Farm Direct Marketing for Rural Producers

The purpose of this factsheet series is to help producers and processors understand the key elements needed to manage a business. This factsheet discusses some of the basic components and strategies of farm direct marketing agricultural products and services. For the purpose of this factsheet, it is assumed that all local food product sales occur within the province of Alberta. Any sales outside the province must follow federal regulations.

Today, most food moves from the farm gate to the consumer through a highly efficient system that takes advantage of economies of scale and specialization to keep processing and distribution costs low. Most producers devote their time to what they know best, planting, growing and harvesting food, leaving the processing and marketing to agri-business. However, selling directly to consumers is growing in popularity with some producers.

Several reasons account for the increased interest in farm direct marketing. One is dissatisfaction with farm commodity prices. The farm price is often only a fraction of the retail food price. Prices for produce sold directly to consumers can be substantially higher than typical wholesale prices. Another reason is that producers value the relationships they form with the consumers, as well as the opportunity to receive immediate feedback on their products. Consumers value the fresh, quality products along with the opportunity to support local producers.

According to the *Alternative Agricultural Markets in Alberta, 2012* report and the *National Farmer's Market Impact Study* (2009) consumers are looking for freshness, product quality and taste. They visit Alberta Approved Farmers' Markets to purchase fresh, in-season, locally produced products and enjoy the social atmosphere. Farm direct consumers support local farmers and food producers, artisans and the community. The combined market value for farmers' markets and farm retail in Alberta is $878 million, up from an estimated $625 million in 2008.

Farm direct marketing provides a link between urban consumers and rural food producers. It also contributes to the rural economy by providing alternative marketing channels. Less and less of our population lives on or even visits a farm. By adding a recreational component to food consumption, many farm direct marketing enterprises draw urban people to farm communities where they experience a farm atmosphere and spend additional dollars on food, specialty items and other services. This supports sustainable communities.

What is farm direct marketing?

The basis of farm direct marketing is the trust relationship that develops between producers and consumers. Farm direct marketing allows the producer to assume the accountability and rewards of delivering quality agri-food products directly to the consumer through a variety of marketing channels such as farmers’ markets and farm gate sales. Successful farm direct marketing involves consistently supplying quality products in a clean and customer-friendly environment.

There are many regulations that apply to farm direct marketing agricultural products and services. Refer to the *Farm Direct Marketing: Know the Regulations* booklet series and Marketing Food Safely (http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/explore13314#pdf) for more information on federal and provincial regulations. For business information, log onto Alberta Agriculture and Rural Development’s website at www.agriculture.alberta.ca and search Bizinfo.
There are essential pieces of information that all farm direct marketers should develop and use to help promote their businesses. They are:

- business cards
- price lists
- product information sheets that list the varieties grown and provide some basic information about how the products are grown, quantities and quality
- preparation tips and/or recipes
- website

Any written information given to customers should also contain your business name, contact information and logo. This keeps your business identity foremost in the consumers’ minds.

**Trends affecting farm direct marketing**

Consumers want to know where their food comes from, how it is grown and the people who produce it. A growing number of health-conscious consumers are willing to search out and pay extra for foods they believe to be fresh, nutritious and wholesome. Others are interested in eating regional cuisine – local food that is picked and prepared at its freshest. This trend is reflected in foodservice as an increased demand for old-fashioned, comfort foods with a gourmet twist. These consumer demands are driving farm direct marketing.

Consumers are concerned about:

- convenience – great tasting foods to be consumed on the go
- family – they want family friendly activities in which everyone can participate
- community – they support local business
- balance – they want balance between work and family
- authenticity – they look for the simpler things in life
- security – they want to deal with people they know and trust

As consumers look for convenience, health, flavour and fun, we see the emergence of new markets:

- baby boomers
- individuals
- blended families
- health correction, e.g. weight loss
- ethnic, e.g. Asian, Italian
- organic
- students
- vacation home owners/fun seekers

Producers have an opportunity to target their products to meet the needs of these niche markets.

**Types of farm direct marketing**

Many farm direct marketing options are available to producers. Seasonal roadside stands or farm stores, u-pick operations, community-supported agriculture ventures and Alberta Approved Farmers’ Markets are all direct to consumer marketing options. Municipal buying clubs, ag tourism ventures, u-fish operations, gift basket and mail order sales, e-commerce and direct sales to restaurants (where we assume the chef is the end user) also fit into this category. A brief overview of each of these options is presented below.

*Note: This factsheet assumes all sales are in Alberta. Any sales outside the province must adhere to federal regulations. It’s important to follow safe food handling practices from production and processing through marketing and consumption.*

**Roadside stands or farm stores**

The roadside stand is usually located on the farm and sells farm fresh products directly to consumers. It is seasonal in nature, operating only when produce is available. A farm store is a larger, permanent version of the roadside stand that may operate year-round. The farm store may be located on the farm or on a nearby site, offering better access and greater traffic volume.

