is already selling ethnic vegetables, organic ethnic

vegetables might be a niche market. But as you can see, the market potential eventually becomes so small that an economically viable operation is not possible.

Should I look for a market niche or take a product position of low prices and large volume sales? Answers to these questions will vary depending on the goals of your firm, local competition, and resources available so that no generalized answer can be given. But the importance of some quality issues, food safety, rural appeal of consumers, and location considerations are given below as an aide for selecting a product position and possibly identifying a niche market.

Quality Issues

Figure 1 shows the importance of some quality characteristics as identified by the Packer's 1992 Fresh Trends Profile Study. Items of appearance/condition, taste/ flavor, and freshness/ripeness were indicated as extremely or very important items to at least 96% of all respondents. This result suggests that special care should be taken to ensure that you can adequately meet these top three quality items for your consumer when marketing produce. Even though you may have taken a market position for always having the "lowest price," minimum standards for appearance/condition, taste/flavor, and freshness/ripeness should be set.

The next most important items identified were price, certified safe (pesticide residue testing), and nutritional value. About 65% to 70% of all respondents indicated that price, residue testing, and nutritional value were extremely or very important quality characteristics to them. It is interesting to note that only 22% of the respondents indicated that organically grown was extremely or very important to them but 68% indicated that "certified safe" was important. Brand name ranked

Figure 1. Quality Components.

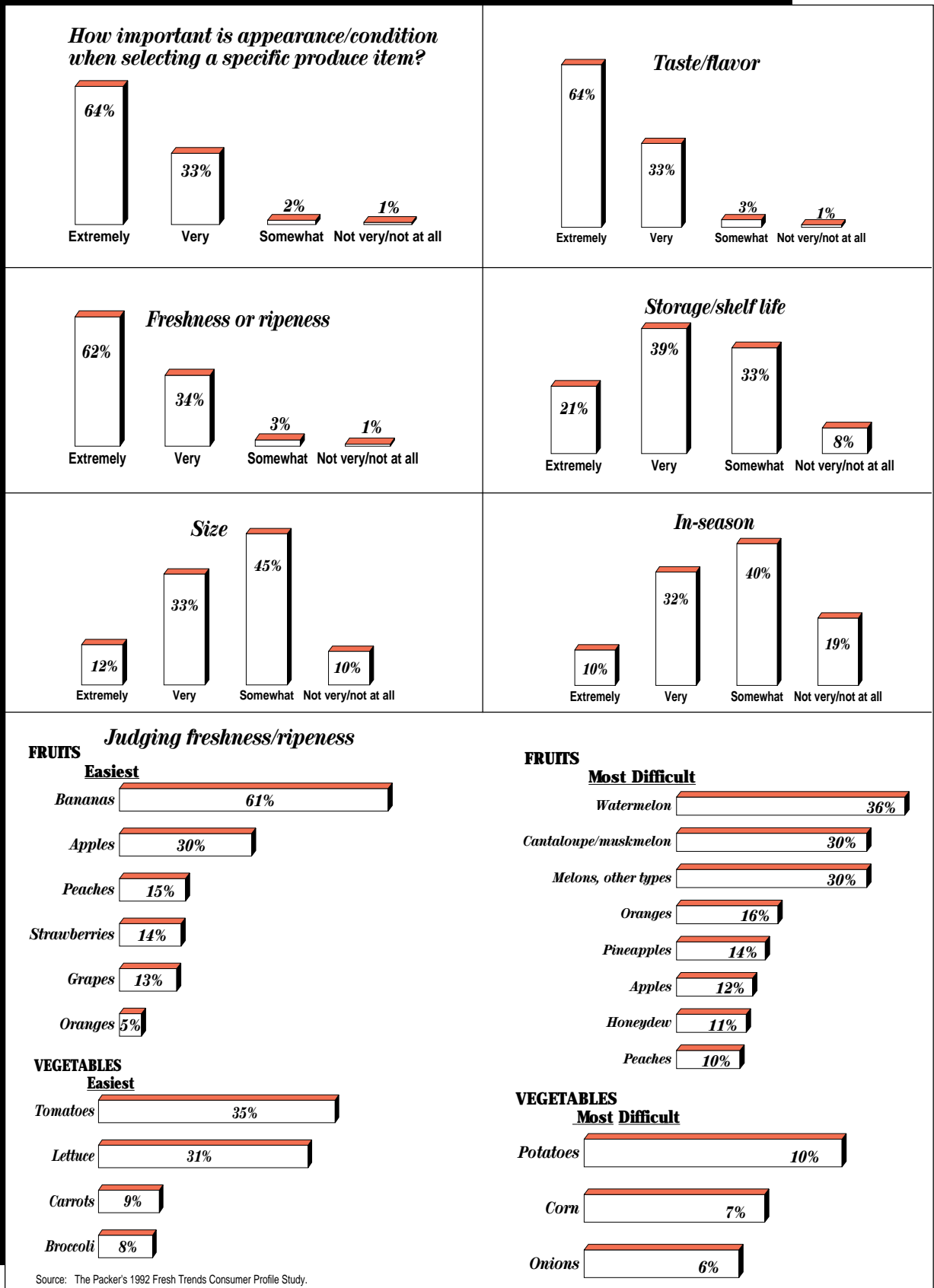
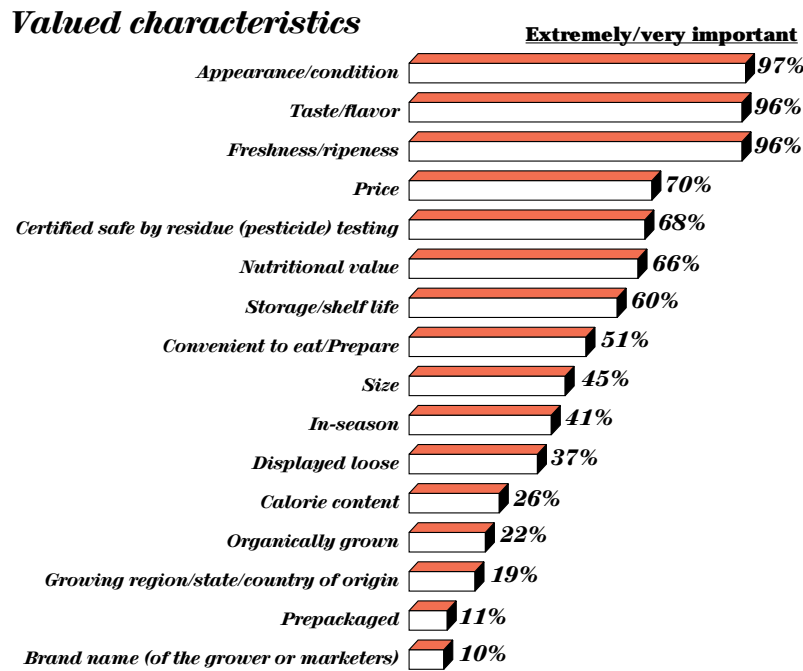


Figure 1. (cont.)



Source: The Packer's 1992 Fresh Trends Consumer Profile Study.

the lowest with only 10% of the survey participants indicating this as an extremely or very important characteristic. How consumers relate buying in one produce outlet to buying in another may not be the same as brand name acceptance though. The decision of which store to shop in is generally different than what produce items to buy. Thus, the reputation and customer satisfaction attained at your business probably has more of a residual effect than that demonstrated for brand name.

If you want to be known as having the "freshest produce," try to find varieties that mature at slightly different times. For example, you don't want to have all your blackberries come ripe in one week (see article entitled, "Geyers' Specialty is Marketing Small Fruits"). The 1993 Produce Services Source book gives a post harvest life for blackberries at 2-3 days. Know what the post harvest life of your produce is along with proper storing temperatures and relative humidity. Produce products with a short post harvest life (e.g., sweet corn, 4-6 days; strawber-

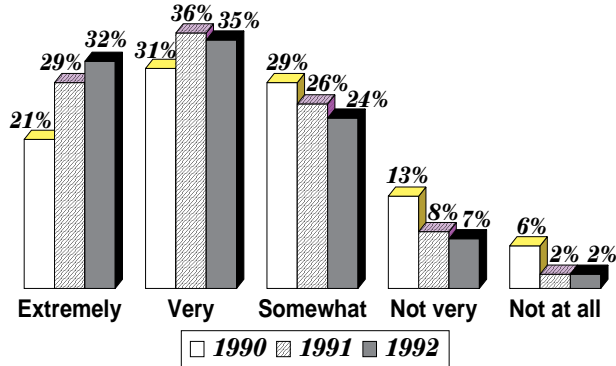
ries, 5-10 days; and raspberries 2-3 days) can be a great opportunity for local growers in meeting freshness requirements demanded by consumers. It may be tempting to put two week old sweet corn on display since it looks good, but a bad experience can do more harm to future sales than the current sale. Recognize that spoilage and waste will be greater for highly perishable products and don't advertise or display as "freshest produce" if you know it isn't.

Food Safety

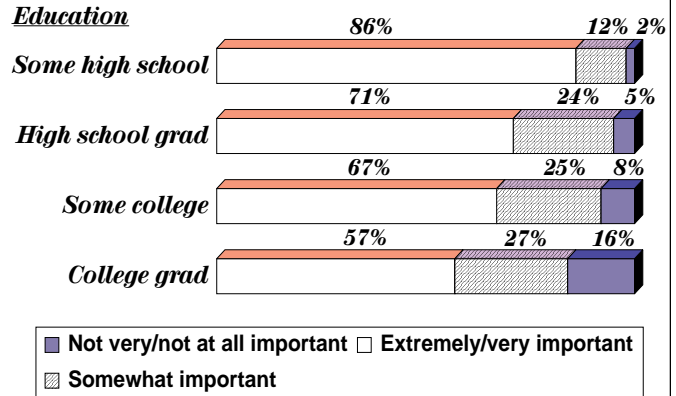
How important of a concern is food safety? The Packer's 1992 survey addressed this issue. Years of 1990 through 1992 were compared and these results are shown in Figure 2. In 1990, 21% indicated that "certified safe" residue testing was extremely important and this percentage increased to 32% by 1992. In looking at education demographics, the concern for residue testing decreased with higher education levels. An extremely important rating was given by 86% of high school

Figure 2. Food Safety.

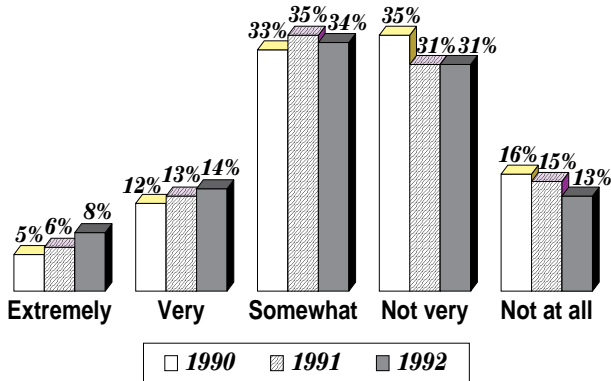
How important is certified safe by residue testing when selecting a specific produce item?



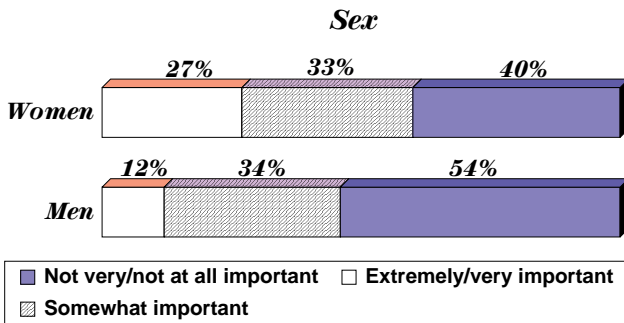
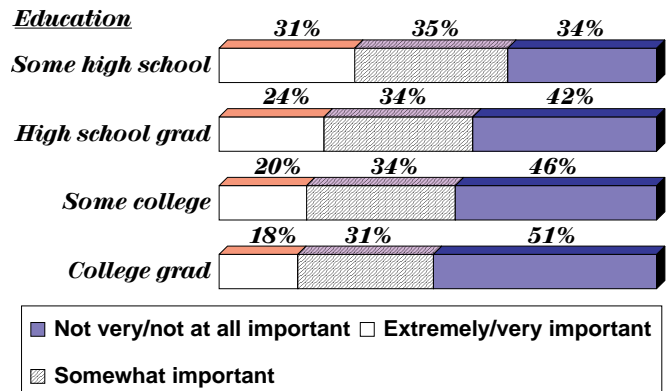
Demographic breakdown - importance of certified safe, 1992.



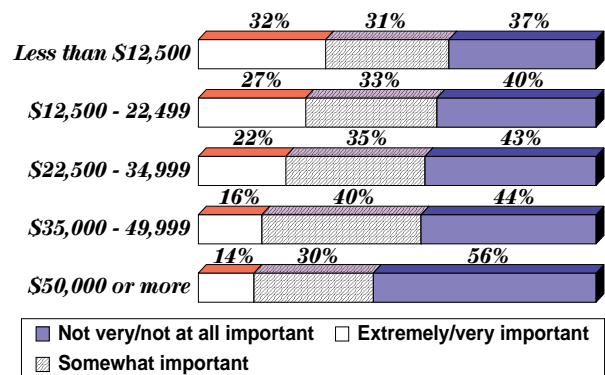
How important is organically grown when selecting a specific produce item?



Demographic breakdown - importance of organically grown, 1992.



Income

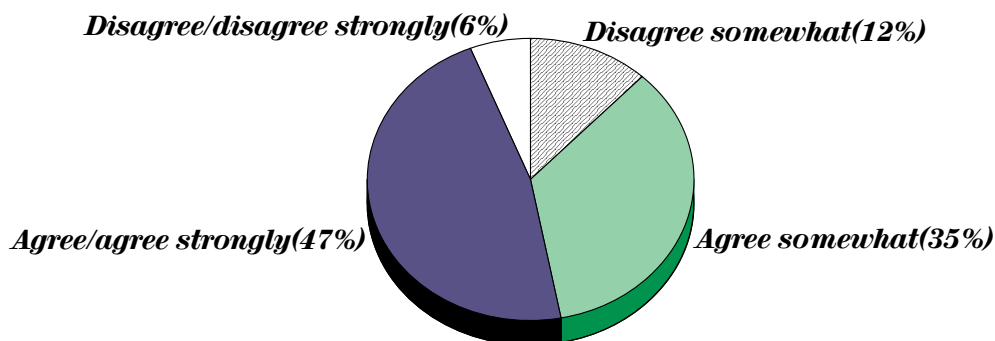


Source: The Packer's 1992 Fresh Trends Consumer Profile Study.

Figure 2. (cont.)

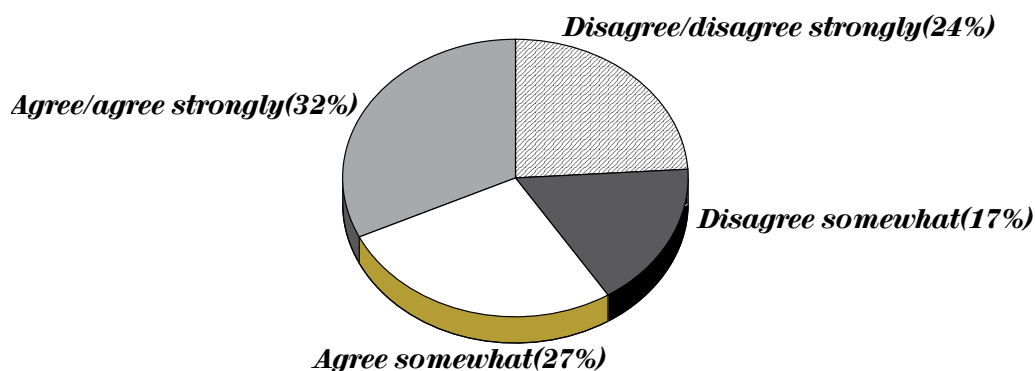
Reducing Chemical Use

"Based on what I've seen, read or heard, growers of fresh produce can greatly reduce their use of chemicals in production without diminishing quality."



Health vs. Pesticide Risk

"The potential health benefits of eating fresh fruits and vegetables outweigh the potential risks from possible pesticide residues."



Source: The Packer's 1992 Fresh Trends Consumer Profile Study.

graduates versus 57% of college graduates. Of the high school graduates, only 2% said that residue testing was not very important compared to 16% of college graduates.

Most consumers don't feel that organically grown is that important for food safety, although most consumers are concerned about pesticide residues. The future and growth of organic foods is still uncertain. Organically grown foods account for about \$1 billion of the \$3 billion natural foods market. Organics are less than .2% of the \$600 billion spent annually on food. The Food Marketing Institute's annual consumer survey found

that 1% of US consumers said they ate more organics in 1992 than the previous year. This is down from the 2% of consumers who said they ate more organic foods than the previous year in 1989, 1990, and 1991 (McKinney). The importance of organically grown does vary by education, sex, and income. Consistent with residue testing, organics are believed to be less important for more educated individuals. Are most of your purchase customers men or women? Women rate organics more important than men. More than twice as many women rate organics as extremely/very important than men (27% versus 12%).

Although most consumers don't feel that growing organically is extremely/very important most consumers feel that "growers of fresh produce can greatly reduce their use of chemicals in production without diminishing quality." Over 80% of all consumers agree somewhat or strongly with this statement. Thus, it is important to be sensitive to the consumer and in your use of chemicals. If you use pesticides in your operation, some education on how much and when you spray might be good public relations and ease some of the concerns of your customers. Be able to describe how long and how the chemicals that you have applied break down.

The 1994 Fresh Trends survey asked individuals if they recalled hearing about the "National Academy of Sciences report on the effect of pesticide residues on produce on children and infants." Sixty-five percent of the respondents said they had heard of the report. Of these respondents 52% said they have altered their behavior. Washing produce more thoroughly before eating was the biggest change in behavior. Having a place where consumers can wash their produce to their level of satisfaction could be a low cost attraction for increasing sales. If consumers experience how sweet and fresh tasting that newly purchased apple or peach is before they leave your produce outlet, they may buy more.

Rural Appeal

The importance of having a rural experience or farm attraction appears to be very important and growing in importance all over the country. Gary Tehrune, who offers classes, farm tours, U-pick, or already picked apples and peaches from his New Jersey orchard says, "The main attraction for people coming here is the farm itself. People come here rather than to the supermarket because they enjoy the farm experience." Eric Gibson in *Sell What You Sow* describes other entrepreneurs like Al Bussell who operates a California U-pick. Al says, "rural recre-

ation offers more income potential than food farming because consumers can never get too much of it! We're in the entertainment business now." The Agricultural Tourism in Cochise County survey also revealed that what local and non-local respondents liked most about their visit to farm outlets was a rural or farm experience. This ranked ahead of "freshness" and "quality" of produce. Thus, developing a rural attraction out of the "farm encounter" consumers have at your business may be the most important product position decision you make.

Some activities like nature or farm trails, antique displays, and petting zoos can be more "self-guided" so that you can develop these activities in the off-season when labor is available. Other activities like hay rides, and guided education tours require more labor during the busy season. An advantage to having "guided tours" though is that they can be an effective public relations and promotional tool for your products. The section of "Opportunities for Adding Additional Value to Your Products" offers several ideas for making a "farm experience." Some produce outlets might specialize in "children" activities while other specialize in "adult education." The type of activities selected or not selected determine your product position in the marketplace and the goal of marketing as the "best produce" in the State may not be enough.

Location

A critical but sometimes overlooked aspect of any marketing mix is location. Place is one of the 4P's often referred to in a marketing mix. It is placed on the same level as the other 3P's of product, price, and promotion in the marketing mix. Place involves all the people and activities that move the product from the producer to the consumer. Location to the direct marketer is definitely more crucial than for the wholesale grower since as a direct marketer you have to meet all the marketing functions that are generally carried out through a series of middle-

men that move your product to the consumer.

As a direct marketer, recognize that your potential market is probably more limited. Some direct marketers have overnight express mail delivery so that they are able to ship all over North America, but these opportunities are the exception rather than the rule. Studies that have been done in the mid-West (Courter and Stutzman) suggest that 75% of all customers live within a 20 mile radius. However, almost 80% of the visitors to farm outlets in Southeastern Arizona in 1993 had traveled over 80 miles. Thus, there is no clear cut rule for how far one should use when estimating a market. Rather determine what your competition is and size up your consumer. If individuals have no close alternative, they will undoubtedly travel a much greater distance. Also, if your consumers want the rural experience more than fresh produce, they are more likely to travel for the "get-away" feeling. A woman called Nita Gizdish in Watsonville, California looking for pumpkins. Nita suggested a place near the lady's location and she said, "Oh no, I want to go out to a farm." So Nita suggested another place that was a 15 mile drive and that was fine. Other tourist attractions in your area may be a locational asset for you in attracting customers. Travelers on the freeway may be enticed to stop for a break at a produce outlet that has convenient freeway access and rest room facilities, but this market is generally limited. Most travelers are out to reach their destination in a hurry and have little time to explore or cooler space for storing produce on the road.

When sizing up your local competition, assess your location to others. Before picking a site ask, "Will everyone exit off the freeway and drive by 10 other farm outlets before they reach my outlet? If this is the case, a better traffic location should be explored. If you are already committed to a site that is out-of-the-way, you will have to promote with good road signs and adds with detailed maps that pinpoint your location. The most com-

mon suggestion for improving farm outlets from the Agricultural Tourism study for Cochise County was related to improving road signs. Identify shining aspects of your location compared to competing outlets, like more beauty, solitude, spring water, or charm. Then you might use a combination of words like say, "Charming Farms Fresh Produce" for promoting your produce. Identify your location and product as having desirable aspects that set you apart from other competitors. Names are commonly used to identify a produce outlet and they can imply more personalized service, but they are generally more difficult for individuals to recall if a friend told them about your outlet in conversation than a more familiar descriptive name. An easily recognized name will also do more harm for your business if customers feel that your products don't fit your name. If your outlet is named "Charming Farms Fresh Produce" you should at least have clean rest room facilities, a shaded area with picnic tables and chairs, and a few flowers around.

Evaluate county and on-farm road conditions before picking a site. Better roads was right next to better road signs in the most frequent suggestions offered for improving farm outlets in Cochise County. Although group efforts are generally required for improving county roads, on-farm road improvements may also be a wise investment. Reducing the dust from nearby gravel roads through sprinkling water on heavy traffic days, applying appropriate oil treatments, or planting trees can also make a better experience for customers. If you have good paved roads up to your farm and to your parking lot, a name like "paved road farms" would convey to consumers the message that your outlet is readily accessible. This could be a draw for many elderly and disabled individuals.

Determine if any zoning regulations might prohibit you from locating where you want to. Also check into easement rights that might apply for a nearby freeway, telephone line, or power line. It would be a

shame to have to move or tear down a produce stand, or outlet store due to an old easement right.

The product consumers are looking for goes beyond the price and quality components of a bag of apples that sell for say \$.20/lb. Consumers are evaluating services offered, location, and their overall experience associated with their rural outing. Because consumers have different preferences, it is virtually impossible to develop a product position that has appeal for everyone. Develop a product position that is consistent with your goals and resources available that will identify a market niche for your business. Mike Horton in Phoenix Arizona developed a market niche of delivering fresh lettuce to resorts. His operation started with three acres of leased land in the city of Phoenix that is minutes away from several resorts. Mike developed a thriving business by identifying a target market and matching the necessary resources to give his business a good market niche. He tried several products other than just lettuce at first, but now concentrates on delivering fresh leaf lettuce that is packaged and ready to serve. Note that he first identified his market and then determined his product position before he grew any pro-

duce. Identifying a target market, securing the resources needed to exploit the market, and continually adapting to an evolving market are the steps necessary to develop and maintain a successful product position.

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FROM:

Direct Farm Marketing and Tourism Handbook.

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GEYERS' SPECIALTY IS MARKETING SMALL FRUITS

Thornless blackberries have become a profitable item for the Geyers of Virginia

When it comes to successfully marketing fresh berries and fruit, Anne and Charles Geyer say there is no substitute for hard work, careful planning and research. The Geyers rely on these three elements to keep Westmoreland Berry Farm and Orchard operating profitably.

The Geyers have managed Westmoreland Berry Farm since 1983. That's when Alan Voorhees hired them to establish a berry operation and orchard on his 1,600-acre farm near Oak Grove, Virginia. The farm's 200 tillable acres were previously planted in corn and small grain. Voorhees decided to change the makeup of the farm after he noticed that berries were a popular and profitable crop at farmers' markets.

The Geyers had the production expertise to establish a productive berry farm and orchard, but they had no marketing experience. They overcame this obstacle with careful planning. Before they planted the first 20 acres of strawberries, raspberries or blackberries, they contacted wholesale buyers in the Washington, D.C. and Richmond areas, and they visited local farmers' markets to learn which crops had the greatest economic return.

Photos: Tim McCabe, USDA



Charles and Anne Geyer manage Westmoreland Berry Farm and Orchard, Oak Grove, Virginia. One of their most profitable berries is a thornless blackberry developed by USDA researchers at Beltsville, Maryland.

By the end of 1986, the Geyers had gradually expanded Westmoreland's berry and fruit line to include strawberries, blackberries, red and black raspberries, tayberries, blueberries, pumpkins, peaches, apricots, tart cherries, plums, table and wine grapes, and apples.

Westmoreland's success hinges on a five point marketing plan that includes wholesale, U-pick, municipal farmers' markets,

an on-farm retail market, and a mail order business.

Although direct marketing was a cornerstone of their marketing plan, the Geyers' first step was to contact wholesale buyers. Anne says buyers gave them helpful hints on packaging, pricing and quality standards.



Charles and Anne Geyer sell preserves at their on-farm market and through their mail order business, which was started in 1986.

“When we first organized the farm, we planted a wide variety of each berry to cover the early and late seasons,” Anne says. “We believe that diversifying our crops and extending the season from May to September is one of the reasons we got off to a good start. One year after we planted our first berries, we had some cash flow that allowed us to expand into other fruits.”

In 1984, Anne and Charles planted six acres each of peaches and grapes, and they expanded the berry crops with new varieties that increased production early and late in the season. They also planted apple trees in 1985 that will bear fruit in 1988.

Currently, about 30% of the 350,000 pounds of berries and fruit produced at Westmoreland Farms is sold to wholesale buyers. Anne says another 30% is sold at their U-pick operation and on-farm

market, and 35% is marketed at municipal farmers' markets. The remaining 5% is marketed as preserves through Westmoreland's mail order business.

Direct Marketing

Westmoreland's mail order business is the most recent addition to their marketing plan. This aspect of the business was started in 1986.

“We started making jams in 1985, and they were well received at the farmers' markets in Washington, D.C. and Richmond, Virginia and at our on-farm market,” Anne says. “Once we were satisfied with the quality of the blackberry, raspberry and tayberry preserves, we ordered pint and quart harvest baskets with an early American stain. We include an attractive card with our logo, which makes an excellent gift.”

The Geyers designed a one-page mail order form that customers can pick up at the farm. The mailer is also sent to people who have visited the farm and left their addresses or who have left names of relatives or friends as referrals. They did not consider buying a mailing list. They developed their own list exclusively from contacts made at the farm and their farmers' market outlets.

The mailer advertises six different varieties of preserves packaged in several containers. Prices range from \$2.50 for a six-ounce jar up to \$14.25 for a wooden harvest basket that contains three 11-ounce jars.

“We could expand the mail order business if we allocate more fruit and berries to preserves, and if we advertised,” Anne says. “But we are not pressing the mail order business because we want to concentrate on the farm market first. We are expanding the on-farm market and building a new jam kitchen in the hope of doing more business with products such as shortcakes, ice cream sundaes and other fresh berry or peach toppings.”

The Westmoreland Berry Farm is located in a historical region in Virginia near the Rappahannock River. George Washington's birthplace and Robert E. Lee's home are within twenty miles of the farm. This region attracts people from several metropolitan regions. Many visitors who stop for the U-pick berries also buy other Virginia farm products at Westmorelands' on-farm market.

In addition to selling their own berries, fruits and preserves at the farm market, the Geyers sell melons, a wide variety of vegetables and peanuts that are produced locally. They also sell Virginia honey and cider products.

Research Pays Off

Anne says marketing research helped them start the business and point them in the right direction. They also pay close attention to new berry and fruit research taking place at USDA and land grant colleges. New varieties are helping them extend their marketing season and expand their preserve line.

Anne says that improved varieties of blackberries and strawberries developed by USDA's agricultural research service (ARS) plant geneticist Dr. Gene Galletta are good examples of how they have improved the operation with new plant material. The Geyers got acquainted with Galletta and his research several years ago when they were working for the University of Maryland on a cooperative project with ARS in Beltsville, Maryland.

They now have four acres of blackberries that were developed by Galletta and 15 acres of strawberries that include three ARS varieties.

"Dr. Galletta's Chester and Hull thornless blackberry varieties are two of the highest profit items on the farm," Anne says. "The varieties are very similar in shape and taste so customers can't tell the difference. But the Hull variety matures much later in the season, and we needed this kind of variety to extend our marketing season.

"The outcome is that we have a greater selection of berries during the season, and the new varieties are more productive. That adds up to greater profits. We harvested between five and seven tons per acre of these varieties in 1987."

Editor's note: For more information, you can contact Anne and Charles Geyer, Westmoreland Berry Farm and Orchard, Rt. 637 Box 1121, Oak Grove, VA 22413 or call (804) 224-9171. You can contact Gene Galletta at USDA-ARS, Fruit Laboratory, Bldg. 004, Room 111, Beltsville Agricultural Research Center, Beltsville, MD 20705.



The thornless blackberries used in their preserves were developed by Dr. Gene Galletta at USDA's Beltsville, Maryland research facility.

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QUALITY KEEPS CUSTOMERS COMING BACK TO THIS FARM

by Eric L. Gibson

"The housewife is a busy lady, and we like to have our products ready-to-use."

—Nita Gizdich
Owner Gizdich Ranch

As the visitor turns off Peckham Road, about five miles outside of Watsonville, California and into the parking lot of the Gizdich Ranch, he or she is apt to exclaim: "Oh, I didn't know it was like this!" Nita Gizdich attributes the common reaction to what she calls the "covered wagon" effect: all the buildings—apple-juicing barn, produce sales room, pie-shop, antique store and gift shop—are barn red, and they circle around the parking lot area like covered wagons.

Situated in the "core" of Watsonville's apple country, the 85-acre Gizdich Ranch is about as American as apple pies, apple juice, apples and pick-yourself berries. While none of these activities is unique to the Gizdiches, this third-generation farming clan has polished their operation to near-perfection. "On a farm, you learn to support yourself and work hard," says Nita. "Everyone has chores, even young children." Nita speaks from experience, as she was born and raised on a Watsonville farm. Nita's hus-

band, Vincent Gizdich, Jr., is the official Apple Pie Taster, and along with their two grown sons, Vince and Mitch, grows the crops, maintains the shipshape buildings and grounds, and designs and builds much of the farm machinery.

Sell Farm Direct

The Gizdiches sell directly from their farm as much as possible. Inside the barns, jams, berries, apple juice and apples wait to be consumed by eager customers, or taken home. Customers can pick the berries themselves from May through June, or the apples from September through October. Wedges of warm apple, raspberry, strawberry or olallieberry pie a la mode are a fitting end to a visit, and you can ask them to package up whole pies as a take-home treat.

"Each of our activities could stand on its own," claims Nita, and as we walk into the sales room from the gift shop, she points to the collection—39 in all—of antique apple peelers that hang from the ceiling.



The current new model is one of the bestselling items in the store. "Nobody likes to peel a whole box of apples for pies," explains Nita—yet it does basically the same operations as did the 1889 model: peel, slice and core.

As we walk into the antique shop, Nita comments: "This is what I do in my spare time. I enjoy collecting, and just came from a Goodwill store. A lot of people today are into collecting," she continues. "Items that you sell don't necessarily have

to be old, just collectible." Some of the items in the antique shop, such as cast-iron stoves, pots and pans or dishes, may be only a generation-old, causing such visitor-reactions as: "Oh! I just threw something like that away, now see how much she's getting for it!"

When the roadside market closes down, the Gizdiches use up the apples in making cider. They run a weekly route for their cider, which includes 120 outlets from deli's to bakeries, restaurants and groceries, in an 80 mile radius. Referring to the prominent signs on their delivery truck, Nita says: "People ask us; 'Do you have a fleet of trucks? I saw your truck yesterday in Gilroy, and the day before in Santa Cruz!' They don't realize (our one truck) gets around."

Experience has made Nita Gizdich an ardent advocate of direct-marketing. "I was raised to think you had to sell through a broker," she says. "Every day, my dad would call our broker, and he'd say I sold your corn for \$1.00 a box, your melons for \$2.00, and your tomatoes for \$1.50 a box. Some of those prices were so low, he might as well have junked the produce!"

Personal Public Relations

Over the years, Nita has led many tours of the ranch to garden enthusiasts, church groups, senior citizens, and school children. She notes that many shoppers pluck produce from plastic grocery bins without knowing how it was grown or delivered to market. As many as five classes of school children may come by in a day, each paying 50 cents for the tour, an apple and a glass of juice. This is not a lot of cash income for the farm, but each of the children goes home with a flyer and warm memories, and many return with their moms and families.

The Gizdiches have enjoyed moderate returns from small display and classified ads placed in local newspapers, all within



Nita Gizdich of Watsonville, Calif., says hard work is the backbone to a successful operation. Here, Nita examines the pumpkin display at the Gizdich Ranch.

the 40-60 mile radius from which most of the customers come. Nita feels small display ads placed in the food section are her most cost-effective advertising. The only people who see the classified ads, she explains, are the ones looking for a specific product. But wouldn't that attract the canners and freezers, the customers who might want produce in a larger volume? "Not so many people are canning nowadays," explains Nita. "The housewife is a busy lady, and we like to have our products ready-to-use."

The fun promotion, however, is the twice-annual Apple Butter Festival, when three Mennonite families come out to the ranch to cook up an enormous batch of apple butter in a thirty-gallon copper kettle. The Mennonites work all day, and take some

of the jars back home with them. But mostly they put on demonstrations, to show people Mennonite customs. The Mennonites make the event special including visitors in the apple peeling, butter stirring and general bantering. "People just love them," says Nita.

The weekend event usually draws more than a thousand people, who are treated also to country crafts, the balloon man, who gives the kids balloons that, when blown up, look like various kinds of animals, or the collection of early-day gas engines, hooked up to run various implements, such as an old washing machine, or a machine to grind corn, saw wood, mill flour, sharpen pencils or pump water. "People are fascinated by the old farm operations," says Nita.

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TASTE PREFERENCES OUTWEIGH APPEAR- ANCES OF APPLES

When it comes to apples, West Virginians will respond to taste over beauty. And, in recent supermarket tests, the apples many picked as best-tasting were those grown right here in the Mountain State.

Those are some findings from marketing studies conducted earlier this year by West Virginia University and the state Department of Agriculture. The studies were designed to test ways to increase sales of russeted Golden Delicious apples grown in West Virginia.

“We investigated two promotional strategies: one associating russet with superior flavor and one appealing to state pride,” says Tara Baugher, WVU horticulture extension specialist and a member of the seven-person research team.

Why care about Golden Delicious? It’s a popular variety, both for eating fresh and for processing into apple products such as pies and juice. More than 1.5 billion pounds of Golden Delicious apples are grown in the United States annually, including 47.3 million pounds in West Virginia.

Ironically, however, Golden Delicious apples grown in West Virginia do not sell as well as those grown in Western states. The reason, it appears, is appearance. West Virginia’s humid climate causes the apple’s skin to freckle, or russet, and consumers seem to prefer smooth skins over speckles.

The WVU study team wanted to see if a sales display could change that preference. The researchers also wanted to see how the West Virginia apples fared in taste tests when the origin of the apples was not revealed.

For the promotions experiment, russeted Golden Delicious apples grown in West Virginia were displayed next to smooth Golden Delicious apples obtained from the Pacific Northwest. The price was the same for both kinds.

Four types of treatment were tested in four randomly assigned days. In one treatment, both types of apples bore the same generic label. In another treatment, the West Virginia apples were identified as such with a sign and stickers. The third treatment used a display urging shoppers to “Taste a Real Apple,” emphasizing flavor over color perfection for the russeted apples. The fourth treatment combined the two promotional strategies of taste and state pride.

“Whenever the ‘Real Apple’ poster was displayed, the russeted apples out-sold the smooth ones,” Baugher says. “With-

Photos: West Virginia University



West Virginia horticultural extension specialists and the state’s department of agriculture studied how a sales display and taste tests could change the preferences of buyers when purchasing apples.

out the poster, the russeted apples sale averaged 47 percent of the total; with the poster, that average increased to 62 percent.”

The study found insufficient evidence to indicate that the appeal to state pride boosted sales. Taste appeared to be the critical factor.

The taste test pitted the West Virginia-grown Golden Delicious against the same variety of apple grown in the state of Washington. The judges—150 customers at a Morgantown supermarket—tasted unlabeled slices of both apples and ranked them for texture, sweetness, juiciness and taste.

“The consumers ranked the West Virginia apples higher than the Washington apples on all four characteristics,” Cheves reports. “On a scale of one to five, the average overall rating of the West Vir-

ginia apples was 4.1, compared to 3.5 for the Washington apples.”

The lowest, average rankings were given to the sweetness and taste of the Washington apples, while the highest ranking was given to the taste of the West Virginia apples.

The taste test results suggested another promotion possibility: letting customers try before they buy.

“It appears that customers might respond positively to samples of high-quality West Virginia apples,” Cheves observes. “Results of the display experiments also suggest that consumers respond favorably to the idea that an apple with an imperfect appearance may taste better than one that is more appealing cosmetically.”

Morgantown, W. Va.—

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SELLING ORGANIC PRODUCE POSES NEW CHALLENGES

by Jennifer Morgan and Bruce Barbour

Produce retailers and wholesalers, both experienced and inexperienced in selling organic produce, reported in a recent survey that consumer concern about health and environmental risks associated with conventional agriculture practices has spawned a market niche for organic produce in their New Jersey establishments. Although the organic produce market currently represents only a small percentage of the overall produce market, it has exceptional growth potential. Further, this recognition could lead to the establishment of separate organic produce sections in major supermarkets.

Survey results indicate that the total value of organic produce sold in New Jersey during 1988 was \$1 to 3 million, representing 0.6% of the estimated \$500.7 million wholesale produce marketed (i.e., sold to retailers) in the state. Follow-up interviews with organic produce retailers and wholesalers indicated that more than 90% of the organic produce sold wholesale in New Jersey was imported, primarily from California and other western states. Thus, the total dollar value of locally grown

organic produce sold wholesale makes up no more than 10% of the \$1 to 3 million, or \$100,000 to 300,000 of produce sold wholesale in the state.

Couple that with the fact that more than 96% of the experienced organic produce sellers surveyed indicated that they plan to continue selling organic produce, and almost half of the inexperienced sellers indicated that they were "somewhat" or "very interested" in doing so, the growth potential for this market is remarkable. Additionally, numbers show that, should inexperienced sellers enter the market, the numbers of organizations selling organic produce in New Jersey would double.

Reasons to Sell Organic Produce

Among survey respondents selling or interested in selling organic produce, health and environmental concerns were perceived to be significant reasons to do so,



whether retailers themselves are concerned and/or perceive their customers to be concerned. Among experienced respondents, "lower health risks" topped the list of all reasons for selling organic produce. More than 75% cited this reason as one of the three most important. The second leading reason was "better for the environment."

Health and environmental concerns were superceded only in the inexperienced group, and only by the "customers want organic produce" selection. This group also reported "expanded produce selection" and "provides a competitive marketing tool" high on the list of reasons for selling organic produce.

Although both groups reported that their customers will pay a premium for organic produce (a higher than 25% price premium average was reported by both groups; higher at natural food stores than supermarkets), it is generally not perceived to be more profitable than conventionally grown produce.

It's true that sales of organic produce will generally lead to higher net sales (revenue minus cost of goods sold), assuming that the sale of organic produce can maintain the same volume sold per square foot as does conventionally grown produce. That is because organic produce is sold at a higher price. However, increased management costs and waste associated with handling organic produce may erode the higher income otherwise generally attributable to its sale.

Obstacles to Market Expansion

Several obstacles inhibit expansion of the organic produce markets. The most significant obstacles concern supply, price and distribution. Respondents from both the experienced and inexperienced groups agree that the two most significant obstacles to further expansion of the organic produce market are the relatively

high price and lack of supply of such produce.

Unlike the market for conventionally grown produce, the organic-grown produce market is characterized by undersupply, particularly of locally-grown organic produce. New Jersey retailers and wholesalers specifically demand locally-grown organic produce, reinforcing the proposition that there exists a market opportunity for local growers in the organic produce market.

Both experienced sellers, at 67.9%, and inexperienced sellers, at 46.2%, cited "not enough organic produce is grown locally," as an obstacle to expansion. Because the distance from farm to market is shorter, locally-grown organic produce will generally have longer shelf life, appear fresher and have greater nutritional value. New Jersey growers can displace organic produce currently imported into the state and, New Jersey growers can help fill the currently unmet demand. In short, the current lack of supply appears to provide a very favorable market condition for those New Jersey growers who can bring a product to market. Sellers also noted that an organic certification program would certainly help them market organic produce. They cited "lacks legitimacy" as one of three most important problems associated with selling organic produce. It is such a problem in fact that New Jersey organic produce marketers would pay a fee ranging from \$10 to \$2500 (\$145 average) in order to sell organic produce certified as such by the state of New Jersey.

Conclusion

Generally speaking, organic produce offers the same gross profit margin as conventionally grown produce. However, while organic produce may yield the same profit margins (or lower due to increased management costs), it nevertheless may yield higher net income as long as sales volume per square foot of retail space remains on a par with conventionally grown produce. Organic produce represents a more expensive product line.

Growers also need to examine the cost of production for organic produce on a per crop basis. For some crops, the cost of off-farm organic inputs combined with the additional labor requirements may well exceed the approximately 30% premium at which such organic produce can be sold. Analyzing the costs as well as the methods of organic production poses one of the most challenging and significant areas for future research.

Nevertheless, supply and price constraints on retailers and wholesalers pose several marketing opportunities for growers of organic produce. From the growers perspective, the current limited supply of organic produce should be directed toward those market outlets yielding the highest price premiums, that is, natural food stores and selected supermarkets willing to pay high premiums, not “mass market” supermarkets. However, selling

through small-volume, high-end markets again underscores the need for improved local distribution because growers will have difficulty selling small quantities to numerous locations.

As stated above, reasons other than net income—e.g., use as a competitive tool, to expand produce selection, to maintain customer confidence and loyalty—merit the marketing of organic produce. Whatever the impetus for growth, the organic produce market appears to be increasing, thus presenting opportunities for the growers who decide to enter it.

—Jennifer Morgan is Director of Sustainable Agriculture Project, Stony Brook-Millstone Watershed Association, Pennington, NJ and Bruce Barbour is the County Agricultural Agent, Rutgers Cooperative Extension of Sussex County, NJ.

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THE ORGANIC MARKET: RESULTS FROM A TUCSON STUDY

Julia Kidwell and Gary Thompson¹

Although the public has expressed environmental and health concerns regarding the use of pesticides on produce, few consumers have elected to buy organically grown produce rather than conventionally grown produce. The organic sector was expected to flourish in the 1990's, but currently less than three percent of American consumers purchase primarily organically grown produce.¹

Many consumers claim that they do not purchase organically grown produce because it is too expensive relative to conventional produce. Growth in the organic sector may also be slow because consumers refuse to buy produce of inferior cosmetic quality. Organic produce is often perceived as having poorer appearance than conventional produce. However, few studies have evaluated cosmetic quality differences between organic and conventional produce.

Because such a small percentage of consumers purchase primarily organic produce, analyzing the demographic and socio-economic characteristics (factors such as education, income, age, and gender) which explain or predict organic produce purchases may be helpful for

marketing purposes. Organic retailers could use this information to identify favorable markets for organic produce.

A study has been conducted in Tucson, Arizona, to provide a better understanding of the organic produce industry at the retail level. The three major objectives of this study include:

- 1) determining if differences in cosmetic defects between organic and conventional produce exist at the retail level,
- 2) measuring retail price differences between organic and conventional produce,
- 3) determining which demographic factors and socio-economic characteristics, if any, cause consumers to be more likely to purchase organic produce rather than conventional produce.

Data Collection

Data concerning the price, cosmetic quality, and consumption of organic and conventional produce items were collected at two retail outlets in Tucson, Arizona. Data were gathered on Monday and Tuesday afternoons during a twelve week period between February 7 and April 26, 1994. The two retail stores were chosen as sites for data collection and consumer surveying because they stocked both organic and conventional produce on a regular basis. One of the stores used for data collection was a regional chain specialty grocery store, and the other was a local cooperative.

The produce items that were examined include *red delicious* apples, broccoli, carrots, green leaf lettuce, and tomatoes. These items were selected because the two retail outlets supplied both organic and conventional items on a fairly consistent basis, and because these items ac-

¹ Cook, R. "Consumer Demand for Food Safety-Oriented Marketing Labels: Implications for Sustainable Agriculture." Paper presented at the International Agricultural Economics Association Meeting, Tokyo, Japan, August 1991.

Table 1. Average Number of Cosmetic Defects.

	<i>Apples</i>	<i>Broccoli</i>	<i>Carrots</i>	<i>Leaf Lettuce</i>	<i>Tomatoes</i>
Conventional					
<i>Average</i>	.500	.246	.673	.381	.439
<i>Observations</i>	230	216	110	186	230
Organic					
<i>Average</i>	.309	.175	.422	.483	.445
<i>Observations</i>	230	212	230	223	200

count for a large portion of the produce consumed in the United States.

Weekly price data of the five produce items, both organic and conventional, were collected to estimate the price premia² for the organic items. Data regarding the cosmetic quality of the produce were also collected. The Agricultural Marketing Services' (AMS) standards for grading produce were used as a benchmark for determining what was to be considered a "cosmetic defect." Because AMS inspectors grade produce at the wholesale level, a few adjustments regarding the data collection process at the retail level in this study were necessary. The AMS grades a certain percentage (approximately 1%) of the fruits or vegetables at the wholesale level. In grading produce at the retail level for the present study, the five commodities were graded by randomly selecting a sample of ten individual fruits or vegetables for inspection. Only visible quality defects were scored; the defects listed in the score sheets received equal weight when evaluating the quality of produce.

In addition to inspecting produce items during the weekly store visits, consumer surveys were also administered to collect data concerning shoppers' demo-

² The price premium is the additional amount of money (per pound) that a person must pay to purchase organic produce rather than conventional produce.

graphic and socio-economic characteristics. The interviewer approached shoppers in the produce section of the grocery once they had completed their shopping for fresh produce items. The consumers were asked if they would complete a brief, one page survey about the produce that they were purchasing that day. The survey asked the consumer if he had purchased any of the five fresh produce items of interest in this study, and, if yes, if the items were organic or conventional. Several questions concerning the respondents demographic and socio-economic characteristics were also asked. Information concerning the consumers' household, education, income, age, gender, and distance from the store to their home was elicited.

Cosmetic Quality Differences Between Organic and Conventional Produce

The first objective of this study is to determine if organic produce contains more defects than conventional produce at the retail level, as has frequently been suggested. The average number of defects, and the number of observations, for the five items is reported in Table 1. The observance of defects for this study indicates that for only two of the five items, lettuce and tomatoes, the average number of defects was higher for organic produce than conventional produce. Organic apples, broccoli, and carrots actually had fewer defects, on average, than their conventional counterparts. The differences in the average number of defects between the organic and conventional varieties of each commodity are illustrated in Figure 1. Each commodity has unique, specific applicable defects and each defect recorded receives equal weight. Therefore, the average total defects can only be compared for organic and conventional varieties of the same commodity; the defects cannot be compared across all the items.

Tests were conducted to determine if the average number of defects was significantly different for organic and conventional produce. For the three commodities in which the average number of defects was greater for the conventional items than the organic items - apples, broccoli, and carrots - there was a statistically significant difference in the number of average number of defects. In the case of tomatoes, the difference in quality between organic and conventional tomatoes was statistically insignificant. The only commodity that displayed a statistically significant higher number of defects for the organic item compared to its conventional counterpart was leaf lettuce.

In this study, organic produce did not necessarily possess more defects than conventional produce at the retail level. In fact, organic produce often has fewer cosmetic defects than conventional produce. Whether or not major differences in the quality between the two varieties exist at the wholesale level is beyond the scope of this study. Also, it is not certain whether or not more intensive culling practices are used in supermarkets for the organic bins than the conventional ones. However, this study does conclude that consumers do not have to sacrifice cosmetic quality for the absence of pesticide use. Quality differences may exist between organic and conventional produce from week to week, of course, but these differences may favor the organic produce as well as the conventional produce.

Price Differences Between Organic and Conventional Produce

Price data were collected for both the organic and conventional varieties of the five produce items each week. The average prices, and the maximum and minimum prices, for both varieties are located in Table 2.

Figure 1. Average Number of Defects.

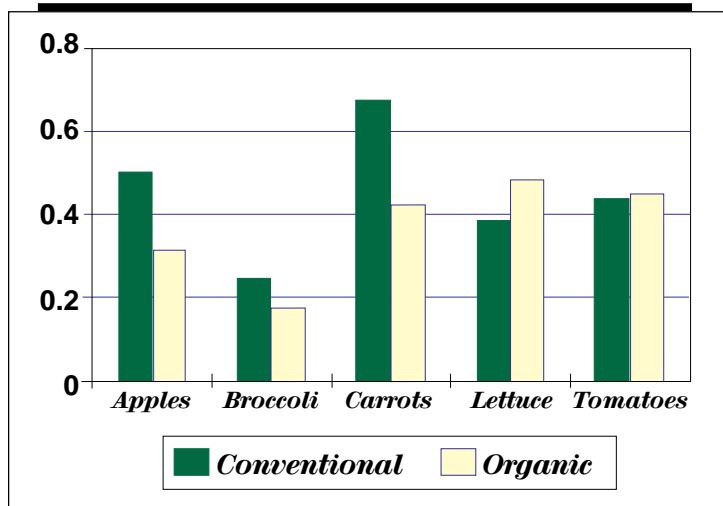


Table 2. Produce Price Comparisons.

(dollars per pound)

	Conventional	Organic	Aggregate
Apples			
<i>Average price</i>	1.04	1.49	1.26
<i>Minimum price</i>	.79	.99	.79
<i>Maximum price</i>	1.39	1.99	1.99
Broccoli			
<i>Average price</i>	.90	1.65	1.27
<i>Minimum price</i>	.79	.99	.79
<i>Maximum price</i>	.99	2.09	2.09
Carrots			
<i>Average price</i>	.45	1.21	.84
<i>Minimum price</i>	.39	.79	.39
<i>Maximum price</i>	.50	1.49	1.49
Leaf Lettuce			
<i>Average price</i>	1.00	1.89	1.45
<i>Minimum price</i>	.52	1.45	.52
<i>Maximum price</i>	1.58	3.18	3.18
Tomatoes			
<i>Average price</i>	1.39	2.01	1.69
<i>Minimum price</i>	.69	1.49	.69
<i>Maximum price</i>	2.49	2.99	2.99

The organic price premia were estimated for each item using price analysis. This price analysis was also used to explain how produce prices may vary in relation to certain quality characteristics. The regression results indicated that the method of production (organic or conventional) and the choice of store significantly affected the prices of the items. Prices were consistently higher if the items were organically grown, and if the items were sold at the specialty grocery store rather than the cooperative. The average number of defects and the timing of the weekly data collections had a negligible influence on the prices.

The estimated organic price premia were relatively high for all of the items, ranging from \$.44 per pound for apples to \$.90 per pound for leaf lettuce. The premia estimates are located in Table 3. The price premia are also expressed as a percentage of the average conventional price for each commodity in Table 3. The premia ranged from 37% for tomatoes to 171% for carrots.

The large organic premia suggest that the real trade-off for buying organic produce rather than conventional is the relative price increase. The findings of this study indicate that a consumer does not have to sacrifice quality, but he or she will have to spend more money to purchase the organic variety.

Identifying Common Characteristics of Organic Produce Consumers

Determining if certain socio-economic or demographic characteristics cause consumers to be more likely to purchase organic produce would be helpful for the marketing of organic produce. Because organic produce represents only 1% of the produce marketed in the United States, detecting a target market could be beneficial for organic produce producers and retailers.

The potential influence that a consumer's personal characteristics have upon his or her choice of organic versus conventional produce was examined using the survey information describing the respondent's produce purchases and his or her socio-economic and demographic characteristics. In addition to the consumer questionnaire data, information concerning the prices and quality of the produce and the store in which the item was purchased were also examined as potential factors affecting consumers' purchase decisions. A model was estimated for each of the five produce items examining which of the above factors significantly influenced a person to buy organic produce. The results indicated that the only factor that consistently had a significant effect on a consumer's decision to purchase organic produce was the choice of store. The analysis indicated that people who shopped at the specialty grocery store were less likely to purchase organics than the shoppers at the cooperative.

A choice-based sampling technique was used for the collection of data — the two stores were specifically chosen as interview sites because they both offer conventional and organic produce. Choice-based sampling suggests that the choice

Table 3. Organic Price Premia.

	<i>Organic Price Premia (dollars per pound)</i>	<i>Average Conventional Price (dollars per pound)</i>	<i>Premia as a Percentage of Conventional Price</i>
<i>Apples</i>	.44	1.04	42%
<i>Broccoli</i>	.70	.90	78%
<i>Carrots</i>	.77	.45	171%
<i>Leaf Lettuce</i>	.90	1.00	90%
<i>Tomatoes</i>	.51	1.39	37%

of store could also be explained by a consumer's personal characteristics. Therefore, a two equation model was designed to examine the factors influencing both store choice and the purchase of organic or conventional produce.

This model examined if the choice of store could be explained by a consumer's level of education, income, age, or gender. The only factor that was significant in explaining choice of store was income. Consumers with higher incomes were more likely to shop at the specialty grocery store than the cooperative. It should be noted that affluent customers may choose to shop at the specialty store not only because organic produce is available, but because many other specialty items - which are often relatively expensive - are also offered.

Price and quality differences between the organic and conventional produce items, a consumer's age, gender, whether or not he or she has children, and his or her choice of store were examined as factors that could potentially explain a consumer's decision to buy organic produce. A separate equation had to be estimated for each of the five items; therefore, it is possible that a factor could be significant in explaining a person's purchase for some of the items, but not the others. This is the case for the variable reflecting whether or not the consumer has children younger than 18 years old living in the household. This variable was significant in the cases of carrots and lettuce, indicating that the survey respondent's with children were more likely to buy the organic variety of carrots and lettuce than were consumers without children. Because the variable was significant for the purchasing of organics for two of the five items, it is difficult to draw a definite conclusion regarding the impact that shopping for children has upon a person's decision to buy organics.

The regression results showed that the variable representing the price ratio of the two varieties (organic price/ conventional price) was significant in the cases of

tomatoes and broccoli, indicating that as the organic price of an item increased relative to its conventional counterpart, the consumer was less likely to purchase the organic variety. Tomatoes and broccoli had the highest average displayed prices of the five organic items observed, at \$2.01 and \$1.65 per pound, respectively.³ Consumers may be more price sensitive as the price for produce reaches a certain level. To illustrate, some consumers may not wish to pay over \$2.00 a pound for any produce item. Once the organic item surpasses that cost, consumers may favor the cheaper alternative of conventional produce. This may indicate that the future growth in the organic market may be greater for lower priced commodities.

While the price variable had a significant influence upon consumers' produce purchase decisions (for the higher priced items), the level of defects for the two varieties of produce had little effect on purchase choices. The variable reflecting the difference in the average number of defects (organic - conventional) was significant only in the case of broccoli. For all other items, this variable was insignificant in affecting the consumer's decision to purchase organics. The fact that the difference in defects was rarely significant in affecting the consumer's decision to purchase organics may stem from the fact that, in general, there was little difference in the average number of defects between the two commodities. These differences may have been fairly negligible to the consumer.

Overall, the choice of store was the most significant variable in explaining consumers' produce purchases. The results indicate that shoppers of the specialty grocery store were less likely to

³ Although the average per pound price of organic lettuce was 1.89, as indicated in Table 2, the *displayed prices* for lettuce were per head. The lettuce was weighed and converted to per pound prices for this study. The displayed prices for lettuce were much lower - usually \$1.19 or \$1.29 per head.

purchase organic produce than the shoppers at the cooperative. The store variable was significant for four of the five items - apples, broccoli, carrots, and lettuce. Therefore, the primary indicator of an organic produce shopper, at least in the case of Tucson, is the choice of store by the consumer.

The price analysis indicated that the specialty store had higher produce prices than the cooperative. Thus, produce shoppers — particularly organic shoppers, who must pay a premium — wanting lower produce prices may be more inclined to shop at the cooperative rather than the specialty store.

Although some of the demographic factors were significant in explaining produce purchase behavior, no well-defined target market for organic produce consumers was identified using consumers' demographic and socio-economic characteristics. Age and gender had no effect on a person's choice of store nor his or her choice of organic versus conventional produce. However, this study concludes store selectivity to be a highly relevant factor for identifying prospective organic produce consumers: produce shoppers were more likely to purchase

organic produce at the cooperative than at the specialty grocery store. This result is perhaps not surprising given that sales of organic produce have been relatively low in the larger, chain supermarkets in the 1990's. The environment of the cooperative resembles that of a health food store, where the organic market has experienced greater success in recent years.

The current study indicates that consumers' demographic and socio-economic characteristics have, overall, little effect on their decisions to purchase organic produce. A study focusing more on lifestyle characteristics could possibly identify a target market. When surveys were conducted at the two retail outlets, the interviewer observed that many of the respondents were interested in physical fitness, and many were vegetarians. Further research focusing on aspects such as these may reveal that there is a target market for organic consumers according to people's fitness habits and their diets in general. Such findings could advance the efficiency of the advertising and marketing of organic produce.

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PRICING

by Russell Tronstad¹

Do consumers not buy their preferred produce because its too expensive or is it other reasons like insufficient quality? Does a consumer not buy their favorite item of sweet corn because of poor quality or the price is too high? The Packer's 1994 Fresh Trends survey asked consumers this question. The percentage of respondents that didn't purchase their preferred fruits were for the following reasons: 59% too expensive; 8% disliked appearance; 7% underripe; 5% shelf life too short; and 3% inconsistent quality. Vegetables showed a similar pattern with: 51% too expensive; 14% disliked appearance; 8% inconsistent quality; 4% shelf life too short; and 1% underripe. Thus, price appears to be a main reason why mainstream consumers sometimes don't buy their preferred commodities. How should one price? Although there is no black and white answer, this section discusses issues related to pricing.

Sizing up the Competition

Sizing up the competition starts at assessing the supply and demand for the specific products you are selling. If you had a bed and breakfast with a view of the Grand Canyon, your product would be unique from other bed and breakfasts near the rim. Just like beach front property is different from property a few blocks away from the beach. Product uniqueness allows you to be more of a price

setter rather than just a price taker. How unique is your product compared to competing products? If you are selling seedless watermelons at the farmers' market next to four other vendors selling seedless watermelons, your price will need to be right at the going rate. Even if you try to get a price that is just 1% to 2% more, virtually all consumers will opt for the cheaper melons. But if you are selling a melon that is more exotic and unique, many consumers will pay a 50% to 100% premium over what regular watermelons are selling for.