**Roadside stands and farm stores offer several opportunities:**

- expansion from a roadside stand to a farm store is relatively simple
- increased opportunity for family or local employment
- increased opportunity for additional profit centres such as in-store bakeries, foodservice, gift shop, etc.

**Challenges include:**

- farm stores have higher operating costs, including facility costs
- possible zoning and planning restrictions
- parking limitations

**U-pick operations**

In u-pick operations, the customer comes to the farm, does the harvesting, pays cash for the produce harvested and transports it home. This type of operation is a natural addition to a roadside stand. It lowers the grower’s costs of harvesting, sorting, packaging and marketing. The customer buys produce at peak freshness while enjoying a pleasant farm experience. Operations located close to urban centres are particularly popular.
Frequently, u-picks also offer a we-pick service where the grower harvests the produce at the request of the customer. This is advantageous for customers who want to come to the farm for the experience and the fresh produce, but don’t want to be involved in the harvest.

**U-pick operations offer several opportunities:**
- reduced need for seasonal harvest labour
- elimination of transportation, processing, packaging and storage costs
- inexpensive, word-of-mouth advertising once a customer base is established

**Challenges include:**
- risk of customer damage to produce or plants
- long hours of operation throughout the harvest season
- bad weather may deter customers during the season
- variable start date – must let customers know when harvest is ready

**Community supported agriculture (CSA)**
Community supported agriculture consists of a partnership between consumers and producers in which consumers contract or buy shares in farm products in advance and producers commit to supply a range of products over the entire season. Often, consumers have the option to participate in planting, cultivation and harvest. The arrangement can be initiated by the producer or by a group of consumers.

**CSA offers several opportunities:**
- the risk of crop failure is shared between consumers and producer
- a guaranteed market as crop is pre-sold before growing season starts
- working capital is created at planting time
- prices are close to retail if the producer makes deliveries to a central drop off point or the consumers’ homes
- reduced labour costs if consumers help with planting, harvesting and delivery
- crop waste is reduced through market driven production

**Challenges include:**
- increased management requirements due to yield calculations, co-ordination of deliveries, and detailed production and marketing records
- increased time necessary to identify and develop customer base
- more time spent educating and communicating with consumers

**Alberta Approved Farmers’ Markets**
Farmers’ markets are probably the oldest and most common form of marketing direct to the consumer. The markets are usually situated in a central location and provide a place where producers and consumers can meet to exchange products that are made, baked or grown by the seller.

Alberta Approved Farmers’ Market vendors usually share advertising and other marketing costs. However, product liability insurance is still recommended. The Alberta Farmers’ Market Association offers a group policy that meets the basic needs of each member market and vendor.

Farmers’ markets often serve as business incubators or test markets for start-up processors. Food vendors selling at Alberta Approved Farmers’ Markets have unique status under the Public Health Act and Food Regulation. Food products sold at all other venues such as public markets, flea markets and farm stores do not qualify for the same exemptions. Vendors should contact Alberta Health Services for specific information.

**Alberta Approved Farmers’ Markets offer several opportunities:**
- minimal marketing, packaging, advertising and promotion costs
- prices are higher than wholesale
- an established market base
- an inexpensive channel to test market new products

**Challenges include:**
- the need to transport products to market
- limited consumer volume per site and a potential need for additional market outlets
- variable customer base due to weather conditions
- food safety concerns in delivering perishable products at the right temperature and in food-safe containers
- having to follow market rules and regulations including table rental requirements, market hours, space and product limitations, and packaging and labelling regulations

**Common features**
The previous four farm direct marketing methods have some common opportunities and challenges.

**The opportunities include:**
- immediate cash payment
- a test market that allows farmers to start small and learn marketing skills as they go
- one-on-one customer contact provides immediate feedback on product quality, quantity and selection
• personal customer interaction provides the opportunity for customer education and promotion of the total farm experience.

The challenges are:
• washroom and parking requirements
• increased costs for sales and supervisory labour
• a need for clearly defined rules, regulations and obligations for producer and consumers
• increased liability costs as the farmer needs to ensure coverage for his product and people by not just assuming coverage under another policy such as the basic farm policy or the farmers’ market policy
• a need to develop a recall plan and an inventory control system that allows the producer to track both production and sales to provide protection through all steps of the process (production to marketing).