Freshness is a unique characteristic for products that are very perishable like sweet corn, blackberries, raspberries, and strawberries. But products like carrots, potatoes, and apples that store well, need to be priced competitively with supermarket prices. If you're selling storable products you might possibly use exotic varieties, distinguish your growing methods, or provide rural recreation opportunities for developing product uniqueness. Defining a unique market niche is critical for having any ability to set price rather than being a pure price taker.

When Domino's pizza recently gave up the motto of "delivery within 30 minutes or your pizza is free," many franchise owners were disappointed. Franchise owners recognized the litigation scrutiny and pressure that prompted Dominos to give up the guarantee, but many also voiced that this guarantee was important because it set Dominos apart from the competition. The guarantee of delivery within 30 minutes or your pizza was free made Dominos pizza unique from other pizza delivery services. What makes your product(s) unique?

Pricing for Maximum Profit

Pricing for maximum profit requires that you can assess consumer demand and

variable costs of production for your product. Costs of production are commonly broken down into fixed and variable costs of production. Fixed or ownership costs are defined as those costs that don't change with an increase or decrease in output — they are fixed once these resources are committed to production. Land payments, property taxes, capital allocations, and your own management skills are generally referred to as fixed costs. Costs that vary with production like labor, fertilizer, gas, fuel, and water usually refer to variable costs of production. But once fertilizer has been applied, the cost becomes sunk or fixed in that you can't go out and retrieve 300 lbs. of nitrogen that you applied yesterday. Conversely, if you haven't yet invested any capital or resources into a direct farm marketing or tourism operation, all costs are variable. No resources have been committed to the production process.

Ideally, one would like to receive a price that covers all fixed, variable, and opportunity costs of production. It is important to include any opportunity costs or foregone alternatives. For example, if you could earn \$75/acre for renting your land to a neighbor, this is a foregone opportunity. Your land cost would be the greater of your actual costs or the \$75/acre foregone in land rental fees. Owner wages are often foregone opportunities that need to be accounted for as well. If you add up all fixed, variable, and foregone costs of production and divide by an estimated yield you will obtain your break-even price. Since yields will vary from one year to the next, calculate a break-even price using a five year average yield and then 25% above and below the five year average.

Maximum profit for the "short-run" is where the additional revenue from selling one more unit (marginal revenue) barely exceeds or meets the additional cost of selling another unit (marginal cost). In economic jargon this is referred to as marginal pricing. The additional revenue received needs to exceed the added costs from making a sale. Figuring out the additional revenue received or marginal

revenue requires that you can assess consumer demand - which is related to your competition, on the cost side, if you have hauled perishable sweet corn to the farmers' market and the market is to close down in 5 minutes, your marginal cost is close to zero. Almost all costs are sunk (i.e., growing and trucking costs) and the perishable nature of the product implies that you have little opportunity for selling at the next farmers' market. At this point, any moneys that you receive from a sale will help cover some of your sunk costs. Some money is better than throwing the corn away. But all costs are variable or must be covered in the long haul so you don't like to get into a situation where you're "forced" to take rock-bottom prices.

Trial and error is often involved with feeling out consumer demand and adjusting prices appropriately. If you are forced to take a rock-bottom price at the end of a day at the farmers' market, your price was probably too high earlier in the day. Lots of lookers, low sales per customer, and complaints are other signs that your price is too high. But if your product is moving so that you run out of product before you run out of buyers, your price is too low. Even if you are covering all your costs of production and realizing a good return you should raise your price. An exception might be when your buyer has agreed to pay a price below the market when prices are high but above the market when prices are low. But this type of an agreement needs the trust and commitment of a long-lasting relationship. If you are working on this kind of a relationship, your break-even price is appropriate provided that you have included a reasonable return for your wages, management, and capital.

Some consumers are willing to pay more than others so how does one differentiate between consumers? Retailers have used various tools to maximize their profits through the years by "price discriminating" among consumers. Coupons are a form of price discrimination. Consumers that are looking for the lowest pos-

sible price have a demand curve that is relatively elastic. This means that the consumers are very price sensitive. Supermarkets offer coupons in order to maximize their profits, not because they like to save the consumer money. They recognize marginal pricing concepts. Coupons are a vehicle for allowing them to price lower for the price sensitive shopper but maintain a higher price for consumers that are less price sensitive (i.e., more inelastic demand) and don't want to be bothered with coupons.

Terrific Tuesdays or Wednesdays (i.e., discount days) are another vehicle for price discrimination. Video stores commonly have one day a week where they rent videos at half price. These stores do this because they know sales revenues will increase for these price shoppers (i.e., elastic price demand) even though prices are cut in half. Seniors are generally price shoppers so businesses offer discounts to Seniors as a form of price discrimination. Volume discounts reflect a form of price discrimination and/or a different per unit cost of making the sale. If you plan to purchase a large volume you will be a more price sensitive shopper. Again, these discounts are offered in order to maximize profits rather than "give a good deal to the consumer." Discounts are most appropriate for the direct marketer at the peak of harvest when ample produce is available.

Pricing Strategies and Tips

Does \$9,999 differ from \$10,000? Even though the percentage price difference is essentially zero, retailers commonly price with 9's to convey a cheaper price image in the consumers mind. If you want to have a product position of being the low price vendor or offer a discount to attract the bargain hunter, price in 9's. If your regular price is \$15.00 a bag, offering a price of \$12.99 would be an appropriate use of 9's. A \$3 discount is flashed in consumers minds before they think a \$2 discount. Multiple pricing is also a form of price discrimination and pricing 3 for \$.99

or \$.40/each would be an appropriate use of 9's to attract the bargain hunter. Nine pricing doesn't generally fit if you are trying to promote a product image of high quality and solid value.

When dealing primarily with cash sales, prices that are in \$.25 increments have an obvious advantage of reducing time at the cash register. If a tax must be added, price items so that they will come out to a \$.25 increment. Selling by weight for some items helps consumers compare with supermarket prices, but this also requires more time at the check-out line. Most direct marketers don't have computerized scales that provide calculations to the ounce in a fraction of a second. Scales also need to be monitored for their accuracy and are subject to the scrutiny of inspectors. If your prices are obviously lower than supermarket prices, unit pricing may be to your advantage. When your prices are near supermarket prices and you're competing with the same supermarket varieties, sales by weight are generally most appropriate.

With many singles, couples, and small families today a "variety pack" of assorted fruits and vegetables is probably more appropriate to offer as a special than a volume discount. Variety packs get consumers to try new items that they might not otherwise try and reduce the risk of getting too much of one item. A meal with corn, sweet potatoes, and a salad with fresh lettuce, green pepper, celery, carrots and tomatoes is more appealing for most individuals than corn, corn, corn, and more corn. That is, a couple might not be able to consume two dozen ears of corn before their sweetness and freshness is lost.

Loss leader pricing refers to advertising one item at a price below cost, with the intent of getting customers "in-the-door." After customers have made the decision to stop and buy the loss leader item, the objective is to sell enough items at full-price to cover any losses occurred on the loss leader. Loss leaders are most ef-

fective for a common good that everyone is purchasing. Turkeys at Thanksgiving are a classic example of a loss leader. Almost everybody serves turkey and all the other goodies that go in and with the turkey cost way more than the turkey, making it a good loss leader item. Pumpkins sold during Halloween are sometimes used as a loss leader item by direct marketers of produce.

Method of Payment

Why are retailers all across the US willing to give credit card companies up to 5% of the purchase price of an item to make a credit card sale. Why do retailers not just request cash? First, retailers know that the average consumer will buy more if they take plastic rather than require cash or check. A consumer may plan to spend \$50 when they visit your outlet and take \$50 in cash. But if after arrival they realize that your produce is a better value than they anticipated, they are constrained to spending \$50 or less if you only take cash. You are at risk for not receiving any payment if you accept checks. Credit card companies are a vehicle for insuring payment to the retailer and getting consumers to buy more. Keeping cash out of the cash register also reduces the risk of losing all your sales for the day to a dishonest or disgruntled employee, or armed robbery. The fixed costs of getting connected and set up for credit card purchases may outweigh the perceived benefits for small and isolated outlets. But if your business is growing and you want consumers to walk out buying \$75 worth of produce rather than \$20, credit card purchases are a must. Most consumers are so accustomed to the convenience of purchasing items with credit cards that they don't carry significant amounts of cash.

If you are operating a delivery service, an account is generally set up for each client and you send them a bill on regular intervals, commonly every two weeks. Offer a slight discount for early payment from your "regular price" in order to encourage prompt payments. Some farmers' markets and roadside stands are set up to take food stamps as a form of payment to promote affordability. Food stamps are probably not worth investigating for produce outlets that are isolated and providing a "rural experience" or up-scale in price. But if your outlet is catering to low income consumers with a product image that includes low price, food stamps may be worth pursuing.

Regardless of the method of payment you choose to adopt, records need to be kept. Records that can track how much was received for fresh corn and day old corn on the same day are needed to make keen pricing and ultimately next years planting decisions. Personal observation help, but it is definitely not enough when it comes to going to the bank. User friendly computer programs can be used to enter the sale code and quantity purchased, and within seconds a detailed sales receipt is printed out for your customer. With the price of computers getting more affordable every year, computerized records and receipts are a wise business tool for even small produce outlets. Tracking individual consumer purchases from year to year can be the best key for discovering what items need to be discontinued or emphasized more.

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FROM:

Direct Farm Marketing and Tourism Handbook.

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ASSESSING RISKS AND FINANCE REQUIREMENTS

by Russell Tronstad¹

*"The man who makes no mistakes
does not usually make anything."*

Edward John Phelps

Starting out in a direct farm marketing and tourism venture will require many decisions and some will undoubtedly be "mistakes." One never starts out or continues in a business with the goal of losing money but reality is that many years will have negative profits. The potential for things to turn sour is never far off since agricultural products are notorious for irregularities in production, price, and input costs. Determine what you are willing to forfeit up front rather than after you are fully committed and drowning in financial commitments. This section gives some tips and tools that can help assess understanding your market and the associated risks and finances required. The section of Business Planning has related discussion on risk and finance requirements.

Secondary Data

Securing a loan for starting a direct farm marketing and tourism related business is generally not easy. With little or no proven production and marketing history, one can hardly blame agricultural lenders

for being very cautious. Investing one's own money needs to be carefully evaluated as well.

Market analysis is crucial for providing the information you need for making investment decisions and especially for securing a loan. A good starting place is to explore secondary data and previously published studies. Data presented in the previous section on industry trends can be updated for a nominal charge by receiving timely ERS publications. Most of this data is available free of charge if one has access to Internet — the electronic communication tool that is connecting the world. Many private companies offer access to Internet for a modest monthly fee (currently less than \$10/month for about 5 hours of time). Computer and News magazines review the services and costs associated with these private "e-mail" services on a regular basis.

Analyses of market and production risks are often found in farm magazines that provide valuable information as well. A fairly recent study by Blank and Schmiesing indicate that the farm financial crisis of the 1980s and savings and loan crisis have caused lenders to shift from the common practice of lending on equity to income. The focus of analysis from equity to cash flow has caused lenders to place more emphasis on risk analysis. Lenders are paying more attention to the volatility and uncertainty surrounding expected income rather than a target income level.

Blank proposes a measure for calculating the probability of a loss from an activity as the average return divided by the standard deviation of returns. The standard deviation, a figure easily computed on virtually all hand held calculators, is a measure of dispersion associated with returns. Dividing mean returns by the standard deviation gives a normalized value in which probabilities can be inter-

preted from a normal distribution (see Blank or any introductory statistical book for a table of values). The value from the normal distribution gives the probability of a loss occurring from an activity. Table 1 presents these probability of loss estimates and average return estimates for some of the crops and counties in California Blank considered in a recent study.

Blank calculated average returns from California Agricultural Statistics data and University of California cost estimates.

These secondary data sources are available to the public. Farmer prices received (volume weighted) were multiplied by average county yield estimates for calculating gross revenues. Then total costs per acre (fixed and variable costs), as reported in Extension budgets published for each crop by county, were subtracted to obtain a return estimate for each crop year. Annual return estimates from 1958 - 86 were used as a basis for the study by Blank.

Table 1. Assessing Price and Income Risk of Selected Agricultural Crops.^a

<u>Crop/County</u>	<u>Mean Price</u> \$/ton	<u>Standard Price Deviation</u> \$/ton	<u>Mean Income</u> \$/acre	<u>Standard Income Deviation</u> \$/acre	<u>Probability of Loss</u> %
Almonds					
San Luis Obispo	1,605	790	170	1,383	45.2
Stanislaus	1,741	727	NA	NA	NA
Broccoli					
Santa Barbara	341	29	891	1,581	28.8
San Luis Obispo	388	65	337	1,370	40.1
Carrots					
Monterey	157	28	1,675	643	0.5
Riverside	189	43	233	1,793	44.8
Grapes, table					
Fresno	363	135	1,342	659	2.1
Riverside	971	221	NA	NA	NA
Grapes, wine					
Fresno	150	42	440	559	21.5
San Luis Obispo	305	135	502	1,653	38.2
Lettuce					
Fresno	197	56	860	814	14.5
Monterey	222	28	545	604	18.4
Walnuts					
San Luis Obispo	914	201	262	1,331	42.1
Stanislaus	935	2362	97	647	32.3
Watermelons					
Kern	86	24	802	794	15.6
Riverside	92	21	509	1,398	35.9

^a NA denotes that the mean net income in this county was not available over the data period due to insufficient cost data. All figures were adjusted for inflation to reflect 1986 dollars.

Source: Blank, *California Agriculture*, Volume 46, No. 5, 1992.

Results quantify what the relative risks and returns have been for several agricultural crops between 1958 and

1986. Although history doesn't always repeat itself, yield and price fluctuations are largely location and commodity specific. The difference in location can be seen by comparing carrots in Monterey versus Riverside county. Probability of a loss or year with negative income for carrots in Monterey is only .5% whereas it is 44.8% in Riverside. Mean prices are actually higher for Riverside than Monterey (\$189/ton vs. \$157/ton). These results indicate that yield levels and variability along with costs of production are remarkably different according to geographic location. Results show that income variation and the probability of a loss by site is often more different than differences found across commodities. Thus, the production capabilities of your site need to be carefully researched and explored on a small scale if no current production can be found in your area.

The method outlined above for calculating the probability of a loss can also be used for sensitivity analysis. For example, if you wanted to calculate the odds for making at least \$100/acre, simply subtract \$100/acre from average returns (\$/acre)

before dividing by the standard deviation of returns. This would also measure the chance for defaulting on a loan payment of \$100/acre, information that loan officers would like to make before securing a loan.

For many innovative and often new tourist attractions or farming activities, little historical data are available. In this situation, looking at farm profitability under; 1) best, 2) anticipated, and 3) worst case scenarios for yield, costs of production, and prices can provide a good feel for the risk-return tradeoff of an activity. The worst case scenario is obtained by combing a conservative low product price with a low yield and high costs of production. This value should also be the amount of money you are willing to risk or give-up from taking on a new activity.

Primary Data

Primary data collection can be very expensive to collect on consumers in a “scientifically based” format. The cost is generally prohibitive for the small direct marketer. Thus, primary research for the small scale direct marketer might be better coined as “personal observations.” Nonetheless, personal observation of potential and current consumers is probably the best source of market information for the small direct marketer.

First, have an ear that is sensitive to what the consumer is saying. When Jay Leno was starting out as a comedian he used to rush into the mens’ rest room and sit in a “stall” after he did a comedian show. For what reason? To obtain invaluable unbiased information on what consumers were thinking of his product. Jay would use this information in making changes to his comedy show. As a direct marketer, you should also seek unbiased information on what consumers are thinking of your products. Act like you’re a consumer in your own store if possible or persuade a friend to find out what customers might be complaining or praising about your busi-

ness. Find ways for getting an unbiased opinion of what consumers think of your products, and react appropriately. If you are just starting out, visit other businesses in the area as a customer to see what works for them. Ask yourself, “why would I rather buy from the business I envision instead of the competition?”

Surveys are another common method for getting detailed information that can help target your consumer. First, determine what “population” you are trying to gain information from. Most surveys focus on current customers since they have had an experience with your business and are an easy population to identify for sampling. But if you are trying to figure out why consumers haven’t visited the local farmers’ market — you obviously can’t survey people at the farmers’ market. When doing any survey, be sensitive to the amount of time you are requesting from participants. A small sample of free products or discount coupons are token gifts that can give individuals some compensation for their time and show your appreciation. Scientifically designed surveys often pay their participants well for completing surveys.

Surveys can be conducted in person, over the phone, or by mail. Personal interviews have an advantage in that you can often gear your survey so that it comes off as a promotion for your business. It gives your customer a feeling that you care for them personally and lets them know that management is listening to suggestions or concerns they might have. Also, you can give them a gift of appreciation immediately after they answer your questions. A disadvantage with personal interviews is that they require lots of man hours and responses may be biased more favorable than what consumers are really thinking. Human nature is that nobody wants to bring bad news. Most of us would rather tell someone that their business is great rather than a disaster.

Telephone surveys can yield information in a timely manner and are relatively

inexpensive. But be sure that your phone calls don't invade on an individual's privacy. Many people are annoyed at evening phone calls, particularly when dinner is warm, and this brings a negative image to your business. Keep phone surveys short with easy questions to answer and call business rather than home numbers. Be sure and ask the same

questions in the same tone of voice to everyone as well, to improve consistency.

Mail surveys are great for obtaining detailed information and consistency across individuals. But the response rate is often very low for mail surveys. A letter or phone call reminding individuals of the survey a week or two later are helpful for improving response rates. A response rate of at least 60 percent is considered sufficient for most types of questionnaires. However, the response rate for many mail surveys to businesses are as low as 20 percent. Information compiled from structured questions, like questions 1 through 3 in the "sample of survey questions," have little value with low survey responses. Questions that are more open-ended, like questions 4 and 5, are more useful with low survey responses since they yield specific suggestions that can be evaluated and acted upon. A combination of structured and open-ended questions will provide general information along with specific suggestions.

All surveys need to be interpreted with care. What consumers say they will do with their dollars and actually do are sometimes different. Over 90% of the consumers interviewed by the Packer indicated that they had increased or at least maintained their fruit and vegetable consumption (see Figure 1) between 1987 and 1992. Yet average per capita consumption figures have been flat during this period (see Charts 1 and 2). When consumers actually vote with their dollars, pay attention. Thus, not enough can be said for keeping track of the cash register and having a record system that can pinpoint what items consumers have increased or decreased their purchases of. Daily or weekly records are preferred to just annual summaries too, since many produce items may sell better at the beginning of the season than at the end of the season. Tourist activities and events are often heavily dependent on a holiday or season. Demand for specialty meat products like summer sausage, smoked hams and turkeys can surge before the holidays of Thanksgiving, Christmas, and

Sample Customer Survey Questions

1. How did you first learn about this fresh farm produce outlet?
 - Through friends or family.
 - Through roadside signs.
 - Through a newspaper article.
 - Through the Fresh Farm Produce brochure.
 - Through classified newspaper ads.
 - Received a call or postcard.
 - Referred by another producer or business.
 - I don't remember or am not sure.
 - Other, please specify: _____

2. Have you seen the following advertisements for produce operations here?
 - Fresh Farm Produce brochure.
 - Classified newspaper ads.
 - Newspaper feature articles.
 - Road signs.
 - Radio announcements.
 - Television coverage.

3. Of the lettered income categories on this chart, can you tell me which letter best describes your family's before-tax income?
 - a. less than \$15,000.
 - b. 15,001-30,000.
 - c. 30,001-40,000.
 - d. 40,001-60,000.
 - e. 60,001-80,000.
 - f. 80,001-100,000.
 - g. over 100,000.
 - h. No response.

4. Are there any other products you would like to see offered for sale?
 - No.
 - Yes, please describe: _____

5. Are there other things that you would like to do during this trip that you can not currently do?
 - No.
 - Yes, please describe: _____

Questions extracted from Agricultural Tourism in Cochise County, Arizona, Characteristics and Economic Impacts, by Leones et al.

Easter. Craft sales generally fluctuate with tourist travel and the seasons too. Keeping track of daily sales receipts can help you better plan for holidays and the value of special events in subsequent years.

Starting Small - "Testing the Winds"

Not enough can be said for the merits of starting out on a small scale. If you were on your first hang gliding adventure, wouldn't you rather launch from a small hill with sand below rather than a 300' cliff with boulders at the bottom? Sometimes this reasoning is forgotten when starting a business. Most major corporations and successful small businesses started in a home office, garage, or side project just like most of the thriving direct farm marketing and tourism operations today. Entrepreneurs that are on the "cutting edge" of production and marketing techniques always seem to be trying something different and they almost always trial test a new idea before going full scale. Even large companies like McDonalds do a test trial on all their new products before they go "national." Obvious advantages to starting small are that you can:

- ♣ Obtain valuable market information that will indicate what products you should exploit or drop. How customers vote with their dollars determines where you focus your limited resources. A *market approach* means growing products consumers want rather than a *sales approach* of running a high visibility add campaign that "coerces" consumers into making one-time purchases.
- ♣ Devote more time for each unit of production, making it easier to produce a higher quality product. This can be important for building a "name brand" image.
- ♣ Test your production capabilities for your land site and resources available without risking a large amount of capital.

- ♣ Lower finance requirements so that self-financing is often much more reachable. Credit sources generally loan to small businesses starting out at their highest category of interest rate, if they will loan.
- ♣ Assess the work load and type of work required before a full commitment is made to the business.
- ♣ Learn the legal requirements the most appropriate way of meeting legal obligations. Would be a shame to find out that a local ordinance could close down your business after you have already made a large investment in time and money.
- ♣ Work at least part-time at another job so that a "salary" is not required during the start-up phase.

A disadvantage commonly cited for not going into a direct farm marketing venture in a large way is that, "I have no other job and need to utilize my time and earn a full-time salary." But a more reasonable policy is to commit to not withdrawing any salary for at least a year and preferably two years. Many businesses fail to be the financial success they are destined for because start-up expenses in the first two years exhaust the available cash flow of the business.

Secondary Data Sources (wholesale price data)

Arizona Agricultural Statistics Service

3003 N Central Ave., Suite 950,
Phoenix, Arizona 85012-2994
602-280-8850

Arizona Field and Vegetable Crop Budgets

4042 N. Campbell
Tucson, AZ 85719
602-621-1713

The Packer

*(weekly newspaper of the
fruit and vegetable industry)*

Vance Publishing
7950 College Blvd.
P. O. Box 2939
Shawnee Mission, KS 66201
800-255-5113

**United States Department of
Agriculture**

Economic Research Service
National Ag. Statistics Service
Livestock and Poultry Situation
and Outlook
341 Victory Drive
Herndon, VA 22070
800-999-6779

Federal-State Market News Service
Ag Marketing Service
Fruit and Vegetable Market News
P.O. Box 96456
Rm. 2503 So. Bldg.
Washington, DC 20090-6456
202-720-2745

Vegetables:

Gary Lucier, John Love,
& Charles Plummer
202-219-0884

Fruit & Tree Nuts:

Dennis Shields & Diane Bertelsen
202-219-0884

AutoFax: 202-219-1107
*(document 0411 for general in-
formation that leads to data for
specific commodities)*

Internet *(electronic data bases)*:
oldal.mannlib.cornell.edu

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FARM OUTLET CUSTOMER PROFILES

Julie Leones¹

Who are the visitors to direct farm marketing operations and what are they looking for? This section helps to provide answers to these questions based on information on customers from visitor surveys at direct marketing establishments in several states including Arizona, Illinois, Wisconsin, Michigan, Ohio and New York and national surveys of produce consumers conducted for *The Packer* magazine. Trends that affect the character of the general population in the U.S. and Arizona are very likely to affect direct marketing operations and are worth considering. Visitation to farm market outlets in other states differs from that in Arizona in the distance that visitors are willing to drive, in the percentage of visitors who are women and in their reasons for visiting the area. There are similarities between visitors including how they learned about the direct marketing outlets, educational levels and the types of produce products that they are looking for.

General Demographic and Produce Purchasing Trends

Several of the best known demographic trends in the U.S. are worth noting. We are an aging population. Over half of our population was over the age of 33 in 1990. We are becoming more urban. Urban dwellers represented 87.5% of the

Arizona population in 1990 compared to 55.5% in 1950. We are becoming more racially and culturally diverse. Almost 20% of the Arizona population belonged to a racial minority in 1990 compared to 13% in 1950. More women are working full time. Fifty-five percent of all Arizona women over 16 years of age were in the work force in 1990. The U.S. Department of Labor predicts that by 1995 a full 80% of women aged 22 to 44 will work outside the home. The average household size is shrinking. Single-person households accounted for one fourth of all households in Arizona and the U.S.

What do these trends mean for direct farm marketers? They mean that a larger share of their customers are likely to be older. Older visitors may be more inclined to buy prepicked rather than pick your own produce. Customers are likely urban dwellers who are not only visiting to buy produce but as a form of recreation or a way to get out of the city. More customers are likely to be looking for specialty produce because more of them are from diverse cultural and racial backgrounds. Fewer women have time for canning and preserving produce. Consequently, more women may be interested in buying products for fresh consumption or be interested in already preserved or baked products such as jams, jellies, pies and breads. Purchases per household may be less because of smaller household size and lack of time to can.

Women still make the bulk of all food purchases in the U.S. A full 86% of the produce buyers surveyed for *The Packer Fresh Trends* edition were women. Women are more sensitive to price than men and are more likely to try new or unusual fruits and vegetables. The percentage of women making purchasing decisions in households with children under 18 is a whopping 99%. However, because visits to direct farm market outlets are often a family affair and are often seen as a form of recreation, a larger

number of men and children are likely to be involved in making purchasing decisions. Also, customers may be somewhat less concerned about price than they would be in a supermarket.

Lessons from Surveys of Farm Outlet Customers

Table 1 summarizes the findings based on customer surveys in six states. The Ohio survey is somewhat older than the other surveys. The Illinois surveys were conducted for strawberry U-pick operations only. The results show that the customers to Arizona direct marketing establishments are less likely to be women and are younger than those in many of the other state studies. Customers in all the studies tended to have relatively high levels of education. The average household size in two studies was between two and four people. Like Michigan customers, over a third of the Arizona customers are first time customers.

What really sets the Arizona customer apart from customers from the Northeast and Midwest is their willingness to travel longer distances to purchase at direct farm market outlets. Perhaps because of the distances traveled, more Arizona visitors come on the weekend than in New York. Several of the studies provide data that suggest that visiting farm outlets is a recreational experience. However, the freshness, quality, taste and prices for produce strongly influence customer opinions of the farm outlets.

Without exception the most common way for customers to have learned of a particular farm outlet was by word of mouth or because a friend or family

member told them about it. A large percentage of customers had seen signs for the outlet as they were driving in several states.

When asked about what they wanted or how the outlets could be improved, customers commonly identified improving advertising, signs and instructions, and adding to services such as tours, rides, restrooms, and parking. However, most surveys indicate that there is a high level of customer satisfaction with the farm outlets. Apples, corn, peaches, strawberries, tomatoes and pumpkins were commonly mentioned by customers as products they either would like to buy or did buy during their visit.

The per person expenditures at farm outlets are not easy to compare due to differences in the years when these studies were conducted and differences in the types of farm outlets where the interviews were conducted. In the Michigan study, per person expenditures were highest at U-picks and wineries and lowest at festivals. Expenditures at roadside stands and farmers' markets were intermediate (at about \$7.30 and \$8.75 per person, respectively).

In summary, older retired customers represent an important market for direct marketers, but not the only one. Arizona customers are more likely than Eastern customers to drive distances of 70 to 80 mile to visit farm outlets. However, because of the distances, they are generally coming predominantly on weekends and appear to be very interested in having a farm experience with their family or friends. The next article in this section examines customer characteristics from the Arizona study in more detail.

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Table 1. Comparison of Visitor Profiles from Various States

Characteristic	Arizona	Illinois	Wisconsin	Michigan	New York	Ohio
Sample size	904	136	873		856	474
% female	55%			65%	75%	
avg. age	approx. 35-45	53-55	49	45	25-40	45-64
% with some college education	69%		60%	65%	65%	
Household size		2.9-3.0	2-4			3.3
% first time visitors	32%			39%	9%	
% coming from within 20 miles	less than 11%	approx. 75%	80% within 40 miles		78%	93%
Most common way to learn of U-pick	word of mouth (45%)	word of mouth (66%)	word of mouth (55%)	word of mouth (51%)	word of mouth	
% visiting on weekend	71%				52%	
Purpose of trip	buy ag products (79%)	pick strawberries, 70% consider it recreation		54%-vacation & vacation and other 10% buy ag products	select fresh berries at reasonable prices & for recreational experience	
What customers like about direct marketing operation	rural or farm experience, produce freshness and quality		quality, service, fair prices			freshness, taste, ripeness of produce
What customers dislike			few (only 15% cited dislike)			distance from home, prices, parking and traffic problems
What customers want	better advertising & signs, restrooms, improved roads				improve field conditions, parking, advertising, ease of picking, instructions (3-7%)	Add services-extend hours, post hours, sell snacks, rides, tours, etc.
Products they usually purchase or want to purchase	apples, corn, pumpkins, tomatoes			cherries, corn, strawberries, blueberries, peaches, apples, raspberries, eggs, lettuce, melons, tomatoes		apples, sweet corn, peaches, cider, cantaloupe, tomatoes, strawberries, pumpkins, honey, peppers
Where visitors spent their money & how much they spent per person	\$14 for nonlocals, \$9 for locals	\$6 per visit		spent the most: wineries and U-Picks (\$12-13) spent the least: festivals (\$.71)		avg. annual expenditure at roadside markets: \$45

Sources: Courter, J.W. "Pick Your Own Strawberries-1970 to 1990." University of Illinois, H88.
 Cottingham, John and G. Palzill. "A Profile of Consumers at Roadside and Pick Your Own Markets." University of Wisconsin Direct Marketing, 20, November, 1990.
 Propst, Dennis, P.S. Newmyer and T.E. Combrink. "Direct Marketing of Agricultural Products to Tourists. Michigan State University CES # 12, 1986.
 Crispin, Monica. "Profile of the PYO Customer." In: *Small Fruit Newsletter*, Vol 1(6), June, 1986.
 Watkins, Edgar & Bruce Bradley. "Ohio Customers and Their Roadside Markets." Ohio State University, ESS-562, MM381 1979.

FROM:

Direct Farm Marketing and Tourism Handbook.

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A PROFILE OF VISITORS TO FRESH FARM PRODUCE OUTLETS IN COCHISE COUNTY, ARIZONA

*Julie Leones, Douglas Dunn,
Marshall Worden and Robert Call¹*

This profile was compiled from 904 customer interviews conducted at farm outlets in Cochise County between mid-July and the end of October, 1993. The full results of this study are available in a separate extension bulletin.

The more than 20 farm outlets in Cochise County include pick-your-own farms, and orchards, roadside stands and some retail operations. They offer a variety of products and services including apples and apple bakery products, pistachios, meats, vegetables, honey, live plants, hay rides, fishing ponds and animal displays.

Many of the visitors to the outlets come from the nearest metropolitan area, Tucson, which is located over 80 miles away. The willingness of visitors to drive this far to buy fresh produce is somewhat unique. An important characteristic of these visitors is that nearly half of them indicated that what they liked best about visiting the outlets was the opportunity to have a farm or rural experience. In other words, many of these visitors are more interested in having an experience than in necessarily buying produce.

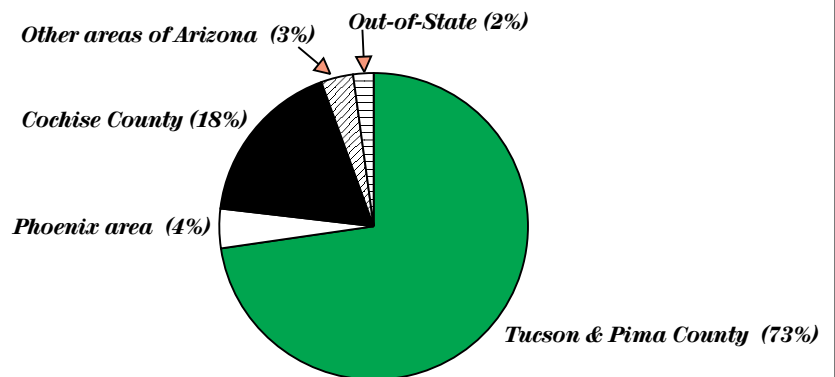
Visitor Characteristics

Almost three-quarters of all visitors to the farm produce outlets in Cochise County were from metropolitan Tucson or else-

where in Pima County, and 18% were local visitors from Cochise County. Only 2.1% were out-of-state visitors (Figure 1). Of the 83% of visitors to the farm outlets that were from outside of Cochise County, 77% came to Cochise County for the primary purpose of buying fresh farm produce. Sixty-four percent of all outlet visitors can be defined as agricultural tourists because they were visitors from outside the county who came to the area primarily to visit the farm outlets (Figure 2). Out-of-county visitors traveled in groups averaging 4.22 people per party. However, their median party size was 3 people. The average or mean is

Figure 1. Origin of Visitors to Farm Outlets

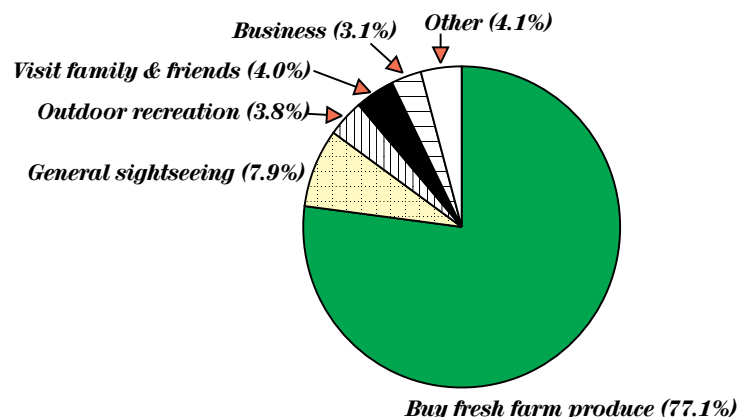
(Number of responses = 890)¹



¹Fourteen of the zip codes provided were nonexistent.

Figure 2. Purpose of Trip by Out-of-County Visitors

(Number of responses = 746)



somewhat larger than the median because of the number of large groups, especially groups of either older people or children, that visited the farm outlets. While 85% of the visitors were Caucasian, Hispanics represented over 8% of all visitor parties (Figure 3). The mean family income was \$42,300, well above the Arizona mean for 1990 of \$35,400 (Figure 4). Respondents had an average of 14.3 years of education (Figure 5) and many were professionals or working in management positions. Twenty percent of all respondents were retired and about one-quarter of all visitors were over the age of 60 (Figure 6).

Non-local visitors were different in important respects than local visitors. They were more likely to bring children, they were looking for a different mix of products, they made fewer trips to the farms over a single season. Non-local visitors were also more likely to indicate that what they liked best about visiting the outlets was the opportunity to have a farm or rural experience.

Roughly 44% of the out-of-county visitor parties, but only 39% of the locals, brought children. Children under the age of 18 represented 29% of all visitors. Unlike similar studies in other parts of the country, women did not constitute the overwhelming majority of visitors. Approximately 55% of all visitors, whether from Cochise County or from outside, were female. The difference may be because the trip to Cochise County is viewed more as a family or group experience rather than exclusively as a trip to secure fresh fruits and vegetables for preserving.

Trip Characteristics

Out-of-county people who came primarily to visit farms spent an average of half a day in the area. Visitors who came to the area for reasons other than purchasing farm produce (e.g., for general sightseeing, to visit family or friends, or for outdoor recreation or camping) aver-

aged 1 3/4 days in the area. Agricultural tourists generally visited 2 or 3 fresh farm produce outlets during their stay. For almost one-third of the out-of-county visitors, this was their first trip to the farm outlets (Figure 7). A surprisingly high percentage, 21% of local visitors, were making their first trip to the farm outlets. These percentages indicate potentially large annual increases in the number of visitors at the farm outlets. Less than 20% of non-locals visited outlets six times or more versus almost 40% of locals. Repeat visitation during the season was common. Thirty-seven percent of out-of-county and 70% of local respondents had visited the fresh farm outlets at least twice during the previous season (Figure 8). Nearly half of the local respondents visited the outlets four times or more.

Only 5% of the visitor parties that come mainly to visit farms, stayed overnight, while 31% of visitor parties coming to Cochise County for other reasons who also visited farm outlets stayed overnight. Almost two-thirds of all visitor parties that stayed overnight chose to stay in Willcox.

Eighty-two percent of all out-of-county travelers visited local farms only and did not visit any other local attractions on this trip. The most popular other attractions visited were the Chirachuas and the Rex Allen Museum which were visited by 4% and 3% of the out-of-county visitors respectively (Figure 9).

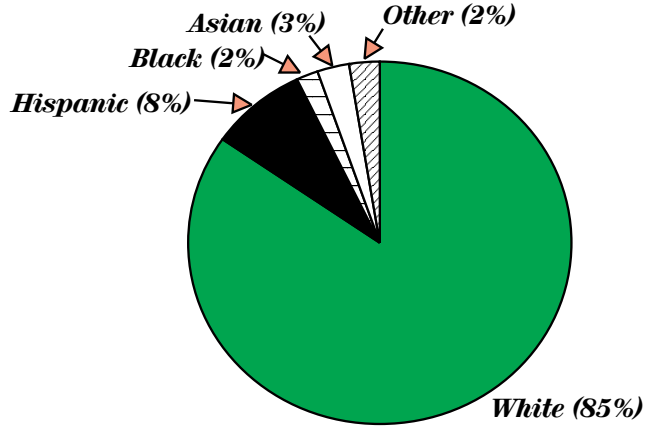
What Visitors Want

An overwhelming 97% of all visitors interviewed planned to return to the farm outlets. Forty-four percent of all visitors indicated that what they liked most about visiting the farm outlets was the experience of being on a farm or in a rural place (Figure 10). The next most commonly cited reasons for liking the outlets were the freshness of the produce (28%) and the quality of the produce (19%).

Over three-quarters of the visitors made the trip in search of specific products (i.e.,

Figure 3. Racial or Ethnic Background of Visitors

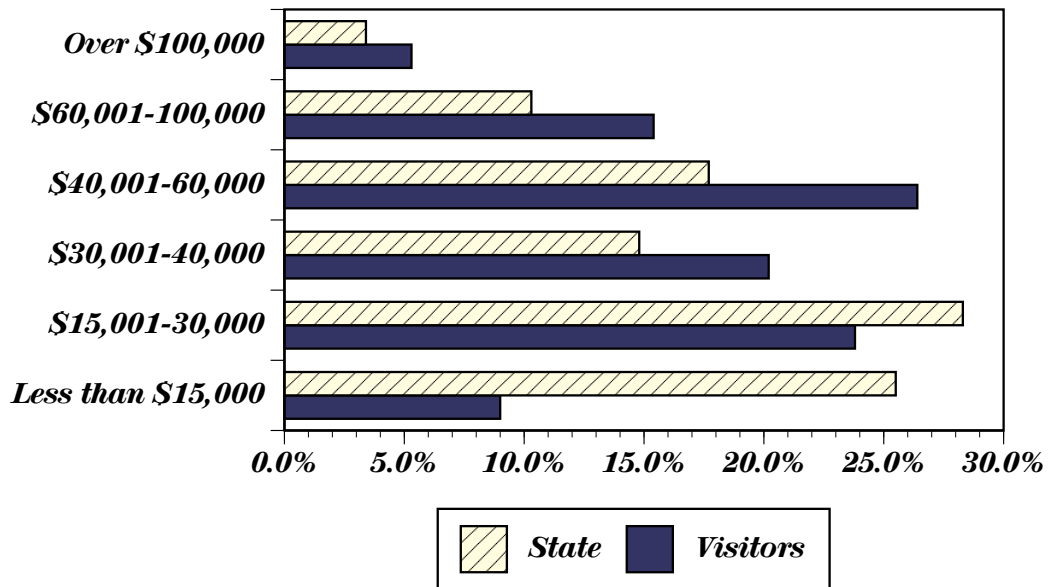
(Number of responses = 816)¹



¹ Eighty-eight respondents did not answer this question.

Figure 4. Income Level of Visitors Compared to State Average

(Number of responses = 857)¹

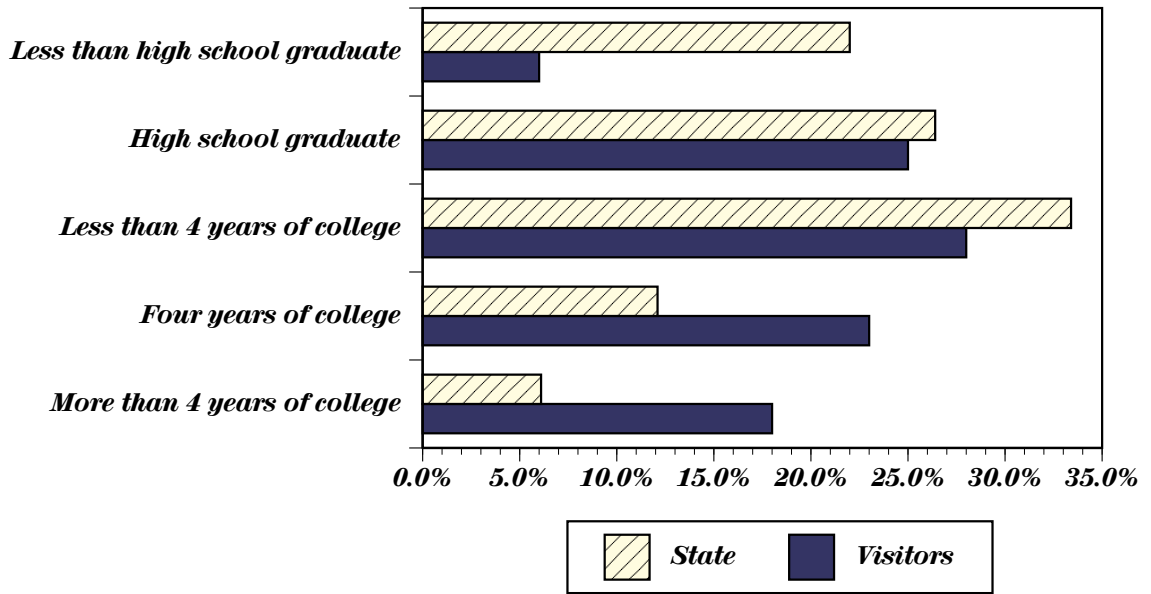


¹ Forty-seven respondents did not answer this question.

Source: Survey data and 1990 Census of Arizona Population and Housing. Summary Tape File 3A (Corrected). U.S. Department of Commerce, Bureau of the Census.

Figure 5. Education of Visitors Compared to State Average

(Number of responses = 904)



Source: Survey data and 1990 Census of Arizona Population and Housing. Summary Tape File 3A (Corrected). U.S. Department of Commerce, Bureau of the Census.

Figure 6. Age Distribution of Visitors

(Number of visitors in interviewed parties = 3600)

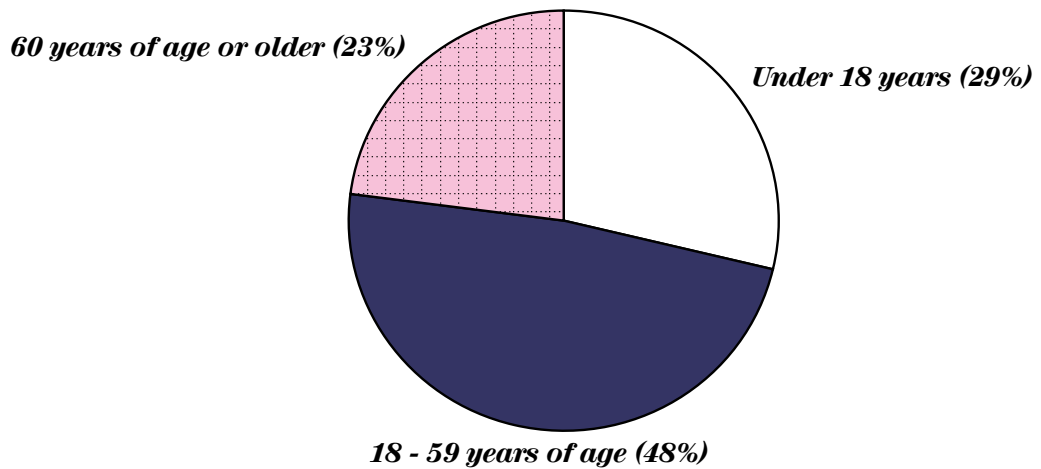


Figure 7. Times Respondents Had Visited Farm Outlets in This or Prior Years

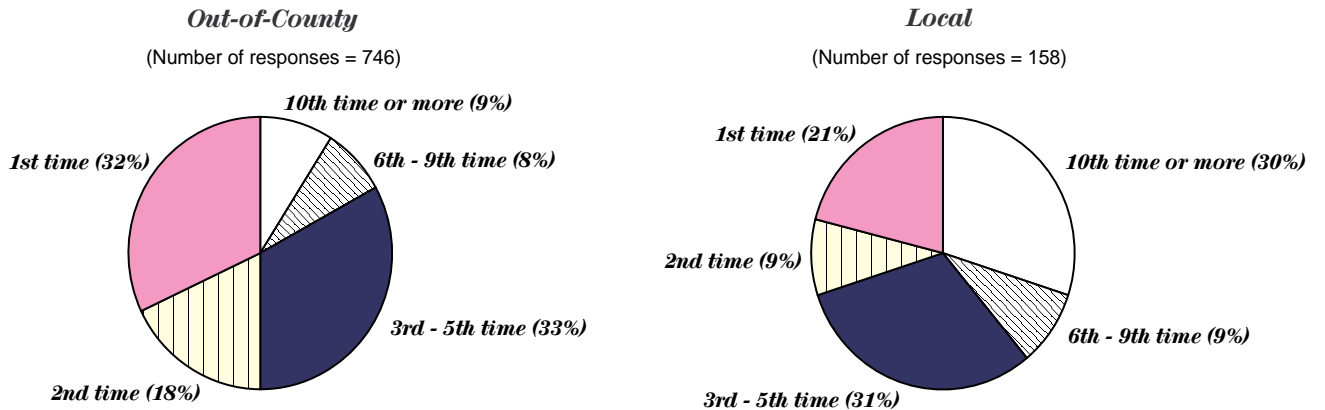


Figure 8. Times Visited Last Year

(Number of responses = 904)

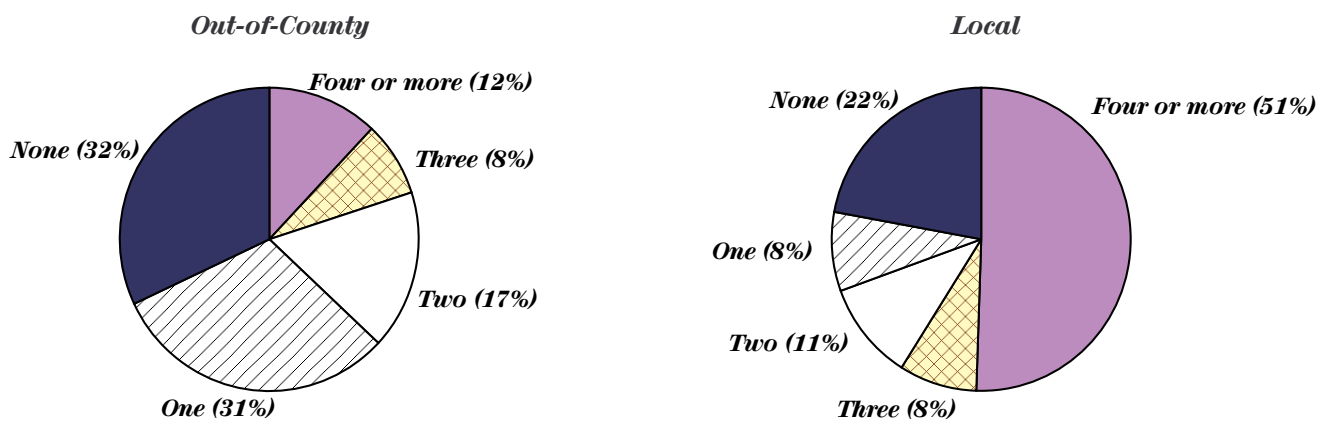


Figure 9. Other Attractions Visited by Out-of-County Visitors

(Number of responses = 746)

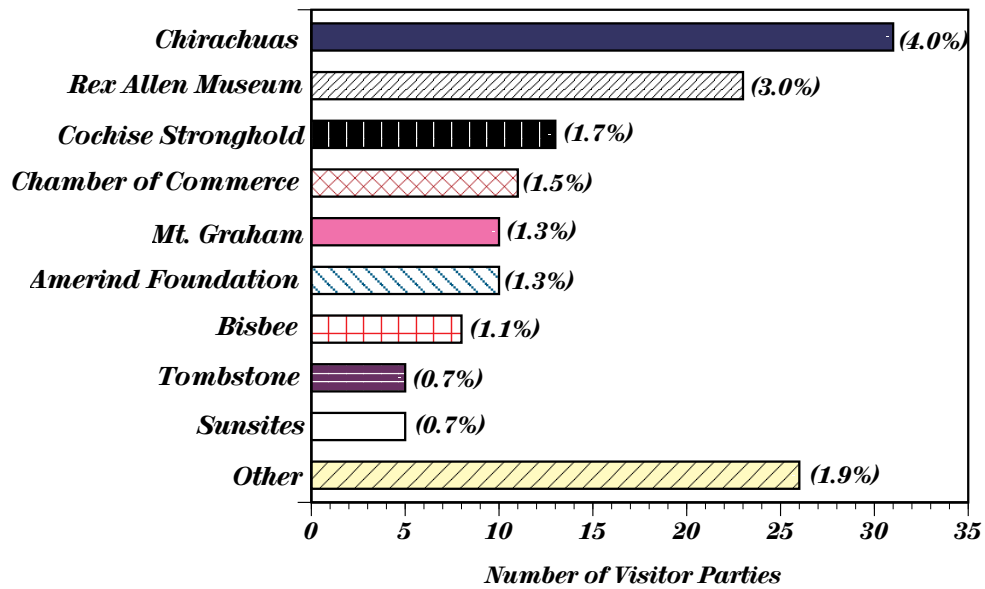
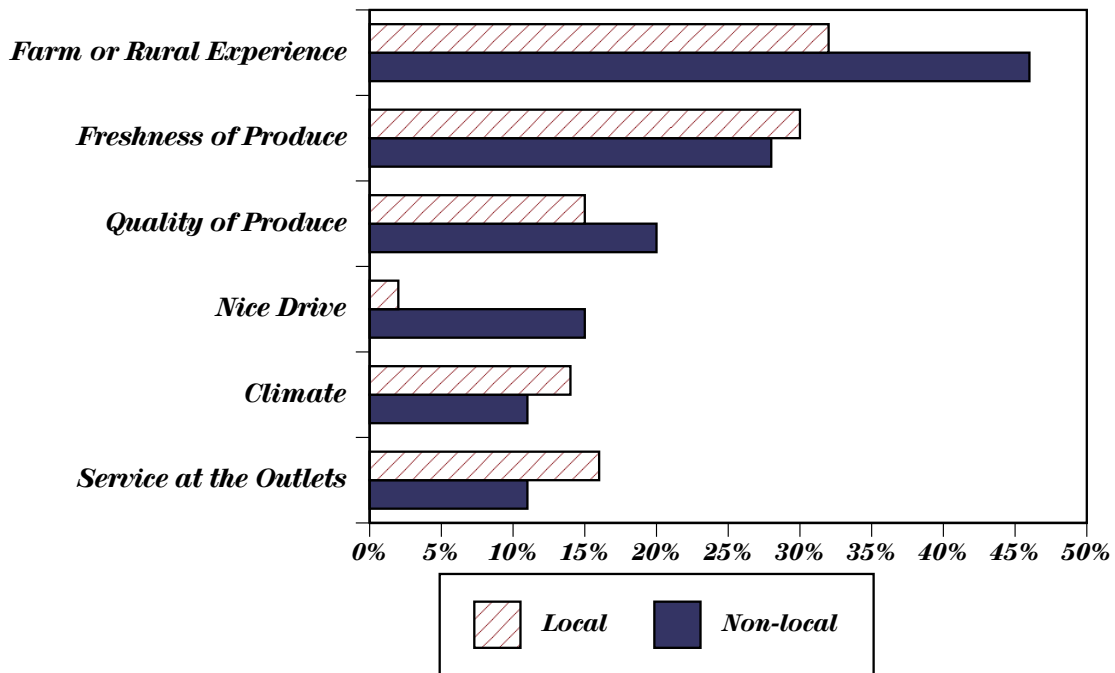


Figure 10. What Respondents Liked Most About Their Visit to the Farm Outlets

(Number of responses = 904)



Note: Visitors could give multiple responses.

76% of non-local and 86% of local visitors). Almost one-third of all visitors were looking specifically for apples (37% of non-locals but only 9% of local visitors). The other most popular products in descending order were: sweet corn, pumpkins, tomatoes, peaches, string beans and squash (Figure 11).

Although visitors appear to really enjoy their current experience, they had suggestions for improvements. The most common suggestions were to improve signage, provide better rest rooms, improve the roads and do more advertising, each of which were mentioned by 5% of all respondents. Sixty-two percent of all respondents had no suggestions for improvement.

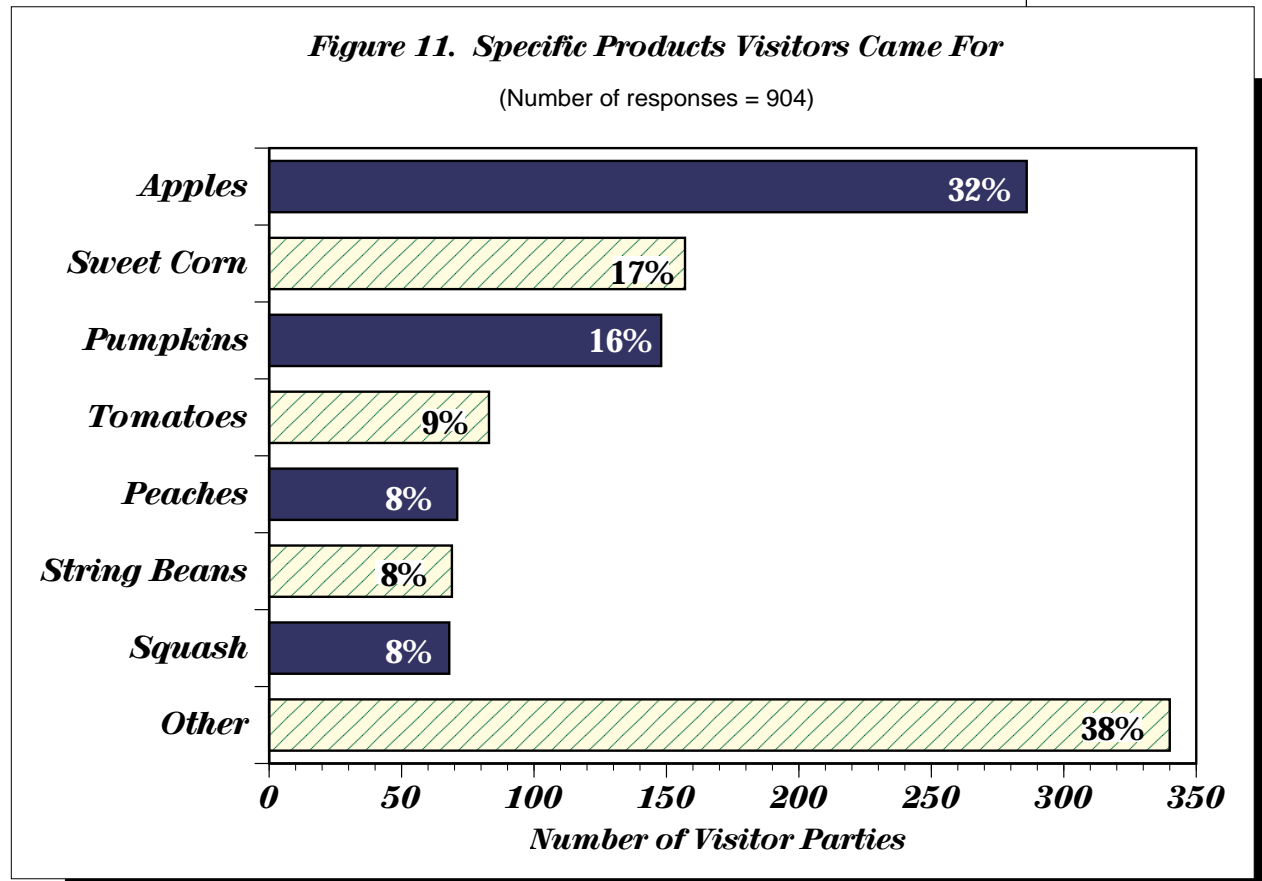
When asked if there were other types of food products or produce they would like to buy, the most commonly mentioned products were berries, especially straw-

berries, peaches, cherries, peas, lettuce, and various types of corn (sweet, pop, white and yellow). A number of products that people mentioned are already available in the area. However, they may not have been available at the particular farm outlets that the respondent visited. This is one indication of the need for the farm outlets to promote each other and make referrals directing customers to other operations that have these products. It is also an indication of the need to inform customers about when certain products are available during the season.

Visitors indicated that they would be interested in doing other activities while they were in the area. The most commonly mentioned of these activities were riding horses, swimming, fishing, farm tours, seeing crafts, and hiking or camping. Suggestions for various types of fairs and festivals also were common.

Figure 11. Specific Products Visitors Came For

(Number of responses = 904)



Visitor Expenditures

An estimated 19,032 non-local visitor parties went to one or more of the Cochise County farm outlets during the 1993 late summer season. This represents approximately 81,450 visitors. These visitors spent an average of \$58.00 per party, of which \$42.00 was spent at the farm outlets. Over one-half of the visitors spent money in local restaurants and almost one-fourth bought gasoline locally.

The total expenditures by out-of-county visitors are estimated at \$1 million during the 1993 season, of which \$768,000 was spent at farm outlets.

Conclusions

Visitors to Arizona fresh farm produce outlets differ from visitors to U-pick op-

erations in other states in the distance they are willing to travel to visit the outlets and by the fact that the farm experience is such an important reason for their trip. Typical visitors are Caucasian with above average income and education. Visitors are generally coming out only as part of a day trip and are traveling in small groups. They do not tend to visit attractions in the area other than the farm outlets. Over three-quarters of the visitors come to the outlets looking for a specific product.

References

Leones, Julie, Douglas Dunn, Marshall Worden, Robert Call. Agricultural Tourism in Cochise County, Arizona. Visitor Characteristics and Economic Impacts. The University of Arizona Cooperative Extension Bulletin, 1994.

¹Julie Leones, Douglas Dunn, Marshall Worden and Robert Call, *Cooperative Extension, The University of Arizona, Tucson, Az.*

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TOURISM TRENDS AND RURAL ECONOMIC IMPACTS

Julie Leones¹

When agricultural direct marketers view their business as a tourist attraction as well as an agricultural enterprise, many new sources of information and opportunity become available. This chapter provides tourism related information that is useful to direct farm marketing operations. A visitor to a farm or ranch who wants a farm or rural experience as much as to buy agricultural products is a tourist. The number of visitors to farm outlets who are interested in a farm or ranch experience is increasing.

Some of the most successful direct marketing operators recognized the potential of selling a farm or ranch experience early. As Al Bussell of Bakersfield, CA puts it "We're in the entertainment business now." The Goulds of Goulds Orchards in Rensselaer County, New York call it "showbiz farming". It is definitely not for everyone, but for operators willing to allow the public on their farm or ranch, it can be lucrative.

In a study of agritourism in New York State, 63% of the 17 farm tour enterprises contacted had increased in size between 1986 and 1991. All but one of the remaining enterprises had stayed the same size. Over 3/5ths of all visitors were school children who paid admission for the tour. Admissions for children ranged from \$.50 to \$1.75 while the typical adult admissions were \$2.50 to \$3.50. The biggest

problems cited by tour operators were dealing with visitors (especially interruption of farm activities and visitors' treatment of animals), liability insurance, labor and marketing (Hilchey).

Catering to 'agricultural tourists' is especially important at direct farm marketing outlets that are located farther away from urban centers. More distant farm outlets will have to offer more than just products to stay competitive as new farm outlets spring up near major urban areas. One way to stay competitive is to understand what visitors are looking for in a farm experience and to provide services that appeal to visitors.

Understanding visitors is an important step towards dealing with them and marketing to them. The previous two articles in this section describe visitors to farms in greater detail. Here we look at general tourism trends that may affect agricultural tourism.

Tourism Trends

Tourism is coming into its own as an economic activity in the U.S. Expenditures by foreign visitors to the U.S. contribute significant amounts to our balance of payments. Total expenditures by out of state visitors to Arizona were estimated at \$ 8.3 billion in 1993. A lot of tourism activity, however, is generated within the state. While this activity does not bring new income into the state, it does keep some income from leaving the state. From a local community's perspective whether a dollar is from a Phoenix visitor or a Hermosillo visitor, it is new income in their community.

A couple of important trends have shown up in recent tourism studies. Aside from growing as an activity, tourism is changing shape. People are taking more short vacations rather than one long vacation each year. There is a growing interest in

vacations that involve doing or experiencing. Hence, the growth in the “new” tourisms: ecological, cultural, heritage and agricultural tourism. Finally, there is a steady increase in outdoor recreation by tourists (Hilchey).

These trends are due to demographic, economic and cultural changes. These changes include the aging of the U.S. population, the shrinking size of households and the increasing urbanization of the U.S. population. Other trends affecting tourism are the increase in the number of two earner households and the increasing interest of the U.S. populace in the environment.

Economic Impacts of Tourism

Tourism is an activity that involves a large array of retail and service businesses. The sectors most affected by tourism are hotels and other lodging facilities, eating and drinking establishments, and amusement and recreation facilities such as theme parks and ski resorts. One of the largest expenses in these industries is salaries and wages for employees. Often these employees are from the local area. However, for some businesses that are highly seasonal, employees may come from outside.

Some communities worry about relying too heavily on tourism. Some of the negative aspects of tourism may include the highly seasonal nature of employment, the low average wage level in tourism related industries, the congestion and increases in prices of products and real estate that tourists can cause. However, well managed tourism can complement other economic activities in a community. One positive aspect of tourism is its ability to bring new money into the community. Multipliers in industries that serve tourists are relatively high because wages and salaries are such a large part of the industries’ total expenses. The impacts of tourism can be increased by selling local products and by helping local people retain ownership of businesses that serve

tourists. Agricultural tourism is particularly high in impacts because the labor used, business ownership and the products sold are usually local.

There are two basic ways for a community or a business to increase revenues from tourism. Either increase the number of visitors or increase the amount that each visitor spends. This is why local chambers of commerce have devoted so much of their resources to attracting more visitors to the area. In an area that may have limited visitor accommodations, attracting day visitors may be the most effective strategy to pursue. However, in communities that do have hotels and other lodging, convincing visitors to stay overnight is the most effective way to increase visitor expenditures. Not only do such visitors spend additional money on lodging, they eat more meals in the community and have more time to shop in local stores. In most surveys of visitors, shopping is one of the most popular vacation activities.

An effective way for individual businesses to increase their sales to visitors is to offer a range of products and services that will keep the visitor at their outlets longer. Many grocery stores are arranged to slow shoppers down because typically the longer a person is in a store, the more they are likely to spend.

In the study of agricultural tourism in Cochise County, 81,450 non-local visitors spent close to one million dollars and generated \$1.9 million in sales impacts in the county. While the average expenditure per visitor party was \$58, overnight visitors spent \$130 per visitor party (these figures translate into \$12 and \$47 respectively per visitor). Overnight visitors spent nearly four times as much as day trip visitors.

To convince a visitor to make an extended trip to an area, there have to be enough activities or places to visit. In rural communities there may not be enough to do in a single community to keep a visitor in the area for more than a

few hours. If a group of communities work together and promote their whole region, they may be much more successful in both attracting visitors and convincing them to stay more than just for a day. This is why although attracting tourists is a competitive affair, businesses that cooperate with each other in order to attract visitors are more likely to succeed than those businesses that decide to 'go it alone'.

Other sections of this manual provide more information about who visitors are and what they want, and on effective means of advertising and promoting 'agricultural tourism'.

References

Hilchey, Duncan. Agritourism in New York State. Opportunities and Challenges in Farm-Based Recreation and Hospitality. Farming Alternatives Program. Department of Rural Sociology, Cornell University, Ithaca, NY, June, 1993.

Leones, Julie, Douglas Dunn, Marshall Worden and Robert E. Call. Agricultural Tourism in Cochise County, Arizona. Characteristics and Economic Impacts. Arizona Cooperative Extension, The University of Arizona, Tucson, AZ, June, 1994.

Sources of Information on Tourism

Your local Chamber of Commerce

Arizona Office of Tourism
1100 West Washington
Phoenix, AZ 85007
(602) 542-3126 Fax: (602) 542-4068

Arizona Hospitality Research and Resource Center
School of Hotel and Restaurant Management
Northern Arizona University
P.O. Box 6024
Flagstaff, AZ 86011-6024

Travel Industry Association of America &
United States Travel Data Center
2 Lafayette Centre
1133 21st Street N.W.
Washington, D.C. 20036
(202) 293-1433

Travel and Tourism Research Association
P.O. Box 58066
Salt Lake City, Utah 84158
(801) 581-3351

United States Travel and Tourism Administration
Department of Commerce
H1862
Washington, DC 20230
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ADVERTISING AND PROMOTION

by Douglas Dunn¹

You may have the finest product and the most attractive prices, but if potential customers don't know about your business, your chances of success are limited. Advertising and promotion refer to activities undertaken to increase sales or enhance the image of a product or business. Advertising is used primarily to inform the potential customer of (1) the availability of products or services, (2) when they are in season, (3) where you are located and (4) anything special about your product. Promotional activities are important for maintaining customer traffic throughout the market season—used early in the season to draw customers to your business and during the season to maintain customer traffic levels during slow periods.

Unfortunately, the benefits of advertising and promotion for direct farm marketers have yet to be consistently demonstrated. Promotion of farm products appears to be effective in some cases, but not in others. The potential for successful advertising and promotion is increased when products are clearly differentiated, are of exceptionally high quality, are very seasonal in nature or are new offerings. Research conducted on direct farm marketing indicates that advertising, with emphasis on product freshness and quality, is more likely to move produce than price cutting.

How much should you spend? It is considered good business in retail marketing to spend 2 to 3 percent of gross sales for advertising. A 1985 survey of direct farm marketers in the mid-Atlantic states showed that producers spent an average of 3 percent of sales on advertising. You may find you cannot afford to do as much advertising as you would like. Therefore, it is important to set priorities. A scattered shotgun approach with limited funds usually ends up with poor results. It is important to plan your advertising program, otherwise you may fritter away your hard earned dollars. Know your targeted customers and direct your appeals to them. Be honest and factual.

On-farm and roadside markets with that "something special" usually build their merchandising program around a distinguishing trademark—a unique sign, display, atmosphere or building design. Advertising is easier to remember and more appealing when backed up by a unique, easily illustratable business name or slogan that clearly and concisely states the nature of the business and/or the principle products sold, e.g., WILBER'S WATERMELONS, APPLE ANNE'S—Fruit, Cider, Bakery Goods, RATZLAFF'S CHEMICAL FREE PRODUCE. Avoid creative names that may serve to confuse your potential customer. Many successful on-farm businesses carry the owner's name, creating a more intimate and sincere relationship with the consumer.

In the summer of 1993, a survey was undertaken of the fresh farm produce outlets in Cochise County, Arizona. Visitors were asked how they learned about the direct farm market they were patronizing. A similar survey was completed in Michigan. The results, summarized as follows, give some indication of the effectiveness of different promotional activities.

How did you learn about this fresh farm outlet?

	<u>Arizona</u>	<u>Michigan</u>
Word-of-mouth; from friends or family	45.4%	51%
Newspaper articles	14.6%	n.a.
Roadside signs	10.6%	21%
Media advertising	9.3%	10%
“Fresh Farm produce” brochure	3.4%	n.a.
Travel information centers	n.a.	3%
From other producers/businesses	4.2%	n.a.

Have you seen/heard the following advertisements?

	<u>Arizona</u>
Roadside signage	68%
Newspaper articles	49%
Newspaper advertising	48%
“Fresh Farm Produce” brochure	34%
Radio advertising	11%
T.V. coverage	9%

- Recipes and cooking ideas.
- How to get to other farm outlets and community points of interest.

Build repeat customers through customer satisfaction. Inquire into the customer’s needs. Seek suggestions for improvement. If visitors have a bad experience or don’t find what they were looking for, they not only don’t return, but will also tell others where not to stop.

Maintain a guest register or ask customers to fill out a pre-printed card. Then mail them a postcard or flier at the start of next year’s season thanking them for their business, indicating when different produce will be available and inviting them back. Hopefully they will also bring others. Consider having customers register directly on to a postcard. Later, print your message on the reverse side. This can save you a lot of time.

Let’s now look at each of these promotional activities and how they might be used in your enterprise. To help you evaluate these advertising options, first ask yourself: Why am I considering doing this? What is it suppose to do? What are my goals? Then seek feedback from your customers, particularly new customers, as to how they heard about you, to determine which advertising media was most effective.

1. Word-of-mouth

What can you do to help your present customers spread the word? Provide visitors with your business card. Include fliers or coupons with each purchase and ask your customers to pass them on to family and friends. Develop and distribute “point of purchase” marketing materials and displays:

- A “Fresh Farm Produce” buyers’ guide and map (discussed later).
- Information on “how to” pick, reduce spoilage, can, freeze, dry produce, etc.

2. Media coverage

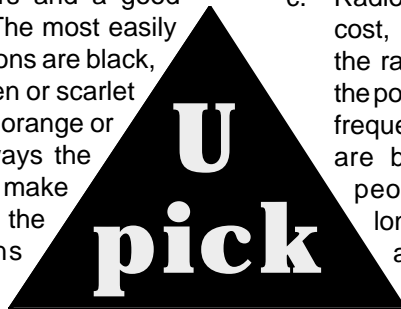
The fresh farm produce outlets in the Willcox, Arizona area have been particularly successful in generating and receiving news coverage in local and regional newspapers and television. Not only has this media coverage been very effective in promoting the outlets, it is free. The direct farm marketers in an area should consider banding together to generate media publicity. Name (contract with) a publicist to develop media opportunities and systematically generate positive publicity for the area’s direct farm marketing outlets. This might be done through the local Chamber of Commerce. Organize a media tour of area outlets. Invite the media to special events.

3. Roadside signs

Road side signs are a particularly important information source once travelers are near your business or event. Road side signs can be hindrances if they are not done professionally and kept well maintained. If signs are unattractive, hard to read, home painted and unkept, your operation is likely to start with a bad impression.

The entrance to your business should be clearly marked with a pull-off area on each side of the road. Your initial road sign should, as a rule, be placed at least 2,500 feet from the entrance to your business to allow travelers a safe stopping distance. Then place several advance road signs out from your initial sign that state the distance to your business, e.g., JONES' PRODUCE, 2 MILES. Signage should start from the nearest Interstate or major highway and clearly direct visitors to your business location.

Roadside signs should contain six words or less, with a 1 or 2 word focal point to catch the traveler's interest. Use 7" to 12" letters and a good contrast of colors. The most easily read color combinations are black, dark blue, bottle green or scarlet red on white, yellow, orange or green. It is not always the size of the letters that make them readable, but the space or margins around them. Create a simple logo, such as the example provided, that provides easy recognition.



4. Media Advertising

There are a number of options for media advertising. Interviews with direct farm marketers indicate that the most commonly used mediums are:

- a. Classified ads in the food or for sale sections of the Want Ads of local and regional newspapers: The ad should indicate what is for sale, when and where. Most direct farm marketers do not advertise price.
- b. Display ads in the entertainment or food section or in special supplements of regional newspapers: Such ads should be attractively designed and easy to read, with a limited number of words and a good use of white space. Incorporate a trademark or symbol in every ad so that it is quickly recognized by your regular customers. The advertising department of the newspaper can help you plan a layout. Since such ads are more expensive, cooperative funding should be explored with other area direct farm marketers. A group ad will convey to potential customers the wide variety of outlets, produce and experiences available, and assure visitors that they are likely to get what they want if they make the trip.
- c. Radio ads: Due to their higher cost, spot announcements on the radio must be short and to the point, 15 to 30 seconds. More frequent short announcements are believed to reach more people than less frequent longer ones. Frequent spot announcements can help create name recognition.
- d. Place information articles and/or advertising in area shopping guides, tourist publications, company and special interest newsletters targeted to specific audiences, e.g., Garden Clubs, health food, retirement communities, ethnic food.
- e. Yellow pages listing.

5. **Community brochure/buyers' guide**

Many rural communities have developed an informational brochure or directory that lists all direct farm marketers in the area with a description of the products they offer. Also included is a map of the area with directions to each outlet and a harvest calendar indicating when different fruits and vegetables will be available. Such brochures are often developed with the aid of the county Cooperative Extension office and are funded through a subscription of those businesses listed. Printing and financial aid may also be available through a local utility or the state Department of Agriculture. Such directories will be effective, however, only if they are properly promoted and distributed to prospective customers. The printing cost of the brochure is small compared to the cost of promoting the directory, postage for mailing them and travel costs in placing the directory at travel information centers and brochure racks at strategic locations. This directory should also be distributed at the direct farm market outlets to assist with referrals and encourage return visitors and word-of-mouth promotion. This project might be coordinated by the local Chamber of Commerce.

The Willcox community has implemented a telephone service which out-of-town customers can call for a regularly updated recording indicating produce availability. The service is sponsored through subscriptions from the advertised businesses.

6. **Referrals**

Make sure that the employees of recreation and tourist facilities, motels, gasoline stations, restaurants, campgrounds, the Chamber of Commerce and other visitor oriented businesses are aware of your business. These people can help channel more

customers to you. Make referrals. Exchange customers. Help visitors find the products they are looking for. The Cochise County survey found that many visitors were not aware of the wide diversity of products available at other locations. Some returned home without purchasing sought-after items. When asked what other products or activities they would like to see offered, a significant number of visitors indicated a park/picnic area, swimming, horseback riding, a good place to eat—not knowing that those facilities were available in the Willcox community. A community brochure and map to local restaurants, museums, motels, retail shops, swimming and other recreational facilities should be available at the farm outlets.

7. **Special festivals**

Agricultural festivals can be effective in attracting visitors to your community. They can generate additional sales if on-site activities are provided which bring potential customers in contact with your products. Such on-site activities might include things like hay rides, pick your own pumpkin (or watermelon), menudo cook-off, celebrity tomato pitch, watermelon seed spitting contest and farm tours. Unfortunately, the research indicates that limited spending on fresh farm products occurred at agricultural festivals mainly because such products (even those that the festival was named after) were not widely available. The festival activities often interfered with visitors getting to local businesses and on-farm outlets.

8. **Special tours**

Field trips and special tours have proven effective in bringing people to the area and your business that might not have made it on their own. Such groups include garden clubs, residents of retirement communities, ethnic clubs, foreign visitors and com-

pany picnics. School tours have been effective in stimulating return visits by the children with their parents in tow.

9. **Coupons, special discounts, drawings**

Experience indicates that general discounting can be counter productive in the direct marketing of farm produce. A discounted price suggests lower quality. The use of coupons can, however, help you track the effectiveness of different advertising media. In general it is recommended that discounts be expressed in whole dollars and cents rather than as a percent, and focus on increasing business during the slow seasons of the year. Giving your valued customers an unexpected benefit, e.g., free samples of new or slow moving produce may have a more positive impact than a discount.

10. **Labels**

Labels on bags, boxes, jars and containers reinforce your name to the consumer. Labels provide an opportunity for word-of-mouth advertising as guests to your customers' home observe your products. Generally, people will buy food items as gifts only when there is an attractive label indicating its origin and special qualities. Also labels can be effective in promoting the quality of your product, e.g., vine ripened, pesticide free, organic, high fiber, farm fresh, vitamin rich. Your name, logo and/or slogan

can also be printed on T-shirts, aprons, hats and bags, for sale, to help your customers promote your business.

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David Latimer, Bisbee, sign painter.

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¹Prepared by Douglas Dunn, County Director and Extension Agent, Community and Economic Development, Arizona Cooperative Extension (Willcox).

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DIRECT MAILINGS AS AN ADVERTISING STRATEGY

by Julie Leones¹

Sending information by mail to previous and potential future customers can be a very effective advertising strategy for direct farm marketing and agricultural tourism operations. It is especially effective if you create your own database with the names and addresses of previous visitors or if you know the zip codes of your previous and potential customers.

Advantages of direct mail advertising are that it is more personal and targeted than advertisements in newspapers or on radio stations. It is also easier to track whether or not the ad has been effective, especially if you require customers to bring in the mailing to take advantage of a special offer. The main disadvantage is that it can be costly. Mr. Baird who teaches a course on direct mail at GateWay Community College estimates that it typically costs \$.50 to \$1.00 per piece. One way to keep cost down is to use a postcard format, but this also limits the information that you can provide. Another disadvantage is that it requires more work than placing an ad in the newspaper.

Creating an effective direct mail advertisement requires a few key ingredients.

- First, keep your message simple.
- Second, make an offer to your customer (e.g., 10% discount on

purchases), but make sure you indicate when the offer expires. Ask the customer to bring in the direct mailing to get the discount. Including a free sample in the mailing can also entice customers. If you are sending a postcard, make sure that the offer is highly visible on the card. If you are sending a letter, make mention of the offer on the envelope. You don't need to give away the farm in your offer. You might, however, offer a discount on specific types of products which are particularly abundant that year or for products that seem to be selling slowly.

- Third, in a direct mailing letter people are most likely to read the headline, bullets and p.s. Make sure the same message is being conveyed in all three.
- Fourth, it is generally better to do a series of smaller mailings targeted at specific customers than to do one big mailing.
- Fifth, make sure that the design is attractive. If you don't have a good eye for design, find someone who does. Often print shops will have employees with some design skills.
- Sixth, follow up your mailing with phone calls to local customers.
- Seventh, make sure you are working from a good mailing list of likely customers. Developing your own list can be very effective or you can purchase lists either from other businesses which have a similar customer base or from firms that specialize in creating mailing lists based on

such characteristics as zip code. The U.S. Postal Business Center keeps a list of firms that sell mailing lists.

To reduce the costs of direct mailing you can employ several strategies. One of the most effective is to do cooperative advertisements with other farm marketers or related businesses. Sending out a mailing with advertisements for three or four businesses or more can dramatically cut your costs. However, the disadvantage is that it also cuts your visibility. Also, a potential customer may not want to wade through three or four advertisements and not bother to look at any of them. One way to keep from overwhelming the recipient of a cooperative direct mailing may be to keep all advertising and coupons on a single page or use one coupon which can be used at any of the advertising firms. The firms involved may make the same offer, or indicate that the coupon is good for different offers at different locations.

Another way to reduce costs and increase effectiveness of your direct mailings is to start working on your own mailing list. People who have bought from you before are among the most important people to target. From customer surveys we know that word of mouth is one of the most effective forms of advertising. If you can

entice your current customers to provide names of their friends, this is another way to build your mailing list. Better yet, when a current customer makes a purchase, you can offer a discount coupon to them and one to give to a friend. To get your mailing list started, you can put up a sign near the cash box that says "Would you like to be on our mailing list?" then provide forms or a registration book nearby. Let customers know how they can benefit from being on your mailing list, for example by finding out when certain products are available during the year. You can encourage customers to leave their names and addresses or their business cards for weekly, monthly, or seasonal drawings. Be sure to copy names addresses and phone numbers from checks. However, remember that customers do appreciate a chance to indicate whether or not they want to be on your mailing list.

For more information about direct mailings, contact the U.S. Postal Business Center, 4949 E. Van Buren, Phoenix, AZ 85026, phone 602-225-5454. You may want to ask if they have any publications available such as "A Short Course in Direct Mail for Small Business."

This article is largely based on two L.A. Mitchell articles in "Arizona Business Gazette". November 3, 1994, SB 1 & 4 and November 10, 1994, SB 1 & 4.

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HOW TASTING ROOMS CAN HELP SELL WINE

by *Raymond J. Folwell and Mark A. Grassel*

Wine tasting rooms can pay off, whether strictly in the form of on-site retail sales or by generating consumer product awareness that prompts future sales in restaurants, grocery stores and other retail outlets. The recent growth in wineries has prompted producers to consider how to best market and sell wines. Tasting rooms provide promotional arenas where wines are introduced, tasted and sold.

The Washington wine industry has experienced growth in all aspects of operations during the last two decades. The acreage of wine grapes grown increased from 431 in 1968 to 10,169 in 1987; the crush of wine grapes increased from only a few hundred tons in the late 1960s to 46,500 tons in 1988, and the number of wineries increased from less than 10 in the mid-1970s to more than 78 in 1989.

The relative annual growth rates of Washington wine sales are also notable. From July 1988 through June 1989, Washington wine sales within the state were up 20.9 percent, compared to the same time period the previous year. In contrast, the amount of commercially produced wine entering distribution channels in the U.S. was down 4.9 percent during 1988.

The growth in the Washington wine industry has resulted in several unanswered questions concerning the marketing and merchandising of wines. Of great interest is the role of tasting rooms as retail out-

lets. Tasting rooms are becoming a more common feature of Washington wineries.

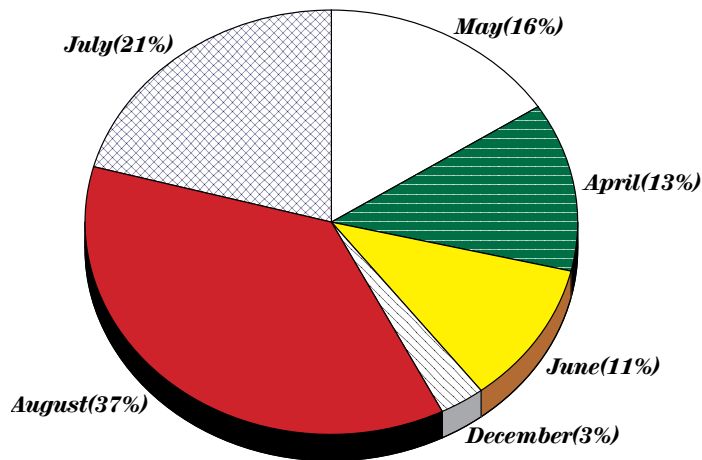
Extensive investment in furnishings and operational costs can accompany tasting room operations; however, these expenses can be offset by the sales of wine, food and wine accessories. Tasting rooms can also result in the customers' continued patronage of such wines in restaurants, grocery stores, and other retail outlets. The purpose of this research, and the basis of this report, is to establish

Photos: Jim Raney



A well-organized and attractive display sales room not only enhances the image of the winery, but it can serve as a good place to sell specialty foods and wine accessories. This sales room is located at The Hogue Cellars near Prosser, Washington.

Months with the Most Visitors to Winery Tasting Rooms (%)



38 Reporting Wineries

bench marks by which to evaluate existing operations and to provide a foundation for future economic feasibility studies concerning investments in tasting rooms.

Research Method

A questionnaire was mailed to each of the 62 wineries in operation, at that time, in Washington. Topics addressed included: (1) structural descriptions and costs; (2) hours of operation; (3) employment levels; (4) product lines; (5) pricing; (6) promotions; (7) special services; (8) visitor profiles; (9) customer traffic patterns; (10) sales volume.

Thirty-five Washington wineries (a total of 40 tasting rooms) returned the mail questionnaire. Four of the responding wineries had more than one tasting room. However, not all wineries returning the questionnaires provided responses to all the questions.

The 35 wineries that returned the questionnaire are representative of Washington wineries. They're located both east and west of the Cascade Mountains. Some have tasting rooms in Seattle facilities, as well as at the winery. The winer-

ies range in storage capacity from only 2,000 gallons of wine to four million gallons.

Investment Costs and Sizes

These results are based on Washington wine tasting rooms constructed between 1976 and 1987. Fifty-five percent of the tasting rooms were constructed between 1982 and 1985.

Tasting rooms range in size from 60 to 2,100 square feet. The average size is 612 square feet; 500 square feet is the most common. Construction costs average \$25,240. The most common construction costs reported are \$500 and \$10,000. Furnishing the tasting rooms costs anywhere from nothing at all, to \$75,000. The average expenditure for furnishings is \$9,334. Most producers report spending either \$5,000 or \$10,000. In Washington, furnishing costs make up about 40 percent of the total costs of constructing a tasting room.

Most tasting rooms have no seating capacity. Of those that do, seating capacity ranges from three seats to 49; the average is nine.

Employees and Operating Hours

The average number of full-time tasting room employees is one; the average number of part-time workers is three. Most wineries report employing one full-time and one part-time worker. However, the overall range of numbers of employees is wide, one to six full-time and one to 15 part-time. The hours worked per week for full-time employees averages 37 hours, while for part-time, the average is 16 hours. However, the most common work schedules are 40 and 10 hours per week for the full-time and part-time employees, respectively.

The operating hours for the Washington winery tasting rooms vary by season of the year. During the summer, May through

September, the reporting wineries operate their tasting rooms an average of seven hours per day on a daily basis, and five hours per day on a non-daily basis. Non-daily operations host visitors by appointment, 13 wineries run such operations during the summer season. In contrast, during the winter, October through April, the average is six hours per day for both daily and non-daily hours. Only nine of the 62 winery tasting rooms operate by appointment during the winter. The most frequent response given when asked open hours per day is seven during the summer, five the rest of the year.

Pricing and Sales

The range in the volume of wine sales through the winery tasting rooms each month in Washington is 30 to 2,777 gallons. Average sales per month total 367 gallons. However, the most frequent responses are 300 and 600 gallons per month.

Tasting room sales of wine as a percent of total wine sales range from one percent to 85 percent. Average sales through tasting rooms is 10 percent. Results indicate that the higher the percent of wine sales through tasting rooms, the smaller the actual volume of wine sold per month through the tasting rooms. Only five of the 32 wineries reporting such information indicate that over 40 percent of their wines are sold through tasting rooms.

Eighty-five percent of the 62 wineries surveyed sell wine-related accessories in their tasting rooms. The most commonly stocked items are glasses, pottery, clothing (hats, T-shirts, etc.), carafes, etc. Such items generate revenues ranging from one percent to 50 percent of total tasting room sales. However, most producers report sales from these items make up only one to five percent of their total.

There are significant differences in the average prices charged for wine sold through the tasting rooms. Per 750-ml.

bottle, low prices range from \$1.99 to \$7.50. High priced wines range from \$7.50 to \$165.00 per bottle. The most frequently mentioned low price was \$5, while \$13 was the most common high price. The average low price is \$4.97. The average high is \$19.09.

Only one of the reporting wineries does not give a case discount for wine sales through their tasting room. Case discounts range from 10 percent to 25 percent. Mixed case discounts run between 10 and 20 percent; 10 percent is the most common discount for either a straight or mixed case. Additionally, some wineries give discounts for multi-case and special releases, along with other specials for banquets and promotions.

Tasting room prices average 33 percent higher than wholesale prices. The most common response was 30 percent higher. Typically, the margin between tasting room and retail prices is three percent; however, most reported that their retail and tasting room prices were identical.

Product Mix

The product mix of wines sold through tasting rooms varies. The number of wines sold range from three to 38. Ten is the average. The range in number of wines offered for tasting ranges from three to 11. The average number of wines offered is five, half the average number of wines typically stocked. In general, as the number of wines stocked for sale in the tasting room increases, so does the number of wines offered for tasting.

Some wineries change the tasting selection daily; others don't change it at all. About 25 percent of the wineries indicate



Dora and Michael Hogue, of Hogue Farms and The Hogue Cellars, have done an excellent job of utilizing a wine tasting room to promote sales. Mike started The Hogue Cellars in 1982 and is co-chairman of the Washington Wine Commission.

that they never change their selection; 14 percent say they change it daily. Overall, nearly half of the wineries reporting change the selection at least once a month.

Number of Visitors

The number of visitors per month at Washington wineries varies, depending on the season of the year. During the summer (May-September), owners report that anywhere from 12 to 5,500 people visit their tasting room each month, 368 is the average. During the winter season (October-April), the average number of monthly visitors declines to 135, ranging from zero to 2,100. Most report an average of one visitor per day, on a six-day weekly operation basis during the winter.

The months with highest visitor traffic in order of importance are: August, July, May, April, June and December. August is the most popular month for visitors. Over half of the responding wineries have less than 5,000 visitors per year. Still, 43 percent reported 5,000 or more. Here it is important to note that 35 percent of the wineries reported less than 2,500 visitors annually—less than 10 a day. This suggests that management decisions should take into consideration the profitability of such an operation.

The percentage of visitors purchasing wine in the tasting room varies from 25 to 100 percent. The average is 78 percent, which is a high level of penetration in this segment of the wine market. Most of those who purchase wine typically buy two bottles. Some wineries offer food services, but only 10 percent of the visitors take advantage of this service.

Visitor Demographics

Winery management and employees determine visitors' profiles—age, income, residence—on the basis of the visitor registries and observation. Half of the reports indicate that visitors are typically state residents. Out-of-state visitors are typical at less than three percent of the facilities. Of those responding, 14.7 percent say that their typical visitor is a local. A third of the wineries in Washington get a mix—locals, instate residents and out-of-state visitors.

The average age of the tasting room patron is 40. Visitors range in age from 28 to 53. Their average income is \$39,000, with a range from \$25,000 to \$60,000. Overall, the typical visitor can be stereotyped as some one who is middle-aged with an above-average income.

***Ray Folwell** is a professor of agricultural economics at Washington State University in Pullman. He received his bachelors and masters degrees in agricultural economics from Illinois State University and received a doctorate from the University of Missouri. Folwell has been researching the wine industry since joining WSU in 1968. He is author of the 1978 report "The US. Wine Market" that examined the demographics of wine consumers. Folwell also consults the wine industry on economic matters.*

*The other author of the report, **Mark Grassel**, is a former research associate and graduate student in agricultural economics at WSU.*

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LEGAL STRUCTURE RULES & REGULATIONS FOR DIRECT MARKETING ENTERPRISES

by Richard D. Gibson¹

Nearly all marketing activities are affected by federal, state, county, and city ordinances, rules or regulations. They are simply a fact of life. In view of the current public interest for a safe-quality environment, it is just good business to be aware of regulatory necessities and to show good faith in attempting to comply with them.

Because each direct marketing enterprise is different, and because regulations vary from location to location, it is impossible to provide a complete list of regulations that will apply every where all the time. However, it is possible to provide a generalized list of common laws and regulations that direct marketing operators work with in the process of operating their businesses. **Please check the box at the end of this section entitled “Confused? Where To Go For Help!!!”. It provides valuable sources of information which can help ease the process of complying with the appropriate regulatory agencies.**

A few general rules that almost always apply in any situation:

1. Always check with local, state and federal authorities before trying to market any product, especially food items. Food items are almost always carefully regulated.
2. Check with the officials before you start so that there are no unpleasant surprises down the road. Make

yourself knowledgeable about rules and regulations far enough in advance to allow adequate time to comply with them.

3. Rules and regulations are constantly changing, so communicate regularly with local and state officers. Keep abreast of changes.
4. Make government inspectors your allies rather than your adversaries. They will often give you valuable free advice on many aspects of your operation. If you are constructing a building, for example, your consultations with inspectors will ensure that what you are building is something they will approve.
5. Nearly all regulations add time, effort and cost to your marketing operations. These can have an undesirable effect on your ability to do business. If you feel that certain legal requirements are extraneous or detrimental, bring this to the attention of the proper authorities and work with them to resolve the situation. You may be able to obtain a waiver in certain situations.
6. Remember that safety is always of paramount importance. You can improve the opportunity for success if you will 1) make your enterprise as safe as possible for clientele and 2) carry adequate insurance for the size and type of your operation.

In case you are inspected:

1. When you are inspected, accompany the inspector while he/she is walking around your property.
2. Ask questions and seek advice and assistance in meeting any regulations that apply to your business.

3. Ask for a business card. It is important to know how to contact the inspector for follow-up purposes. You may need to obtain copies of regulations, clarify a specific situation with an inspector, or speak with someone else in the agency.
4. In case of violations or citations, find out completely as to why you are being cited. Read the regulation so that you understand it thoroughly and how it applies to your situation. If the warning is obviously justified, communicate to the officer that you understand and will comply. If you feel you are being wrongly cited, talk to the enforcement officer.
5. If there is still disagreement, follow up with the appropriate agency and ask for help from their representatives. The next step is to go to your board of supervisors and try to work the problem out. As a last resort, call or write your elected state senator or representative. He or she may be looking for a case, and all of them are sensitive to public opinion, especially when a bill is coming up for a vote.
6. In all cases, be polite but persistent. Agency representatives have regulations they have to abide by. If we get angry or overbearing with them, our attempts at working through difficulties can have an adverse outcome.

Requirements To Consider

The following list of requirements are commonly considered by direct marketing managers as they start up, expand, or conduct their operations. The list, however, may not necessarily include all of the rules and regulations that may apply in a given situation.

State Workmen's Compensation: If you pay a salary to one (1) or more

employees, you must carry workmen's compensation insurance. You may obtain it from the state or from private carriers. If you have family members working for you and do not pay them a salary, you do not have to follow this regulation. The state will mail an application to you at your request.

Insurance: The amount and kind varies by location, type of operation, number persons employed, and the volume of business. Every operator should discuss their particular needs with their insurance agent. You might start your discussion by considering these types of coverage: (1) **Product liability insurance** for injuries which may arise out of products that are raised and/or sold by you. (2) **Premises liability insurance** to protect you if you should cause injuries to the public or damage property belonging to the public. (3) **Employer's liability insurance** (either legal or statutory) to protect you in event of injuries to your employees. (4) **Physical damage insurance** to protect against loss to the property owned by the operator, such as buildings, equipment and merchandise. The following are some guidelines to think about. Again, your situation may require more or less than these amounts. Do not assume that your regular homeowner or private automobile insurance will be sufficient. Contact an insurance agent that deals in business insurance needs. [Don Cook, Farm Bureau Insurance]

State Board of Economic Security: Get a copy of the "Handbook for Workmen's Compensation and Unemployment Insurance." Ask for the appropriate forms.

Building Safety Department: If your building is permanent, a portion of the land where it is located should be commercially zoned. It should be at least 25 feet from the edge of the property to allow for room to pull off the highway.

Weight and Measures: Have a copy of their handbook for businesses. You will need a license and the agency will also need to check all scales and equipment

for accuracy on items being sold by weight. Generally, if you sell packages or units this will not apply.

County Planning and Zoning: If the market site is outside municipality corporate limits, you will need to contact your local office.

Municipality Planning and Zoning: If the market is to be located inside corporate limits of a municipality, the municipal office will need to be contacted.

Small Business License: A business license may not be needed if you are selling on your own property. A state sales tax permit will be needed. If you are located within city limits, you need a sales tax permit from the city, and you must comply with the zoning laws of the city.

State Department of Revenue: State tax withholding is a critical area. Save yourself financial stress by complying with all tax withholding requirements. Be sure to register as a business.

Internal Revenue Service: Federal withholding information for social security and income tax can be obtained from this agency. This will include both employees and business inheritance.

Social Services; County: Procedures for redeeming and obtaining reimbursement for food stamps.

Federal Agencies: There are never any guarantees that you will never be inspected by the Environment Protection Agency (EPA) or the Occupational Safety and Health Agency (OSHA). You should be aware of their regulations and respond accordingly.

Organic Produce: If you plan to market organic labeled produce, you should know that the Organic Foods Product Act (OFPA) of 1990 was adopted as part of the 1990 Farm Act to establish national uniform standards for organic foods, which would provide assurance to consumers that food marketed as organic meets a prescribed set of uniform standards.

OFPA provided for the appointment of a National Organic Standards Board (NOSB) of private sector individuals to advise USDA on materials for organic production and other aspects of program implementation. Since March 1992, the NOSB has been developing its recommendations through an intensive public-input process.

NOSB finalized most of its basic program recommendations on organic production and product-handling standards, and the accreditation process for certifying agents, at its meeting in Santa Fe, New Mexico, in June 1994. NOSB recommendations on the national list of allowable synthetic and prohibited natural materials are underway. Proposed regulations promulgated by USDA for implementation of the program are expected this fall with final regulations by summer 1995. USDA's Agricultural Marketing service is currently studying the demand for organic products. [Information was provided by Julie Anton, AMS. (202) 720-8331]

Perishable Agricultural Commodities Administration (PACA): This agency has licensing and bonding requirements for persons buying and/or selling produce across state lines. This helps provide financial responsibility without recourse to court suits.

State Standardization: This agency controls quality standards of fruit and vegetables being sold through roadside markets. Markets are subject to periodic inspection.

State Highway Department: If your business is outside the incorporated limits of a municipality along any state or federal highway, they will want to check the following items of concern:

- is the market off the legal road right-of-way?
- do your advertising signs obstruct a driver's visibility?
- the number of access points and how access to the property is controlled.
- distance from intersections.

New Food Labeling Law: On May 8, 1994, a new mandatory nutrition labeling program will go into effect for most processed products (including vegetables) sold at retail. The Nutrition Labeling and Education Act of 1990 (NLEA), administered by the Food and Drug Administration (FDA), will require most food processing firms to conform to new food labeling regulations. A listing of fourteen nutrients and food components must be provided to consumers, with disclosure of several other nutrients (such as thiamin and niacin) being optional. Products packed prior to May 8, 1994, may be sold in the market without the new labels. However, any product packed for retail sale after May 7, 1994, must be packed in containers bearing the new comprehensive nutrition-information labels.

NLEA regulations are expensive and can be categorized as follows:

- Mandatory ingredient labeling for standardized foods and certified colors (effective on May 8, 1994).
- Voluntary labeling of raw fruit, vegetables, and fish.
- All other labeling regulations, including mandatory nutrition labeling, percent-juice labeling, nutrient-content-claim definition, health-claim labeling, format changes, and others.

The NLEA does provide some exemptions from mandatory nutrition labeling. Exemptions exist for:

- Small businesses
- Foods served in restaurants and other food service establishments,
- Foods to be processed, labeled, or repacked at another site,
- Foods prepared at retail level,
- Food containing insignificant amounts of all required nutrients.

Modifications to nutrition labeling rules are allowed for foods sold in small packages. Processors will have to provide required nutrition information at the point of consumer purchase. For foods sold in intermediate-sized packages, use of a modified labeling format will be allowed. Foods sold from bulk containers will have nutrition information prominently and conspicuously displayed at the point of purchase.

Many consumers base their initial purchase of a product in part on nutrition information provided on the label. A 1990 survey indicated that about three-fourths of respondents reported at least sometimes reading and being influenced by nutrition labels when considering the purchase of a product for the first time. However, other factors such as habitual buying, brand loyalty, and price are also important determinants of purchase and consumption patterns. Supermarket promotions that feature point-of-purchase nutrition labeling have been found to encourage purchases of frozen and canned products when accompanied by selection and preparation tips. [Based on material prepared by Elizabeth Prazao, ERS. 202-219-9864]

Health Department, County: County health department regulations apply whenever the health of clientele could be affected. Fruit stands or other types of food distribution are common examples. Every county has different regulations but the following tips may help direct marketing operations preparing to sell food products to the public.

1. Keep all foodstuffs off the ground. Different counties require different heights.
2. Usually home-canned materials are not allowed to be sold.
3. Raw honey should be labeled as such for the seller's protection.
4. Necessary methods to ensure against contamination of food

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| <p>by insects, rodents and other animals must be taken.</p> <p>5. Store empty crates in a clean and sanitary manner.</p> <p>6. Ensure that garbage is properly disposed.</p> <p>7. Properly refrigerate all perishable foods such as milk, eggs, and meat.</p> <p>8. Do not cut fresh fruit to serve as samples to clientele.</p> <p>9. Comply with all building codes and permits.</p> | <p>Extension Marketing Committee. University of Delaware, Cooperative Extension. 1975. 66 pages.</p> <p>Hall, Charles R. and David W. Moorman. Handbook For Establishing And Operating Farmers' Markets. Texas Agricultural Extension Service. B-1665. 52 pages.</p> <p>Ingalsbe, Gene and James L. Goff. How To Start A Cooperative. U. S. Department of Agriculture. Cooperative Information Report No. 7. 1987. 51 pages.</p> <p>Olmi, Antonio M. Selecting The Legal Structure For Your Firm. U.S. Small Business Administration. Management Aids Number 6.004. 5 pages.</p> |
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CONFUSED? WHERE TO GO FOR HELP!!!

SMALL BUSINESS ASSISTANCE OFFICE, ARIZONA STATE GOVERNMENT (1-800-542-5684)

The Arizona State Government Commerce Department of Small Business Assistance* will help make up a customized package concerning: licenses, insurance, taxes, and laws. Before calling answer the following questions.

1. Structure of ownership? (company, private, corporation, etc.)
2. Location of actual operation?
3. Building structures?
4. Sales by unit or by weight?
5. Employees?
6. Personally grown or resale?

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EXAMINING INSURANCE NEEDS IS ESSENTIAL TO MARKETING

Farmers' markets, roadside stands, U-Pick vegetable and fruit operations, and Christmas tree farms are on the upswing. Consumers enjoy selecting from freshly picked produce, and many like picking it themselves.

For anyone to begin one of these operations or to continue an existing one, the usual business considerations must be made. One must determine the market and know how to serve it. You also need the manpower, facilities and finances to make your operation a success.

Insurance is also an important part of the financial picture. Although insurance may be expensive, you'll only be gambling everything you own if you try operating without it. Insurance is as necessary as quality products, good help and a good location in operating a direct marketing business.

While there are many optional insurance coverages available (and needed by some operators), there are some basics which every operator should have. They are: (1) **Product liability insurance** for injuries which may arise out of products that are raised and/or sold by you. (2) **Premises liability insurance** to protect you if you should cause injuries to the public or damage property belonging to the public. (3) **Employer's liability insurance** (either legal or statutory) to protect you in event of injuries to your employees. (4) **Physical damage in-**

surance to protect against loss to the property owned by the operator, such as buildings, equipment and merchandise.

Although more options may be available, these items are certainly the basics on which to build a solid insurance program. It is always wise to consult your attorney and your insurance representative to help determine your particular insurance needs. So, let's take a look at the basic hazards and the coverages related to them.

Product Liability

Chemical use: Are the chemicals safe for application to products destined for consumption or contact by humans? And,



Don Cook, manager of the Indiana Farm Bureau Insurance's underwriting department in Indianapolis, recommends that direct marketers regularly review their insurance program, especially liability coverage, with an insurance agent or attorney to make sure it is up-to-date and complete.

have you followed the manufacturer's application instructions carefully? Selecting an inappropriate chemical or the misapplication of that chemical may place the entire burden of liability on you.

Shelf life: All operators are aware of the need to keep bad produce off the shelf. Yet, while this seems obvious, sometimes they forget to keep an eye on the products they have purchased from outside sources for resale. Often, these are prepackaged items, such as honey, salad dressings, jellies, jams and other similar items. Check all products regularly to be sure they are not outdated.

Food preparation: It is extremely important that employees handling food do it properly and that your operation conforms to the health standards of your local municipality and/or state. Monitor the ingredients and the quality of the products carefully. Do not create situations where an ingredient can accidentally be put into the food product that would contaminate it. Clearly label all stored ingredients. Again, doing things the right way and being able to prove it will certainly help if a problem occurs.

Premises Liability

Condition of parking area: It is advisable to have a paved parking area, preferably concrete or asphalt. If you use gravel or stone for your parking facility, be sure that you use very small stone or gravel. The larger rocks increase the chance of someone twisting an ankle, falling and being injured. In addition, having parking along a highway or road certainly can create safety problems. Traffic congestion with inappropriate parking facilities could put you in a contributory liability situation. Another area of concern is utilizing an open field or lot. Often these areas have holes, ruts or mounds of dirt which can cause a fall. All unpaved areas should be maintained regularly to keep them as smooth as possible.

Steps, ramps and handrails: Steps always present problems, whether located along sidewalks, at building entrances or inside a building. Ramps also present problems, but, if kept gently sloping, they generally are better. Whether you use steps or ramps, always make sure strong and solid handrails are in place. It is a good idea to follow a regular routine of checking the steps, ramps and handrails to be sure that they remain in good, safe condition.

Equipment and animals: Farm equipment and animals are often close to the market. Children tend to look at farm equipment as something to climb on and animals as something to pet. Consequently, it is advisable to take precautions to try to keep the public, especially children, away from both. Since children frequently do not recognize the dangers associated with farm machinery and animals, responsibility for injuries could be absolute.

Unusual hazards: Each operation may have a hazard which presents a unique exposure. You should look for ways people can be hurt and then look for sound methods of protecting against injuries from those potential problem areas. Some common hazards are:

- A wood stove that a person, especially children, could brush against or touch and be burned.
- Playground-type equipment which is provided for the customers' children. An insurance underwriter would certainly discourage the use of this equipment, even though customers seem to prefer it.
- Hayrides, pony rides or buggy rides. Again, these present the possibility of absolute liability. These operations are usually discouraged by underwriters. However, these may be the attractions you feel are needed for

your operation. In this case, it's important to understand the tremendous liability potential these present and the accompanying insurance expense for this exposure.

- U-Pick or U-Cut operations often provide rides to the field. The ride may be on wagons, trailers or special carts pulled by horses or tractors. These methods of transportation can present some serious liability exposures. Some suggested ways of controlling these are:

- Do not cross a public road with these types of vehicles. Do not use the vehicle if it is muddy enough to create ruts. (Remember, tomorrow that same ground may be dry, and ruts can make the ride very rough and hazardous.)

- Do not use the vehicle in areas where there could be a sharp drop-off. A drop-off of just a few inches could cause the vehicle to overturn if the wheel leaves the path.

- Do not operate the tractor at high speeds. Pulling wagons, trailers or carts at a slow speed is usually best. These units seldom have springs, and hitting a rut or hole can jostle the passengers severely or throw them off of the unit, which can cause injuries.

In addition, some wagon-type units do not trail well at the higher speeds and are subject to whipping.

- In U-Pick orchard operations, the public should be allowed to pick only from the ground. The use of

ladders, whether they belong to you or the customer, can cause some serious liability exposures.

- In a U-Cut Christmas tree operation, customers should not be allowed to use chain saws, whether they are yours or their own. In fact, you should do the cutting—not the customer.
- In U-Cut operations, the field should be checked daily and the remaining stumps cut off at the ground. Untrimmed stumps may cause trips and falls.

Liability to Employee

The employee situation is one to be extremely careful about. In some states, worker's compensation is mandatory. In others, the employees may not be covered by the worker's compensation act

unless the farmer has opted to bring them under the act. This is an area of interpretation in some jurisdictions. It is always advisable in cases where statutory participation is not required that you discuss

this matter very carefully with an attorney well-versed in your state's law concerning employer responsibilities. Most hazards relating to employees can be minimized with a thorough training program and the use of proper safety equipment (shields on machinery, safety glasses, masks, etc.) True, the added training and use of safety equipment will take a little more time and money, but it can sure save a lot of grief (and money) in the long run.

Insurance is as important to direct marketing and farming as good equipment

Property Insurance

Theft and vandalism losses can usually be avoided or at least minimized by being able to secure the building or sales area. However, there is not a lot you can do

about produce that you leave out in the open.

From a fire standpoint, wiring should be checked to assure it is in good condition and that circuits are not overloaded. In addition, heating with portable heaters requires special caution. The area in which they are to be operated should be examined carefully to determine if combustible materials are nearby. If so, heaters should be moved or relocated to avoid combustibles.

As far as wind is concerned, you should attempt to try to make everything as secure as possible. Do not leave doors standing open. Either they should be closed and latched or, if left open, they should be secured in the open position. Anchoring outdoor signs and other items that might easily blow away is usually relatively easy. Properly securing such outdoor items also reduces potential liability claims.

These are the very basics. The items are simple and common, but it's surpris-

ing how often they are overlooked. But the most common question asked about liability insurance is, "What limit of liability should I buy?" This question is not easily answered because of the changes in awards made by juries in recent years.

In the past, net worth was considered a good limit of liability. However, courts now tend to ignore this and base the award on what they perceive the injury to be. This could be in excess of the limit you have purchased. Because of these uncertainties surrounding liability claims, it is best to buy all the liability insurance you can.

Cost of Insurance

The cost of this insurance is decided by several factors. These include the size and type of the operation, and unusual hazards which may exist (such as hayrides, playground equipment, pony rides, farm ponds, etc.).

Some farm-owners' policies include coverage for the operation of a small roadside stand, while others may not. Ask your insurance agent. When the coverage must be purchased separately, the cost can vary from a few dollars to thousands of dollars. It depends primarily on the size of the operation and the type of hazards involved.

Property insurance is easier for most people to establish. Here, you need to determine amounts of insurance, perils desired, and the deductible best suited to your financial position.

The amount of insurance is relatively easy to determine. You insure for what the property is worth. Remember that most policies provide coverage on an actual cash value basis and not on the replacement cost. Replacement cost coverage may be available only as an option and on certain types of property (usually only on your dwelling).



Shown above is a good example of how to reduce the risk of accidents in the parking area of a roadside market. This clean and smooth asphalt parking lot covers a large area near this winery shop and slopes gently up to the entrance, eliminating the need for steps. The entrance way is also well-maintained

The operator should consider a policy which provides protection against loss caused by fire, wind, hail, explosion, smoke, vehicles, vandalism and theft. Broader package policies may be available. The larger the operation, the more important the broader perils may become.

You should also examine the cost of at least a couple of deductible options. These can help keep your premium more reasonable. The cost will vary by the type of policy and may run anywhere from as low as a few cents per \$100 of coverage to several dollars per \$100 of coverage. The amount of insurance, perils, and deductible selected will affect the cost. However, other factors which may be beyond your control can also influence the cost, such as fire protection and available water supply.

After reading this article, you may feel that roadside stands and similar operations may not be on the upswing. It really is not as bad as it may seem. Most of the insurance related items mentioned have common sense solutions. In fact, common sense is the best guide to controlling hazards associated with a farm market or, for that matter, with any farm operation.

The hazards and insurance needs are real. Don't be lulled into a false sense of security because you have a farm-owner's policy. Learn to read your policy and ask your insurance agent when you have questions. You could stand to lose everything if you take your insurance for granted.

Insurance is as important to direct marketing and farming as good equipment. In fact, insurance is the one piece of farm equipment that works for you 24-hours a day.

Before making a major change to your farming activities, it's important to visit with your insurance agent and your attorney. Both can offer good, sound advice that will pay big dividends. And that's what direct marketing is all about.

by Don Cook, manager, Farm Underwriting Dept., Farm Bureau Insurance, 130 East Washington St., P.O. Box 1250, Indianapolis, IN 46206. Phone: (317) 263-7200.

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HOW GROWERS CAN REDUCE LIABILITY RISKS

*Insurance coverage and safety
are still your best defense*

Fruit and vegetable growers, like other businessmen and women, face some liability risk every time they make their produce available for public consumption. But there are basic business practices they can use to help reduce the likelihood of liability suits being filed.

"Regrettably, there is no way to prevent a lawsuit being filed against you in most circumstances," says Donald L. Uchtmann, a professor and acting head of the University of Illinois' Department of Agriculture Economics and an Extension agricultural law specialist. "A consumer may believe that pesticide residue on fruits or vegetables made him sick." A U-pick customer or delivery person may break a leg on your property and believe it's your fault. An employee may be injured on the job or your dog might bite a neighbor. Or, while driving your truck to town, your employee may hit a pedestrian.

"While growers can't anticipate every potentially damaging circumstance, growers can increase the chances of successfully defending the suit if and when it is filed. They can also insure against remaining risks that are unavoidable."

Before addressing these steps, growers need an understanding of the overall legal issues involved in liability. Growers may

be liable for injury or property damage to a third party because they acted negligently, because an employee was negligent or because of special circumstances in which the law allows recovery even in the absence of fault on the part of the defendant.

Types of Liability

Uchtmann says it is important that growers have a reasonably clear definition of the legal terms. For example, negligence can be defined as a lack of care under the circumstances.



Photos: University of Illinois Ag Communications

Donald Uchtmann, University of Illinois ag law specialist, says there is no way to prevent a lawsuit being filed against you in most cases. However, by stressing safety and health awareness at your farm market, you can reduce the risk of lawsuits.

"This is an imprecise definition because the very concept of negligence is intended to be flexible," he says. "In essence, growers may be liable for personal injury or property damage to third parties when their failure to be careful is the cause of an injury or an accident."

A blatant example of negligence would be to knowingly allow a defective ladder to be used in a U-pick operation.

"Whether a grower acted carelessly is usually a question that a jury answers using its collective common sense, unless an out-of-court settlement is reached," he says.

Respondent superior is another legal concept that places liability for an employee's negligent acts upon the employer.

"A key provision is that the act occurred in the performance of the employee's duties or within his or her scope of responsibility," Uchtmann says. "The law broadly defines 'within the scope of employment, so an employer cannot escape liability simply by ordering the employee to do all the work carefully."

Premises liability is another component of negligence. Uchtmann says the general rule is that landowners or tenants are not liable for someone injured on the premises unless the landlord or tenant is at fault. Landowners could be at fault if they were negligent, or if they intentionally injured the entrant.

"If the entrant is a trespasser, the probability of the owner or tenant being liable is very low, but liability could arise if 'excessive force' is used to remove the trespasser or if the trespasser is intentionally injured."

Product liability laws are also important to those growers who sell directly to consumers. Plus, product warranties can be expressed or implied.

"Express warranties" involve a positive statement about the product. One ex-

ample would be a label noting that, "This fruit has not been sprayed with Pesticide X in the last 10 days." Implied warranties arise automatically, such as the implied warranty that fruits or vegetables sold are of reasonable quality.

"If a product does not live up to the express or implied warranty, and if the consumer is injured as a result, liability can arise," he said. "In contrast, strict or automatic liability does not require evidence of either breach of warranty or fault. Strict liability may be present whenever a product is sold in an unreasonably dangerous condition. Fruits or vegetables with certain pesticide contamination could be viewed as unreasonably dangerous."

Workmen's Compensation

Workmen's compensation laws provide an example of liability even though the person has not been negligent. Where such laws apply, the employer is automatically liable for specified amounts when an employee is injured on the job.

"Agricultural employment is exempt from workmen's compensation laws unless the employer hires more than 500 worker days of labor per fiscal quarter," Uchtmann says. "Growers involved in direct marketing operations should be aware that the sales activities of employees working at roadstands and other marketing facilities are not clearly agricultural in nature, which means direct marketers may not be able to use the agricultural exemption."

Dog bites provide another potential for liability without show of negligence. In Illinois for example, a dog that attacks without provocation and injures people peacefully conducting themselves in places where they may lawfully be exposes its owner to automatic full liability for any injuries.

Recent changes in Illinois law have also affected a grower's potential liability. Several changes were made last summer in

the liability law in response to the "alleged insurance crisis" in the state.

"Under prior law, if an accident occurred and the defendant (say, a grower) was 10% at fault and the injured party was 90% at fault, the injured party could still receive 10% of his damages from the grower," says Uchtmann. "Now, under the comparative negligence rule, defendants cannot be held liable unless they are more than 50% at fault."

Other changes include some limitations on claiming punitive damage (compensation exceeding actual damages), procedural changes which discourage frivolous suits and modification of the joint and several liability rules. Uchtmann says fruit and vegetable growers from other states can contact their extension agricultural law specialist for more specific information.

Protecting Against Liability

"With this background, a grower is ready to take some steps to protect against liability," says Uchtmann. "I recommend several simple and basic actions."

"First, be very careful and cultivate a safety consciousness among those who work in your business. People who are concerned about safety and are constantly reminded to be careful are less likely to be negligent."

"Growers should also make the premises as safe as possible. If the premises are safe, the probability of injury to a cus-

tommer, delivery man or others is reduced. They should avoid extra label use of pesticides. In particular, don't apply pesticides not approved for the particular fruit or vegetable, and don't apply approved pesticides too close to harvest."

"A grower should also create as much good will as possible. If someone is injured on the premises, be as helpful as you can. And last, keep your dog away from customers."

Uchtmann says being careful is not enough. It is important for fruit and vegetable growers to appreciate the risks of liability inherent to their businesses and to take appropriate steps to insure these risks. Adequate insurance protection is a must.

Growers should thoroughly discuss their operations with their insurance carriers, paying particular attention to any possible need for premises liability, product liability and workmen's compensation coverages.

"You can't prevent the lawsuit," says Uchtmann. "But making sure your operation is as safe as possible and having appropriate insurance coverage are the best two ways to manage the liability risk."

Editor's note: For more information, contact Donald Uchtmann, Agricultural Law Specialist, Cooperative Extension Service, 151 Bevier Hall, University of Illinois, Urbana, IL 61801 or call (217) 333-1829.

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PRODUCTION OF FRESH FRUITS AND VEGETABLES AS IT RELATES TO DIRECT MARKETING

Robert E. Call¹

It is difficult to define all the personal and financial characteristics of any individual that lead to success. However, if any one attribute were to be identified, it would be management ability. Fruit and vegetable farmers must have the ability to juggle several activities at once. These include planting, cultural care, irrigation, pest control and harvest of several different crops at once while doing so in a timely manner. Managing labor and pleasing customers is another aspect that must be done as well as record keeping of finances and crop production. Growing produce crops requires daily observation of the crop and making decisions in a timely and appropriate manner. The other half of the job is selling your products for a profit so you can plant and produce next year.

Production of horticultural crops is a highly technical interplay of science, art, hard work and salesmanship. The science of production can be learned from many information sources but the art of production comes through experience. Hard work begins with planning during the winter months and continues through planting, cultivation, pest control, harvest and marketing. Production of a crop is only half the battle. The ability to sell the crop at prices that will return a profit requires as much skill and hard work as growing the product. The "glamour" of living on the land fades quite fast as a grower has a mature crop and no home for it. It must be remembered that perishable produce is consumed or spoiled in days to weeks after it is harvested.

Successful farming requires initiative, experience, favorable weather, imagination, management, timing, hard work and sometimes plain luck! Before getting started in large scale production ask yourself the following questions to the right:

Question	Answer
1. Do you grow a vegetable garden and keep it weed free?	A positive response does not guarantee success, but a negative answer indicates you may not be interested in the tiresome but critical aspect of growing vegetables - weed control.
2. Do you grow enough fruit and vegetables to can and freeze or would you rather buy produce in the off-season?	People who spend the additional time to can and freeze may be more self reliant and willing to work the extra hours required to be successful.
3. Do you keep records on personal income, monthly bills and expenses or detailed production records?	Precise and continuous record keeping is critical to success. Today's grower can't wait until tax time to find out if any money was made.
4. Do you have additional family members to work on the farm?	Net profits after labor costs may be small. Perhaps you're better off employing family members rather than hired labor. Evaluate your own situation.
5. Do you have adequate savings or off-farm income to cover cash expenses while growing fruits and vegetables?	Cash flow is critical on the farm as most expenses are incurred during the spring and payment may not be made for several months after harvest.
6. Can you afford a net income loss for the first 3 to 5 years?	Experience is expensive and it may take several years to learn to grow and market successfully.
7. Have you developed a 5 or 10 year long-range plan and goals that are written down?	Have a carefully planned goal. It helps get you through the tough times.
8. Do you consider farming a lifestyle or a business?	It better be both if you expect to be successful.

Production Planning

One of the most commonly asked questions is “What should I grow?” The answer is quite simple, “Grow what you can sell for a profit.” Generally marketing will direct production. However, determining what and how much of each crop that should sell is difficult.

Two distinct and inclusive categories of markets are available for the sale of vegetables and fruits. These are: 1) fresh produce markets, which usually provide higher returns per unit but require high and consistent quality. Large markets such as grocery and restaurant chains require large quantities which small growers can not usually satisfy; and 2) processors, who provide a steadier market which is less subject to daily price changes which are caused by over or under production. They can also handle large quantities of product and usually have contracts with growers to harvest at certain time intervals to keep their processing facilities operating over a long period of time.

If you want to sell to chain stores and restaurants, you may need to pool your products with other growers and sell through a shipper/broker. In that case your returns will only be about 15 to 25 percent of what retail prices are.

Most new growers of produce are usually better off trying some type of test marketing of direct marketing on a small scale before committing to a specific strategy. Options include, but not limited to, pick-your-own (PYO), roadside stands farmers markets or mail order marketing. However, there are barriers to market entry. For example if a farmers market does not exist it can be very difficult getting one established. Or if your location is poor perhaps a roadside stand may not have the traffic volume to support it. Risk assessment must be done on any new marketing strategy. (See the article on “Assessing Risks and Finance Requirements” in the Market Analysis and Pricing Section).

New growers are encouraged to visit existing operations and talk to the owners. Also speak with local restaurant and grocery store owners. Generally they would prefer to buy high quality, homegrown products. A potential buyer wants not only to know you have a desire to supply quality products, but that you have the ability to produce a quality product in sufficient quantity. The first few years are critical as you seek to gain a reputation as a reliable producer of quality products.

Established markets may take rather large quantities of produce if demand is high. You plan for this. Some vegetables, such as sweet corn, tomatoes, snap beans and melons are usually pre-picked for sale at PYO operations. The reason is that the general public can not judge crop maturity by appearance or feel. Succession plant is imperative to meet the market demands through the growing season. Other crops that can be sold as pre-pick or PYO products. These include bell and chili peppers, eggplant, carrots, potatoes, beets, turnips, cucumbers, cabbage, broccoli, parsley, pumpkins and various summer and winter squashes. If you have in your marketing area people from different regions of the country or ethnic groups, grow products that they enjoyed in their native areas. For examples people from the southern United States enjoy okra, black-eyed peas, collards, turnip and mustard greens. People from Asia enjoy bok-choy, dikon radish, and various greens. However, these can have limited appeal, so beware of over production for local markets.

Production of fruits can be very rewarding. Tree fruits and nuts like apples, pears, peaches, apricots, cherries, plums, citrus, pistachios, pecans and walnuts require a commitment for 20 to 30 years or longer. Spring frost problems can decrease production or wipe it out for the entire year. However, the trees still will need capital investment and labor to keep them growing for next year’s crop. Labor for harvest can be great and pick-your-own marketing will reduce harvest costs,

however, many orchards that have plantings of 20 to 30 acres generally sell only 10 to 20% of their crop to PYO customers. The large majority are sold already picked in bags and boxes to commercial customers. This necessitates a packing line which is a major capital investment. Small fruits like grapes, strawberries, raspberries, blackberries, currants and gooseberries will produce marketable crops in the 3rd or 4th year. Production can last from four to eight years in the case of strawberries and brambles and many, many years for other small fruits. For example some grapes will be productive for 50 to 75 years. Small fruits are labor intensive when it comes to harvest and lend themselves well to pick-your-own operations. These fruit plants are shorter lived than tree fruits and therefore more easily changed over to other crops.

In addition to markets, the decision on what to grow will be determined by how much labor, land, equipment and capital you have available. Many vegetables present potentially high returns but also require high capital investment. Generally, the higher the return on a crop the higher the risk. For example sweet corn is relatively easy to produce and market locally, however, the return will be much less that for bell peppers or broccoli, which are more difficult to grow and sell. Also low labor requiring crops might be preferred unless family members are available to work. Sweet corn requires less labor than crops like tomatoes or cucumbers which are picked throughout the season and lend themselves to PYO operations.

Markets not only influence what and how much you choose to grow, but also how it is grown. For example, a pick-your-own market might dictate that a grower produce pole tomatoes or pole beans that can be over the season rather than bush type varieties which will produce for a short period of time and then be tilled under and replanted. Early producing varieties will capture the early market which is usually more lucrative.

Once the appropriate marketing plan and list of potential crops have been developed, the production potential of these crops in the producer's operation should be determined. Although yields vary greatly by location, "good yield" estimates for tree fruits, nuts, small fruits, and vegetables are given at the end of this article. Producers should consider four areas when evaluating the production potential for fruit and vegetable crops. These are: production resources, cost assessment, risk assessment and operation evaluation.

Production Resources. Important production resources to consider are land, water, labor, capital, management and machinery. There is a great variance in soil types and weather patterns even in a relatively small area and must be considered when selecting fruit or vegetable crops for production. When evaluating land and water resources, producers need to consider soil types, topography, wind control, previous cropping history of the site, irrigation system and length of growing season.

The soil type will influence the crop selection process. Some crops can be grown in a wide variety of soils while others need specific soil types. Topography affects the length of the growing season and air and water drainage, light intensity and field erosion. Wind can severely damage fruit and vegetable crops, especially crop stand and quality. Previous crop production can be critical to the success of a fruit or vegetable enterprise. A previous crop on the same field can influence the type of pests and weed problems that the crop will experience. Also, it is important to know the history of the field regarding what pesticides and herbicides have been used on the site and what if any carryover of chemical residues exists.

In order to produce most fruit and vegetable crops an irrigation system is needed. Producers can use ground or surface water with various irrigation technologies, (flood, furrow, sprinkler,

drip) depending on soil types, topography, labor and available capital. Also, irrigation districts plus local, county and state laws may dictate when, how and where you irrigate.

In some cases the short growing season of many vegetable crops allows producers to double and even triple crop plots of land. Several advantages of multi-cropping are that low prices or crop failure may not result in a total loss for the season. It may be possible to keep labor employed for longer periods, thus increasing the chances of having labor when needed. Some crop rotations may decrease the chance of pest buildup and lessen fertility loss. Low pre-harvest capital requirement crops may be used to provide cash for high preharvest capital requirement crops. The ability to sell more than one product produces more traffic, generates repeat consumers, and allows marketing over a longer season. Some disadvantages of multi-cropping are: more management skill and knowledge about each crop's culture is required; labor and harvest scheduling may become more challenging if planting and harvest overlap for different crops; the days to harvest will decrease or increase as temperatures increase or decrease for the same crop; the number of pest problems may increase; and field and harvesting equipment needs may conflict and require more capital investment for the purchase of more equipment. Many of the before mentioned advantages and disadvantages also exist for normal diversification among fruit and vegetable producers growing crops simultaneously on different pieces of land.

Size of operation and crops produced dictate the amount of labor required. Producers should consider when, how much and what type of labor is needed. The timing of labor requirements depends on the crop and its growth pattern. Some crops are more labor intensive during the growing season, while others require more labor at harvest. Labor can come from various sources - family members, area

students, local people, unemployment offices, migrant labor or in the case of PYO farms harvest labor from your customers. No matter what the labor source producers need to check the laws and regulations regarding hired labor.

Since some tasks will be regarded as difficult by laborers and labor might not be available, producers should consider using machine energy instead of human energy if possible and financially feasible. Machinery can increase the investment costs but decrease the operating costs of the operation. Some examples of harvest equipment are bean pickers and sweet corn pickers.

In starting most enterprises capital is an important consideration. The amount of capital required, rate of interest, opportunity costs and availability are all very important areas of consideration. Capital resources of other current enterprises should be considered as well as off-farm income and/or some type of commercial financing. Costs of capital are affected by attitudes of lenders toward new enterprises, the amount of risk involved and interest rates.

Producers should consider crop capital requirements and their own capital constraints carefully when selecting fruit and vegetable crops. Establishment of most fruit and vegetables requires large amounts of capital. For example, fruit trees, small fruits and asparagus require significant start-up capital with little or no income for three to five years. Tomatoes require large amounts of labor if they are staked and tied.

Management is an essential part of fruit and vegetable operations. Producers need to consider their management skills when starting any new enterprise. Evaluations should be made of how much experience they have growing fruits and vegetables and other crops that have similar cultural requirements. Also, they should consider if assistance is available to them when problems arise and if they

are willing to seek that assistance when needed.

Commercial fruit and vegetable production requires different growing practices and skills than home gardening. Most horticultural crops require daily observation by the manager in order to control pests and manage other potential problems. The saying, "If you can see the weeds from your truck in a field it is past time to control them," is true. It is much easier to control small weed seedlings than large mature weed plants. Producers with little experience who are not willing to seek and use outside information resources substantially reduce the likelihood of being successful with fruit and vegetable enterprises.

Producers need to evaluate the machinery they own and determine if it is suitable for fruit and vegetable production. Can the machinery currently owned be converted for the new enterprise? How expensive is new or used machinery and is it available? Are custom operators available for hire at affordable rates for special operations? Generally fruit and vegetable operations do not require large tractors and implements for cultivation and other cultural practices.

Cost Assessment. Before a new crop or crop mix is placed into production, producers should estimate as completely as possible all costs associated with such production. Direct costs of operation can be estimated based on input requirements and costs. Some new crops require the purchase of costly new equipment or irrigation systems and the location of new sources of labor and other inputs. Equipment costs should be amortized. Special costs should be accounted for that are associated with different sources of input. Also, the amount of income normally received for other uses from the acreage allotted to the new crop should be in the cost estimates. For instance, if the fruit/vegetable production site is currently

used for wheat production, producers should also consider the amount of net income that could have been generated from wheat.

Producers should consider labor and irrigation requirements and their associated costs very closely. Depending on operation size, labor may be a very significant expense. Some crops will require a great deal more labor at planting and harvest than at other times during the production process.

Comparative cost estimates can be useful to evaluate irrigation systems, labor, equipment and other production inputs. Producers can create different input cost scenarios for their various options and select the most efficient. Cooperative Extension can provide useful information to perform cost analyses using crop budgets. (See the article that follows on Estimating Costs of Production.) This information is available for most vegetable and field crops that grow in your county. Contact your local Cooperative Extension Office to obtain this information.

Risk Assessment. After market and farm management decisions have been made, producers should look at the risk involved with each of the enterprises considered. Risk is said to exist when the outcome of an activity is not certain. From the probabilities or estimated probabilities of potential outcomes for an activity, the level of risk associated with that activity can be estimated. Fruit and vegetable producers should be concerned with the probability of disastrously low or negative returns. A small probability of a loss, sufficient to financially destroy a producer, may be "too big a gamble to take". Each producer should evaluate such "gambles" in light of his/her own financial strength and willingness to take risk. (Refer to the article on "Assessing Risks and Finance Requirements" in the Market Analysis and Pricing Section).

Operation Evaluation. After each year of production, it is important for producers

to evaluate their operation. Record keeping done throughout the production period is very useful in the evaluation process. Records should be financial and operational in nature. Financial records should include start-up expense, capital equipment list, cash flow statements, balance sheets and income statements. Operation records should include day-to-day operations and production practices such as when, where and what varieties were planted, fertilizer inputs, pesticides and herbicides used and rates, date and method of spraying, irrigation times and amounts, harvest dates and labor requirements. Also during the year write down notes of ideas that come or ways to improve production. You will not remember many thoughts you had yesterday if they were not written down. These records help producers locate problems or potential weakness that should be addressed and where inputs should be increased or decreased. Tracking specific products for a week or randomly during the marketing season will provide a snapshot of the value of specific products in your marketing program. The evaluation process also helps growers isolate areas of production and management where they need to learn more. Continuous learning and a sound record keeping system are critical to the success of fruit and vegetable operations.

Special Considerations. Fruit and vegetable production is very different from the extensive type of agronomic crops that are grown on large acreage. One acre of vegetables is equivalent to several acres of agronomic crops in terms of capital inputs and management. For example the management time and capital inputs needed to grow and market one acre of quality sweet corn is roughly equivalent to 50 acres of field corn because of insect pressure and harvest costs. Or the harvest of one acre of zucchini through the growing season is equivalent to 100 acres of cotton or wheat because the acre of summer squash must be harvested several times a week for several months.

Producers' Expectations. Farmers should realize that fruit and vegetable crops are not the salvation they are seeking if they are in financial distress. If producers have extreme debt problems and have overextended their credit, fruit and vegetable crops will not clear their debts away. Fruit and vegetable crops can help increase producers' incomes but only with a very high level of management and a fairly high degree of risk. Some studies by universities and experiment stations show potentially high returns per acre. It should be remembered that such information is based on small, intensively managed plots which at times are smaller in scale than a good sized family garden.

Planning. Producer's should make detailed plans of new enterprises well before planting. Market alternatives should be identified and evaluated; field layout and production resources should be planned. All potential crop options should be evaluated in light of particular objectives and resource limitations (land, labor, capital and management).

Knowledge. Producers should objectively evaluate their own abilities, constraints and knowledge relative to growing fruits and vegetables. If they need management assistance and/or information the availability and accessibility of such sources should be considered. The growers willingness to seek out information and assistance should be evaluated. Many books and magazines are available on topics necessary to produce and market quality products. Seminars, conferences, short courses and grower organizations are great places to gather information. Both from presentations and others who are involved in the same business.

Self education and knowledge can be gained by doing small experimental plantings of promising varieties or potential cultural practices. This will enable the grower to see if they are as good in the field as the normal varieties or cultural practices with out the cost in

terms of time and money of a large planting. Cooperative Extension, Experiment Station, Land Grant University and industry personnel can assist growers with on-farm trials.

Much of this article was adapted from: "Should I Grow Fruits and Vegetable? Identifying and evaluating the Possibilities." by Rennee M. Lloyd et. al. Oklahoma State University Cooperative Extension Facts Sheet No. 180.

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FROM:

Direct Farm Marketing and Tourism Handbook.

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Yields of Tree Fruits, Nuts and Small Fruits

Tree Fruit	Good Average Yield/A	Yield/Tree	Sales Unit
Apples, semidwarf	660 bushels	4 bushels	bushel (42 pounds)
Cherries *	30,000 pounds	120-200 pounds	lugs (20 pound)
Peaches, nectarines *	250 bushels	2-3 bushels	1/2 bushel (25 pounds)
Pears	400 bushels	2-3 bushels	bushel (50 pounds)
Plums *	200 bushels	2 bushels	1/2 bushel (pounds)
Citrus	Good Yield (60 lb. Field Box)	Yield/Tree (60 lb. Field Box)	Sales Unit
Grapefruit	1000	10	Field box (60 pounds)
Kumquats	300	1.5	Field box (60 pounds)
Lemons	800	8	Field box (60 pounds)
Limes	500	5	Field box (60 pounds)
Mineolas	340	5	Field box (60 pounds)
Oranges			
AZ. Sweet	650	6.5	Field box (60 pounds)
Blood	650	6.5	Field box (60 pounds)
Navel	250	2.5	Field box (60 pounds)
Valencia	650	6.5	Field box (60 pounds)
Tangerines (Mandarins)	600	6	Field box (60 pounds)
Nuts	Good Yield/pounds/A	Pounds/Tree	Sales Unit
Almonds	1,800 in shell	25	pound
Pecans	2,000 in shell (1,000 kernal)	50 (25)	pound
Pistachios	2,000	17-20	pound
Walnuts	4,000 in shell (1,600 kernal)	100	pound
Small fruit	Good average yield/Acre	High Yields	Sales Unit
Blackberries: Thorned	4,000 pounds	6,000 pounds	gallon (6 pounds) or pound
Thornless	6,000 pounds	9,000 pounds	gallon (6 pounds) or pound
Blueberries (need pH 4.5-5.5)	5,000 pounds	7,000 pounds	pound
Grapes	8,000 pounds	10,000 pounds	bushel (44 pounds) or pounds
Red raspberries	4,000 pounds	6,000 pounds	pints (12 pints=11-15 pounds)
Strawberries	7,000 pounds	10,000 pounds	quart (1.5 pounds) or pound

*(Spring Frost Damage Possible)

YIELDS OF VEGETABLE CROPS

Vegetable	Average ¹ Yield in the United States (cwt/acre)	Good Yield ¹ (cwt/acre)	Average/100 ft. ² of row (pounds)	Sales Unit ³
Artichoke	75	100	30	Crate (25 pounds) or each
Asparagus	25	40	30	Crate (32 pounds) or pound
Bean, bush	40	100	120	Bushel (28 pounds)
Bean, pole	55	100	150	Bushel (28 pounds)
Bean, Lima	30	40	25-50 shelled	Bushel (32 pounds)
Beets	140	200	150	Crate, bunched doz. (45 pounds)
Broccoli	85	110	100	Bunch (14-18)) or head (1.5 pounds)
Brussels sprouts	125	160	75	Carton (25 pounds)
Cabbage, market	250	300	150	Carton or bag (50 pounds)
Cantaloupe (muskmelon)	140	200	100 fruit	Crate (40 lbs.)
Carrot, topped	280	350	100	Sacks (50 pounds)
Cauliflower	100	150	100	Head (1 pound) Carton (25 pounds)
Celeriac	-	200	60	Bushel (50 pounds)
Celery	500	700	180 stalks	(Crate 60 pounds)
Chard, Swiss	-	150	75	Bushel (20 pounds)
Corn, market	80	120	10 dozen	Dozen or crate (40-60 pounds)
Cucumbers, market	110	250	120	Bushel (48 pounds)
Eggplant	200	250	100	Bushel (33 pounds)
Endive, escarole	140	180	100	Bushel (25-35 pounds)
Garlic	130	160	40	Cases (5, 10, 30) pound
Horseradish	-	80	20	Bushel (50 pounds)
Lettuce	230	350	50	Carton (20,30,50 pounds)
Melon, Persian	120	150	75 fruit	5 lbs each (carton 30 lbs)
Melon, Honeydew	180	250	125 fruit	5 lbs each (carton 30 lbs)
Okra	-	100	100	Bushel (18 or 30 pounds)
Onion	310	400	100	Bag or bushel (50 pounds)
Pea, climbing	40	60	40	Box (10 pounds) Bushel (28 pounds)
Pea, bush	28	40	20	Box (10 pounds) Bushel (28 pounds)
Pepper, bell	110	200	60	Bushel (25 pounds)
Pepper, chili (dried)	40	60	8	1/2 Bushel (15 pounds) Crates (10 pounds)
Pepper, Pimento	40	60	8	Bushel (30 pounds)
Potato (Irish)	250	350	100	Bags (5, 10, 15, 20, 50 pounds)
Pumpkin	-	400	100	Each (10-20 pounds) 1,000 pound bulk bins
Radish	-	-	100 bunches	Bushel (30 pounds) or 4 dozen bunch
Rhubarb	-	50	25	
Rutabaga	-	400	100	Bushel or bag (25 or 50 pounds)
Spinach, market	70	150	40 50	Bushel (20 pounds)
Squash, summer	-	300	150	Lugs (20 or 28 pounds)
Squash, winter	-	400	100	Each (5-20 pounds) 1,000 pound bulk bins
Sweet potato	115	200	100	Bushel (50 pounds)
Tomato, market	170	200	100	Bushel (50 pounds) or carton (10-20 pounds)
Turnip (roots or greens)	-	300	50 100	Bushel (50 pounds)
Watermelon	115	200	40 fruits	Each (15 to 25 pounds) 1,000 pound bulk bin

¹ *Knott's Handbook for Vegetable Growers*. Oscar A. Lorenz and Donald N. Maynard, 1980. John Wiley and Sons, Inc., New York. pp. 299-300.

² *Growing Your Own Vegetables*. 1977. USDA Agriculture Bulletin 409, p. 109.

³ *Net Weights and Processed Yields of Fruits and Vegetables in Common Retail Units*. C.M. Sabota and J.W. Courter, 1986. Horticulture Marketing Fact Sheet #3. University of Illinois Cooperative Extension Service.

³ The Packer 1993. *Produce Availability and Merchandising Guide*. Volume 100, No. 53, Overland Park., Kansas.

ESTIMATING COSTS OF PRODUCTION

by James C. Wade, Lew Daugherty, Russell Tronstad¹

This article describes some of the basics on how cost estimates are determined for The University of Arizona, Cooperative Extension Field and Vegetable Crop Budgets (Wade, et al.). An example for growing red chiles in the Kansas Settlement area of Cochise county is given. The cost estimates given are illustrative rather than a statistical estimate of growing costs for the Kansas Settlement area. Crop production techniques, operations, and procedures can vary with local conditions and farmer preferences.

Growers, lenders, and other users of this information should recognize the representative nature of these income and cost estimates. Some growers may be more efficient, others less so. Adjustments to yields, prices and input requirements may be needed to refine the estimates of income and costs in an actual situation.

The table descriptions that follow give clarifying definitions and assumptions where such information is needed.

Descriptions of Budget Tables

The Arizona Crop Budgeting System provides five tables to describe the details of each crop production system and

the costs of production. These tables are labeled as follows:

- Table A. Income and Operating Cost Summary**
- Table B. Allocation of Ownership Costs**
- Table C. Variable Operating Costs**
- Table D. Resource Requirement and Cash Flow**
- Table E. Schedule of Operations**

All five tables are provided for each budgeted crop with the table number designating the budget and the following letter designating the table. These tables are ordered to provide 1) general summaries of cost, 2) detailed categorization of costs and 3) the technical information required to compute the costs. Each table is briefly described in the following paragraphs.

Income and Cost Summary (Table A)

Table A for each budget provides a summary of the estimated income and operating costs incurred in producing the specified crop. The total income estimate is the sum of the contributions toward projected income of all products produced by the cropping system, including any subsidies. The income projection is followed by cost summaries for Labor, Chemical and Custom Application, Farm Machinery and Vehicles, Irrigation, and Other Purchased Inputs and Services. Subtotals are provided for Cash, Land Preparation and Growing Expenses, and Cash Harvest and Post Harvest Expenses. Estimates of Operating Overhead for Pickup use and Operating Interest are listed separately. These costs, including sales taxes where appropriate, are summed to provide an estimate of cash operating expenses. The final entry in the table provides an

Table SA. Income and Cash Operating Cost Summary, Red Chiles, 1993

COUNTY: Cochise FARM: SE AZ Vegetables WATER SOURCE: Ks HG TILLAGE: Conventional
 CROP: Chile, Red ACRES: 1.0 IRRIGATION SYSTEM: Flood Furrow SOIL: Sandy-Loam
 AREA: Kansas Settlement YIELD: 2,000.0 lb/Acre PREVIOUS CROP: Wheat, Winter DATE: 08/04/93

Item	Unit	Quantity	Price /Unit	Budgeted /Acre	Total /Acre	Your Farm Budget
INCOME -> Red Chile	Pound	2,000.00	\$0.5000	\$1,000.00	\$1,000.00	-----
CASH LAND PREPARATION AND GROWING EXPENSES (including sales tax)						
Paid Labor (including benefits)					165.65	-----
Tractor/Self Propelled				32.11		-----
Haul				104.76		-----
Irrigation				26.98		-----
Other/Contract				1.90		-----
Chemicals & Custom Applications					156.40	-----
Fertilizers				84.64		-----
Insecticides				17.10		-----
Herbicides				36.37		-----
Other Chemicals				18.29		-----
Farm Machinery and Vehicles					53.01	-----
Diesel Fuel				17.42		-----
Repairs & Maint.				35.59		-----
Irrigation (excluding labor)					247.74	-----
Natural Gas/Pumping				218.11		-----
Repairs & Maint.				29.62		-----
Other Purchased Inputs & Services					162.75	-----
Seed/Transplants				162.75		-----
TOTAL CASH LAND PREPARATION AND GROWING EXPENSES					705.54	-----
CASH HARVEST AND POST HARVEST EXPENSES						
Paid Labor (including benefits)					41.34	-----
Tractor/Self Propelled				1.64		-----
Other/Contract				39.70		-----
Farm Machinery and Vehicles					2.25	-----
Diesel Fuel				0.02		-----
Repairs & Maint.				1.43		-----
Custom Harvest/Post Harvest					550.00	-----
TOTAL HARVEST AND POST HARVEST EXPENSE					593.58	-----
OPERATING OVERHEAD--PICKUP USE					18.49	-----
OPERATING INTEREST AT 8.5%					20.73	-----
TOTAL CASH OPERATING EXPENSES					\$1,418.34	-----
RETURNS OVER CASH OPERATING EXPENSES					(\$418.34)	-----

Notes: The above figures do not include ownership costs, see Table SB on Page 26 for detailed cost allocation.

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estimate of the RETURNS OVER CASH OPERATING EXPENSES.

Important Assumptions: Several important assumptions are made in estimating the Operating Costs of Table A.

- 1). That all labor costs are paid including allocations for employee benefits.
- 2). Interest on operating loans is assumed paid.
- 3). Yields are estimated using historical averages and trends for the crop and technology considered (5 year averages).
- 4). Crop price estimates are based on commodity trend and out-

look information (5 year averages).

- 5). Costs of individual input items are derived from extensive data surveys and are reported in the appendixes of each crop budget.

The costs of this table are detailed in Table C and described in a following section.

Allocation of Ownership Costs (Table B)

Table B provides a summary of the allocation of ownership costs and the resulting expected returns of the enterprise. The first three lines of this table

Table 5B. Allocation of Ownership Costs; Red Chiles, 1993

Item	-- CASH COST BASIS (\$/ACRE) --		- TOTAL COST BASIS (\$/ACRE) -	
	Income & Costs	Net Returns	Income & Costs	Net Returns
TOTAL INCOME at \$ 8.5000/lb	\$1,000.00		\$1,000.00	
TOTAL OPERATING EXPENSES	1,418.34		1,418.34	
RETURN OVER CASH OPERATING EXPENSES		(\$418.34)		(\$418.34)
CASH OVERHEAD EXPENSES				
Taxes, Housing & Insur., Farm Machinery	4.96		4.96	
Wells & Irrig. System	13.13		13.13	
Gen. & Off. Overhead (5% of Tot. Oper. Exp.)	70.91		70.91	
General Farm Maint. (3% of Tot. Oper. Exp.)	42.55		42.55	
Total Cash Overhead Expenses	131.55		131.55	
Total Cash Oper. & Over. Cost	1,549.89		1,549.89	
RETURNS OVER CASH OPER. & OVER. EXPENSES.		(549.89)		(549.89)
CAPITAL ALLOCATIONS (100% Equity)				
Capital Replacement, Machinery & Vehicles			26.61	
Wells & Irrig. System			53.55	
Interest on Equity, Machinery & Vehicles			15.53	
Wells & Irrig. System			33.51	
Total Capital Allocations			129.20	
RETURNS TO LAND, CAPITAL, MANAGEMENT & RISK		(549.89)		(549.89)
RETURNS TO LAND, MANAGEMENT & RISK				(679.09)
Land Cost...Rent or Lease	45.00		45.00	
Total Land Costs	45.00		45.00	
RETURNS TO MANAGEMENT, CAPITAL & RISK		(594.89)		(594.89)
RETURNS TO MANAGEMENT & RISK				(724.89)
Management Services (4% of Tot. Oper. Exp.)			85.18	
TOTAL OWNERSHIP COST	176.55		390.85	
TOTAL COST	\$1,594.89		\$1,889.28	
RETURN TO MANAGEMENT, CAPITAL & RISK		(\$294.89)		(\$294.89)
RETURN TO RISK (PROFITS)				(\$89.28)
BREAK-EVEN PRICE TO COVER OPERATING COST (PER lb)		\$8.78		\$8.78
BREAK-EVEN PRICE TO COVER OWNERSHIP COST		\$8.88		\$8.19
BREAK-EVEN PRICE TO COVER TOTAL COST		\$8.79		\$8.30

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are summaries of the information from Table A.

Two sets of columns provide information on a "Cash Basis" and on a "Total Cost Basis." The distinction is important. The long term profitability of the enterprise requires that all costs (not just cash costs) be paid.

Cash Basis includes all costs that are paid in cash to laborers, materials vendors, and custom operators, including those costs and interest paid to lending agents. Land rent, land taxes, and irrigation assessments are assumed to be paid in cash if applicable for the budgeted farm.

Total Cost Basis includes (in addition to those cash items described previously) allocations for costs which may or may not be paid in cash, but which are normally not

paid in cash. These costs include allocations for capital replacement of farm equipment, opportunity interest on farm equipment and farm land, and non-paid labor and management.

An overview of the table shows that CASH OVERHEAD EXPENSES include estimates for Taxes, Housing, and Insurance on Farm Machinery (including vehicles) and Irrigation Equipment (excluding ditches). General Overhead and General Farm Maintenance are estimated as percentages of the Total Operating Expenses. Estimating procedures for Taxes, Housing, and Insurance are more complex and are documented elsewhere. This group of costs is designated as "cash costs" since they are generally paid in cash during the cropping year.

CAPITAL ALLOCATIONS are designated on a "Total Cost Basis" since they may or may not be paid during the crop-

ping year depending upon the equity/debt structure of the farm and the capital replacement strategy used. Farmers often replace capital equipment with large “lump sum” purchases. New equipment is then depreciated for tax purposes and replaced when worn out or when personal tax strategy calls for replacement. The funds for such purchases will be borrowed capital, equity capital, or a combination of the two. Interest will be cash interest on borrowed capital and/or opportunity interest on equity capital. Capital replacement is based on an average year utilization of the equipment. Capital replacement estimates and interest costs for Farm Machinery, Vehicles and Irrigation Equipment are shown in Table B (Daugherty and Wade).

Land costs are either cash in the form of Rent, Lease, or Taxes; or non-cash in the form of Opportunity Interest on Equity Investment in Land. Thus, land charges are considered on both “Cash” or “Total Cost Basis.” Management Services are estimated on “Total Cost Basis” by taking a percentage of Total Operating Cost as is the common practice of professional farm management farms, since these costs may or may not be paid by the grower depending upon the farm’s organization. Most owner- or renter-managed farms will not pay these costs directly.

Table B also provides estimates of net returns at various levels of allocation of ownership costs. The level of net returns depends on whether one examines costs on a “Cash Basis,” or a “Total Cost Basis.” Returns Over Cash Operating Expenses, Returns Over Cash Operating Expenses and Overhead, Returns to Land, Management and Risk, Returns to Management and Risk, and Returns to Risk (Profits) are all listed in Table B. Each requires a brief explanation.

RETURNS OVER CASH OPERATING EXPENSES are the difference between Total Income and the Cash Operating

Expenses. If positive, these returns represent the funds available to pay overhead, ownership expenses, land expenses, and management services plus profits.

RETURNS OVER CASH OPERATING EXPENSES & OVERHEAD are the residual funds available after Cash Operating and Cash Overhead expenses are paid (excluding cash land costs). These funds are available to pay for equipment capital usage, land usage, and management services. These returns are identical to **RETURNS TO LAND, CAPITAL, MANAGEMENT & RISK**.

RETURNS TO LAND, MANAGEMENT & RISK further reduce the funds available by extracting the costs of equipment capital usage through Capital Allocations. These include the costs of Capital Replacement and opportunity interest on equipment. The grower is assumed to have 100% equity in all equipment. Thus, these costs are considered non-cash and are allocated on a “Total Cost Basis” only. These costs might be partially cash as noted above in the category **CAPITAL ALLOCATIONS**.

RETURNS TO MANAGEMENT & RISK are the returns remaining after charges for land usage have been extracted. Land clearly represents a dilemma in the allocation of costs since it can be cash in the form of rents or leases, or can be partially cash and partially “economic” cost. For 100% equity ownership of lands, the cash costs are for taxes. However, opportunity interest on land ownership is charged for the “Total Cost Basis.”

RETURNS TO RISK (PROFITS) further reduce the net returns for the costs of Management Services. This charge is made on a “Total Cost Basis” only, since many farmers do not directly pay the cost of such management services. Returns to Risk represent the purest level of profits after all resources have been allocated an appropriate portion of the returns.

Table 5C. Variable Operating Costs; Red Chile, 1993

COUNTY: Cochise		FARM: SE AZ Vegetables		WATER SOURCE: Kx NG			TILLAGE: Conventional					
CROP: Chile, Red		ACRES: 1.0		IRRIGATION SYSTEM: Flood Furrow			SOIL: Sandy-Loam					
AREA: Kansas Settlement		YIELD: 2,000.0 Lb/Acre		PREVIOUS CROP: Wheat, Winter			DATE: 08/04/93					
First No.	Month	Operation	Hours * ---			Operating Costs (\$/Acre*)			Tot. Cash Expense	Class		
			Machine	Labor	Fuel/Eqs.	Labor	Dust/Ser.	Materials			Total	Times
1	Jan	Plow	0.321	0.357	6.18	2.83		8.93	1.0	8.93	L	
2	Feb	Disk	0.225	0.258	3.45	1.98		5.43	2.0	10.86	L	
3	Feb	Laser Level	0.980	2.000	12.09	14.56		26.65	0.3	8.00	L	
4	Feb	Landplane	0.225	0.258	3.82	1.98		5.80	0.5	2.90	L	
5	Feb	List	0.180	0.200	2.03	1.59		4.42	1.0	4.42	L	
6	Mar	Apply Herbicide/Ground	0.158	0.167	2.87	1.33	36.37	39.77	1.0	39.77	G	
7	Mar	Buck Rows	0.023	0.025	0.24	0.20		0.44	5.0	2.18	G	
8	Mar	Preirrigate		0.424	25.63	2.81		28.44	1.0	28.44	G	
9	Mar	Disk Ends	0.022	0.025	0.18	0.20		0.38	4.0	1.53	G	
10	Mar	Apply Fers/Ground	0.158	0.167	2.50	1.33	27.01	31.64	1.0	31.64	G	
11	Mar	Mulch	0.225	0.258	3.00	1.98		4.98	1.0	4.98	L	
12	Apr	Plant	0.225	0.258	3.05	1.98	173.40	179.31	1.0	179.31	L	
13	Apr	Irrigate		0.279	17.09	1.85		18.94	12.0	227.28	G	
14	May	Cultivate	0.200	0.222	2.38	1.76		4.14	5.0	20.71	G	
15	Jun	Thinning		16.667		104.76		104.76	1.0	104.76	G	
16	Jun	Apply Fers/Ground	0.225	0.258	4.26	1.98	29.57	35.81	1.0	35.81	G	
17	Jun	Apply Fungicide/Air					4.71	6.18	18.81	3.0	32.43	G
18	Aug	Irrigate/Run Fertilizer		0.279	17.09	1.85		27.26	46.20	1.0	46.20	G
19	Aug	Apply Insecticide/Air					4.32	2.84	6.36	1.0	6.36	G
20	Sep	Prepare Ends	0.022	0.025	0.31	0.20		0.51	1.0	0.51	H	
21	Oct	Pick 2000.0 Lb					500.00	500.00	1.0	500.00	H	
22	Oct	Load Produce		6.000		39.69		39.69	1.0	39.69	H	
23	Oct	Haul, Custom 1.0 Tn					50.00	50.00	1.0	50.00	H	
24	Dec	Cut Stalks	0.164	0.182	1.94	1.44		3.38	1.0	3.38	P	
25	Dec	Disk Residue	0.129	0.143	2.14	1.14		3.28	1.0	3.28	L	
		Pickup Use 0H 0L/Ac	2.67H		10.49					10.49	G	
		Operating Interest at 8.50%					20.72			20.72	G	
TOTAL CASH OPERATING EXPENSES:					\$321.55	\$207.03	\$589.18	\$314.83		\$1,418.34	T	

* NOTES: Machine and labor hours and operating cost are for one time over the designated acreage. The "Tot. Cash Expense" column and the "TOTAL CASH OPERATING EXPENSES" row include all operations, all times over. Classes are defined below.

OPERATING COST SUMMARY BY CLASS		SENSITIVITY OF NET REVENUES OVER TOTAL CASH EXPENSES (\$/Acre)							
		Prices →	-25%	-10%	Budgeted	+10%	+25%		
Land Preparation (L)	\$222.68								
Growing (G)	577.10								
Harvest (H)	598.19								
Post Harvest (P)	3.37								
Marketing (M)	0.00								
Operating Overhead (O)	39.21								
Total (T)	\$1,418.34								
		Yields	\$0.37	\$0.45	\$0.50	\$0.55	\$0.62	Break-even	
		-25%	1,500.0	-721.68	-609.18	-534.18	-459.18	-346.68	0.85
		-10%	1,800.0	-698.22	-563.22	-473.22	-383.22	-248.22	0.76
		Budgeted	2,000.0	-682.57	-532.57	-432.57	-332.57	-182.57	0.71
		+10%	2,200.0	-666.93	-501.93	-391.93	-281.93	-116.93	0.67
		+25%	2,500.0	-643.47	-455.97	-330.97	-205.97	-18.47	0.63
		Break-even Yield		10,727.27	5,476.09	4,120.70	3,313.44	2,556.28	

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Table B concludes with an estimate of the break-even prices of the primary output considering all of the costs previously described and the assumed yield. Break-even prices are those commodity prices below which all resources will not be paid.

Variable Operating Cost (Table C)

Table C provides the detail costs of each operation required to produce the crop. The operations are listed sequentially, with the machine and labor hours required to produce one acre displayed in the first two columns after the operation name. The next five columns give the Machine, Labor, Custom, Materials, and Total Costs for completing the operation one time. The next column gives the number of times

the specific operation will be performed. The final cost column gives the Total Expense (Cash) for the total number of times the operation is performed. The final column classifies the operation as either Land Preparation (L), Growing (G), Harvest (H), Post Harvest (P), Marketing (M), or Overhead (O). The total cost for each of these categories is presented at the end of the table. A sensitivity of Net Revenues over Total Cash Expenses examines changes in net returns with changes in price and yield of the produced commodities.

All costs presented in this table are variable operating expenses. No ownership costs are presented. A line entry (if appropriate) following the last operation describes the assumptions for pickup truck usage.

Operating Interest is included as the last line of the table and represents the interest paid on the cash operating expenses excluding pickup truck costs. Total Cash Operating Expenses summarizes the total cost for each category for the total number of times the operations are performed. The specific physical details of operations are presented in Tables E, including assumed job rates, materials, applications rates, equipment requirements, labor requirements, and custom costs.

Table C also includes a summary of cost by Class of Operation; Land Preparation (L), Growing (G), Harvest (H), Post Harvest (P), Marketing (M) and Operating Overhead (O). Finally, Table C includes a sensitivity (break-even) table of net returns over Total Cash Expenses.

Resource and Cash Flow Requirements (Table D)

Resource and Cash Flow Requirements are summarized in Table D by month where the abbreviations P, C, and N represent Previous Year, Current Year, and Next Year, respectively. The Current Year is defined as the calendar year in which harvesting of the output takes place. Summary columns give information on the number of irrigations, water applied, and labor required in each month. Variable (cash) operating expenses are subdivided into Water, Machine, Labor, Chemical, Other Purchases, and Services for each month. The last column gives the Total Cash required to pay variable expenses in each month. These dates all are based on the schedule and calendar of operations described in Table E.

Table 5D. Resource and Cash Flow Requirements; Red Chile, 1993										Page 28	
COUNTY:	Cochise	FARM:	SE AZ Vegetables	WATER SOURCE:	Co NG	TILLAGE:	Conventional				
CROP:	Chile, Red	ACRES:	1.0	IRRIGATION SYSTEM:	Flood Furrow	SOIL:	Sandy-Loam				
AREA:	Kansas Settlement	YIELD:	2,000.0 Lb/Acre	PREVIOUS CROP:	Wheat, Winter	DATE:	08/04/93				
Month *	Number Irrig.	Water Applied (Inches)	Total Labor (Hrs)	Purchased Water	Fuel, Oil & Repairs	Operating Cost (\$/Acre) Labor	Chemicals	Other Purchases	Services	Total	
JAN C		0.85			13.00	6.30				19.30	
FEB C		0.92			0.37	6.95				7.32	
MAR C	1.0	6.0	0.93		32.11	6.85	64.18			103.14	
APR C	1.0	4.0	0.67		22.60	5.82	10.73	162.75		201.18	
MAY C	3.0	12.0	1.10		54.07	7.70				61.77	
JUN C	3.0	12.0	18.24		60.71	116.20	35.67		4.71	217.29	
JUL C	3.0	12.0	1.33		56.45	9.46	6.10		4.71	76.72	
AUG C	3.0	12.0	0.83		51.27	5.54	35.40		9.83	101.24	
SEP C		0.82			0.31	0.20				0.51	
OCT C		3.60				23.82			330.00	353.82	
NOV C		2.40				15.88			220.00	235.88	
DEC C		0.32			4.00	2.50				6.50	
Pickup Use 80 Mi/Ac					18.49					18.49	
Operating Interest at 0.5%									20.73	20.73	
Total	14.0	58.0	31.26		321.55	206.99	152.00	162.75	589.18	1,418.34	
%					22.67	14.59	10.72	11.47	41.53	100.00	
TOTAL RESOURCES REQUIREMENTS(/Acre)				TOTAL ENERGY REQUIREMENTS(/Acre)							
Total N	236.1 lbs			Diesel Fuel	20.4 Gal						
Total P	106.0 lbs			Regular Gas	0.0 Gal						
Total K	0.0 lbs			Nonlead Gas	0.0 Gal						
Total Labor	31.2 Hrs			Natural Gas/Pumping	469.0 Therms						
Total Water	58.0 AI			All Direct Energy	50.7 M BTU						
EQUIPMENT REQUIREMENTS(/Acre)											
Tractor, 125 PTO HP, MFWD	1.46 Hrs	Moldboard Plow, 4-16 2 Way	0.32 Hrs	Offset Disk, 12"	0.45 Hrs						
Drag Scraper, 18'	0.27 Hrs	Laser Receiver, Root System	0.27 Hrs	Laser Trailer	0.27 Hrs						
Landplane 12'X 45'	0.11 Hrs	Lifter, 7 Bottom	0.11 Hrs	Tractor, 100 PTO HP, MFWD	2.20 Hrs						
Rolling Cultivator, 6 Rr	1.38 Hrs	Saddle Tk Sprayer, 2 Tk 8 Row	0.15 Hrs	Rowback, 10'	0.12 Hrs						
Tractor, 40 PTO HP, MFWD	0.09 Hrs	Offset Disk, 16.5"	0.24 Hrs	Fert. Side Dress Unit, 4Row	0.10 Hrs						
Power Mulcher, 4 Rr	0.23 Hrs	Bed Shaper, 6 Rr	0.23 Hrs	Planter, Drill Type, 6 Row	0.23 Hrs						
Rotary Stalk Cutter, 4 Row	0.16 Hrs	Pickup Truck, 1/2 Ton	2.67 Hrs								
MATERIALS REQUIREMENTS(/Acre)											
Napropamide	4.00 Lb	Water, Pump	50.00 AI	11-53-00, Dry	200.00 Lb						
Chile Pepper 5d (OP)	5.00 Lb	Carbafuran	7.00 Lb	46-00-00, Urea 46	250.00 Lb						
Copper hydroxide	6.75 Lb	32-00-00, URAN 32, Lqd	28.00 Ga	0T	0.15 Lb						
LABOR REQUIREMENTS(/Acre)											
Tractor	4.25 Hrs	Other	2.30 Hrs	Irrigators	4.05 Hrs						
Hand Weederz	16.67 Hrs	Produce Loader	2.00 Hrs	Melon Steamer	2.00 Hrs						
* NOTE: P = Previous Year C = Current Year N = Next Year											
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Additional summary information totals all the requirement columns and provides plant nutrient, water, labor and purchased energy (fuels) summaries.

Finally, detailed lists of all of the equipment, labor and material requirements for the enterprise are provided.

Schedule of Operations (Table E)

The Schedule of Operations (Table E) provides the underlying information for the budgeted costs. The physical requirement and description of each operation are listed in detail, including the first

month in which the operation is performed, the number of times the operations are performed, the tractors and implements required, the job rate (acres per labor hour) of each operation, the required materials (quantity, price, and units), the prices and units of required custom (or hired) services, and the labor type used to complete the operation.

Since this table is very important in defining the physical elements of the budgeting process, each column is described in some detail on the following pages.

Table SE Schedule of Operations; Red Chilea, 1993										Page 29
COUNTY: Cochise		FARR: SE #2 Vegetables		WATER SOURCE: Ka Ho		TILLAGE: Conventional				
CROP: Chile, Red		ACRES: 1.0		IRRIGATION SYSTEM: Flood Furrow		SOIL: Sandy-Loom				
AREAS: Kansas Settlement		YIELD: 2,000.0 Lb/Acre		PREVIOUS CROP: Wheat, Winter		DATE: 08/01/93				
First No.	Month	Times	Operation	Equipment/Custom Oper. HP Self-Prop./Implem.	Job Rate Acres/Hr	Material Use & Cost Name	App. Rate	\$/Unit	Service Cost \$/Unit	Labor Type
1	Jan	1.0	Plow	125 Moldboard Plow, 4-16 2	2.00					Tractor
2	Feb	2.0	Disk	125 Offset Disk, 12'	4.00					Tractor
3	Feb	0.3	Leaser Level	125 Drag Scraper, 10' Leaser Receiver, Next 5y Leaser Trailer	1.00					Tractor Other
4	Feb	0.5	Landplane	125 Landplane 12'X 45'	4.00					Tractor
5	Feb	1.0	Lister	125 Lister, 7 Bottom	5.00					Tractor
6	Mar	1.0	Apply Herbicide/Ground	100 Rolling Cultivator, 6 R Saddle Tk Sprayer, 2 Tk	6.00	Naopropamide	4.00 Lb	5.66 Lb		Tractor
7	Mar	5.0	Back Row	100 Rowlock, 10'	90.00					Tractor
8	Mar	1.0	Preirrigate		2.36	Water, Pump	4.00 RI	51.25 AF		Irrigator
9	Mar	4.0	Disk Ends	40 Offset Disk, 16.5'	40.00					Tractor
10	Mar	1.0	Apply Fert/Ground	100 Feet. Side Dress Unit,	6.00	11-53-00, Dry	200.00 Lb	261.06 Tn		Tractor
11	Mar	1.0	Mulch	100 Power Mulcher, 4 R	4.00					Tractor
12	Apr	1.0	Plant	100 Bed Shaper, 6 R Planter, Drill Type, 6	4.00	Chile Pepper Sd (0 Carbofuran	5.00 Lb 7.00 Lb	31.00 Lb 1.46 Lb		Tractor
13	Apr	12.0	Irrigate		3.58	Water, Pump	4.00 RI	51.25 AF		Irrigator
14	May	5.0	Cultivate	100 Rolling Cultivator, 6 R	4.50					Tractor
15	Jun	1.0	Thinning		0.06					Hand Weed
16	Jun	1.0	Apply Fert/Ground	100 Rolling Cultivator, 6 R Feet. Side Dress Unit,	4.00	46-00-00, Drea 46	250.00 Lb	225.32 Tn		Tractor
17	Jun	3.0	Apply Fungicide/Rir	CSI Rir Spray, 7 Gal RI		Copper hydroxide	2.25 Lb	2.50 Lb	4.71 Ro	
18	Aug	1.0	Irrigate/Ran Fertiliz		3.58	Water, Pump	4.00 RI	51.25 AF		Irrigator
19	Aug	1.0	Apply Insecticide/Rir	CSI Rir Spray, 5 Gal RI		32-00-00, URAM 32, BT	24.00 Ga 0.15 Lb	167.67 Tn 12.98 Lb	4.32 Ro	
20	Sep	1.0	Prepare Ends	100 Offset Disk, 16.5'	40.00					Tractor
21	Oct	1.0	Pick	CSI Pick Red Chilea					0.25 Lb	
22	Oct	1.0	Load Produce		0.50					Produce L Belan Sta Other
23	Oct	1.0	Haul, Custom	CSI Haul Red Chilea					50.00 Tn	
24	Dec	1.0	Cut Stalks	100 Rotary Stalk Cutter, 4	5.50					Tractor
25	Dec	1.0	Disk Residue	125 Offset Disk, 16.5'	7.00					Tractor
			Pickup Van	00 RI/Rc Pickup Truck, 1/2 Ton	0.38					

* NOTE: Machine times, labor times, and material rates are for one time over the designated acreage.

Column Headings	Description
No.	The sequence number of each operation is provided for the ordering of operations.
First Month	The first month in which each operation is to be performed is displayed for sequencing purposes.
Times	The number of times an operation is performed is identified. An operation name may occur several times in a sequence of budget operations, but if all elements of the operation are identical (e.g., job rate or quantity of materials) then the operations will be combined into a single entry.
Operation	The operation name is identified. Some abbreviations are necessary to fit the limited space available in the table. See Table 1 for a list of these abbreviations.
Equipment/Custom Operation	This general heading identifies either 1) the combination of equipment required to accomplish the operation, or 2) the custom or hired service activity. This entry may be truncated if questions arise about the actual material, refer to the alphabetical entries in Appendixes A and B.
HP	The horsepower rating of the tractor used in this operation is identified. If no tractor is used, this entry is blank.
Self-Prop./Implem.	The implement column identifies 1) the descriptive name of an implement used in the operation, 2) the descriptive name of the self-propelled implement used in the operation, or 3) the descriptive name of a custom activity used in the operation (preceded by the abbreviation CST). Multiple lines may be required for identification of implements towed behind tractors or vehicles.
Job Rate	Job Rate (Acres/ Hr) is defined as the number of acres that can be completed per hour of labor. Machinery hours are usually fewer than labor hours. The budgeting program adjusts all job rates to provide labor and machine hours, as shown in Table C.
Material Use & Cost	Under this broader heading all materials applied during a specific operation are identified using the following information.
Name	The name or names of any fertilizer, chemical, seed, water, or miscellaneous materials used in crop production are listed (one per line). Insofar as possible, the names used are generic, non-trade names. This entry may be truncated if questions about the actual material arise, refer to Appendixes A and B.
Appl. Rate	Each material application rate is identified with the appropriate application unit.
\$/Unit	This column specifies the cost of the material with the appropriate units at which the material is purchased.
Service Cost	The cost and purchase unit (\$/ unit) of any custom operation identified in the Self-Prop./Implem. column is noted here with the appropriate purchase unit.
Labor Type	The type of labor used in the operation is identified.

The physical descriptions of the cropping operations provide the documentation of the cropping system for which cost estimates are being made.

Summary

Putting together your own cost of production estimates as was illustrated for red chiles is not an easy task. One may be tempted to pencil out just the main cash expenses and revenues. But this approach could lead to disaster if you realize that not all of your costs are being covered after a few years of operation. Taking the time to figure out your break-even price for covering variable costs, all costs, and cash costs is a vital component for pricing decisions and economic viability. If your break-even price (after covering all costs) is higher than the existing competition, then you need to consider growing something else or become innovative at lowering your costs of production. Taking the time to pencil out a detailed crop budget like the one illustrated is the first thing direct marketers

should do when starting out and update at the beginning of every year. Unfortunately, a detailed budget often doesn't happen until the money crunch is on and the financial losses are too great to recover from.

References

Daugherty, L., and J.C. Wade, 1993 Arizona Farm Machinery Costs, Extension Bulletin No. 193001, Cooperative Extension, University of Arizona, Tucson, AZ, January 1993.

Wade, J.C., L. Daugherty, R. Call, and M. Schneider. 1993-94 Arizona Vegetable Crop Budgets Southeastern Arizona, Extension Bulletin No. 193007, Cooperative Extension, University of Arizona, Tucson, AZ, August 1993.

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FURTHER READING

This is a short list of publications that may be of interest to readers of this handbook. It is not intended as a comprehensive bibliography of material on direct farm marketing and tourism, but rather as a short list of the most recent and comprehensive information in this area. Many other publications are listed at the end of individual articles in the other sections.

- Small Farm Center, University of California, Davis. ***Small Farm Handbook***. 1994. 170 pages. \$20.00
Available from: Division of Agriculture and Natural Resources, University of California, 6701 San Pablo Avenue, Oakland, CA 94608-1239. Phone: 510-642-2431, FAX: 510-643-5470
- Gibson, Eric. ***Sell What You Sow. The Grower's Guide to Successful Produce Marketing***. 1994. 302 pages. \$25.00 (including postage)
Available from: New World Publishing, 3701 Clair Dr., Carmichael, CA. 95608-2601. Phone: 916-622-2248
- Sleders, Arthur, Ransom Blakeley, Grant Wells, Robert Martin, Francis Gilman, Lynne H. Irwin and Otho S. Wells. ***Facilities for Roadside Markets***. 1992. 33 pages. \$7.00
- Schuck, Nancy, Wayne Knoblauch, Judy Green, and Mary Saylor. ***Farming Alternatives. A Guide to Evaluating the Feasibility of New Farm-Based Enterprises***. 1988. 88 pages. \$ 8.00
Both are available from: Northeast Regional Agricultural Engineering Service, 152 Riley-Robb Hall, Cooperative Extension, Ithaca, NY 14853-5701. Phone: 607-255-5701, FAX: 607-255-4080
- Hilchey, Duncan. ***Agritourism in New York State. Opportunities in Farm-Based Recreation and Hospitality***. 1993. 122 pages. \$8.50
Available from: Farming Alternatives Program, Department of Rural Sociology, Warren Hall, Cornell University, Ithaca, NY 14853. Phone: 607-255-9832.
- Hall, Charles and David Moorman. ***Handbook for Establishing and Operating Farmers' Markets***. 52 pages. (price not known)
- Hall, Charles and J.L. Johnson. ***A Guide to Successful Direct Marketing***. 1992. 32 pages. \$12.00
Both are available from: Dr. Charles Hall, Department of Agricultural Economics, Texas A & M University, College Station, Texas 77843-2124. Phone: 409-845-1751
- Feingold, Jean P. ***Creating a Farmer's Market Starting from Nowhere***. 1990. 174 pages. \$15.00
Available from: Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL, 32611.

ASSOCIATIONS

The following is a list of some of the associations that provide information, training and support for people interested in direct marketing and agricultural tourism.

American Horticultural Society, 7931 E. Boulevard Dr., Alexandria, VA 22308-1300; (703) 768-5700. 1995 dues are \$35. This is a nonprofit organization of gardeners. They have a monthly magazine, seed exchange, toll-free gardeners information service and book discounts.

Association of Specialty Cut Flower Growers (ASCFG), 155 Elm St., Oberlin, OH 44074. Information center for the fresh and dried flower industries. Newsletter, conferences, membership directory.

California Association of Family Farmers (CAFF), P.O. Box 363, Davis, CA 95617, 916-756-7420. Provides small farm advocacy, education, member networking, insurance and a bimonthly newsletter.

California Rare Fruit Growers Inc., The Fullerton Arboretum, California State University, Fullerton, CA 92634. Provides information on rare and leading-edge fruit varieties. Publishes The Fruit Gardener, a bi-monthly magazine.

The Herb Growing and Marketing Network, P.O. Box 245, Silver Spring, PA 17575-0245, 717-898-3017.

Publishes a trade journal, The Herbal Connection, and an annual guide, The Herbal Resource Guide.

International Herb Growers and Marketers Association (IHGMA), 1202 Allanson Rd., Mundelein, IL 60060, 708-566-4566. Publishes a quarterly newsletter with trade news, growing and marketing tips, and more. Holds special seminars, annual conference and a trade show. Provides excellent information on products, suppliers, etc.

National Farmers Direct Marketing Association (NFDMA), c/o Ed Stritzkes, 14850 Countryside Dr., Aurora, OR 97002, 503-678-2455. This is the national organization of direct marketers. NFDMA publishes a newsletter, acts as a resource and holds the annual National Farmers Direct Marketing Conference, usually in February of each year.

Office for Small-Scale Agriculture, H.W. Kerr, Jr., USDA/CSRS, OSSA, Ste. 328-A, Aerospace Center, Washington, D.C. 20250-2200, 202-401-1805, FAX 202-401-1804. Provides information to small-scale and specialty agricultural producers. Publishes a newsletter and the Directory for Small-Scale Agriculture.

Small Farm Center, University of California, Davis, CA 95616, 916-757-8910. Offers workshops, conferences and a bimonthly newsletter, Small Farm News. The Center also has numerous publications for sale and an extensive library.

Note: This directory is largely based on a more comprehensive directory in Eric Gibson's **Sell What You Sow!** (See reference list for full citation and how to order).

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California Association of Family Farmers (CAFF), P.O. Box 363, Davis, CA 95617, 916-756-7420. Provides small farm advocacy, education, member networking, insurance and a bimonthly newsletter.

California Rare Fruit Growers Inc., The Fullerton Arboretum, California State University, Fullerton, CA 92634. Provides information on rare and leading-edge fruit varieties. Publishes *The Fruit Gardener*, a bi-monthly magazine.

The Herb Growing and Marketing Network, P.O. Box 245, Silver Spring, PA 17575-0245, 717-898-3017.

Publishes a trade journal, *The Herbal Connection*, and an annual guide, *The Herbal Resource Guide*.

International Herb Growers and Marketers Association (IHGMA), 1202 Allanson Rd., Mundelein, IL 60060, 708-566-4566. Publishes a quarterly newsletter with trade news, growing and marketing tips, and more. Holds special seminars, annual conference and a trade show. Provides excellent information on products, suppliers, etc.

National Farmers Direct Marketing Association (NFDMA), c/o Ed Stritzkes, 14850 Countryside Dr., Aurora, OR 97002, 503-678-2455. This is the national organization of direct marketers. NFDMA publishes a newsletter, acts as a resource and holds the annual National Farmers Direct Marketing Conference, usually in February of each year.

Office for Small-Scale Agriculture, H.W. Kerr, Jr., USDA/CSRS, OSSA, Ste. 328-A, Aerospace Center, Washington, D.C. 20250-2200, 202-401-1805, FAX 202-401-1804. Provides information to small-scale and specialty agricultural producers. Publishes a newsletter and the *Directory for Small-Scale Agriculture*.

Small Farm Center, University of California, Davis, CA 95616, 916-757-8910. Offers workshops, conferences and a bimonthly newsletter, *Small Farm News*. The Center also has numerous publications for sale and an extensive library.

Note: This directory is largely based on a more comprehensive directory in Eric Gibson's **Sell What You Sow!** (See reference list for full citation and how to order).

FROM:

Direct Farm Marketing and Tourism Handbook.

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