Municipal buying clubs
Municipal buying clubs are a marketing concept whereby the producer selects a target group of urban consumers who work in the same office building(s) or live in the same area. Product is pre-sold and delivered to consumers at a common location, on specific dates. Trust and respect is earned by providing a consistent, quality product on time. This method offers the opportunity to turn summer Alberta Approved Farmers’ Market customers into buying club members during the winter. Producers need to check the licensing and regulation requirements for the municipalities they are selling from and into.

Municipal buying clubs offer several opportunities:
• prices are close to retail because the producer makes deliveries to a central drop off point
• waste is reduced through market driven production because farmers only produce what is ordered
• there are minimum order and per pound delivery charges
• to connect with and educate customers

Challenges include:
• the increased time necessary to identify and develop customer base
• crop failure may result in loss of customers
• increased liability insurance coverage
• increased labour costs to ensure product is harvested at specific times
• increased delivery and equipment costs, e.g. coolers, etc.

Ag tourism
Busy urbanites are seeking places to go for rural recreation and learning vacations. School groups are looking to the country for educational field trips. Producers are capitalizing on this by providing opportunities for people to experience farm life. Examples include visiting a milking operation, watching sheep shearing and touring an herb garden. They are also offering hay rides, corn mazes, cross country skiing on farm trails, petting zoos for the kids, school tours, special event days and seasonal festivals. Consider charging an admission fee for special activities.

Turning your farm into a rural attraction isn’t something that happens overnight. Start by adding a shaded picnic area to your roadside stand. Expand your farm store or u-pick operation by adding new products or services to attract customers. Bakeries or restaurants, contests, hay rides, farm vacations and crafts will all attract new customers. Several farms can work together to create a destination stop for tourists.

Be prepared to put lots of time and energy into entertaining your customers. Part of the attraction for your customers is meeting the producer. So, if you don’t like people or aren’t a natural showman, think twice before getting involved in ag tourism.

Ag tourism offers several opportunities to:
• tap into new markets
• drive retail sales
• increase the likelihood of farm succession

Challenges include:
• higher capital costs
• additional labour costs, including a customer service focused staff training program
• more insurance coverage, licenses and permits
• increased costs for promotion and marketing
• large time commitment
• charging an admission fee
• constant upgrading and changing of activities, programs and facilities
• compliance with municipal and provincial regulations

U-fish operations
In u-fish operations, customers come to the farm to catch fish in a private lake, pond or dugout that has been licensed by Alberta Agriculture and Rural Development. Customers who catch fish pay either by the pound or a flat hourly rate. Many operators have a “keep everything you
catch” rule to prevent release mortalities. In most instances, a u-fish operation is additional income for a producer who raises fish for stocking purposes or the table food market.

Anglers at these private ponds do not require a provincial sport fishing license. However, when transporting fish, anglers must be able to produce a receipt detailing the date, quantity and species of fish being transported, the fish culture license number and a signature.

U-fish operations provide additional services such as rental equipment, supplies, camping facilities or other activities to round out the outdoor experience.

**U-fish offers several opportunities:**
- the promotion of fishing as a recreational activity
- a market for fish that are too large for the fingerling market
- a chance to educate customers about aquaculture
- easy access, affordable fees and high success rates

**Challenges include:**
- raising healthy fish in the closed environment of a private lake, pond or dugout
- government licensing and other regulations associated with aquaculture

**Gift baskets and mail order sales offer several opportunities:**
- premium price is the norm as prices range from one-and-one-half to several times wholesale or even retail prices for the same product (product must support at least 100 per cent mark up)
- low capital investment

**Challenges include:**
- significant time required to build client base
- seasonal, with Christmas usually a peak time
- computerized mailing list and customer purchase tracking capability needed
- distribution and delivery of product from a rural location

**E-commerce**

E-commerce is a marketing tool that uses the internet to market goods and services around the world. It can create a new market for products and services. It provides another medium to do market research and find out about the competition. It can create customer awareness and allow growth for a relatively low investment.

Website promotion is critical. The domain name or website address should be displayed on all business correspondence, including business cards, brochures, newsletters and letterhead. It should also be on all advertising. It is important to choose a domain name that has a marketing message and is easy to remember.

For additional information about e-commerce for farm direct marketed products, please refer to: How to Direct-Market Farm Products on the Internet, United States Department of Agriculture. December 2002.

**For more information or for a printed copy of the publication, contact:**
United States Department of Agriculture
Room 2646 S, Stop 0269, 1400 Independence Ave. SW
Washington, DC 20250
Telephone: 202-720-8317

**E-commerce offers several opportunities:**
- allows customers to browse at their convenience
- creates a new source of sales
- expands the services offered
- gain new business identity
- test market new products at a low cost
- scan products, services and prices quickly
- capitalize on an existing customer base
- lower overhead and labour costs
Challenges include:
• customers can’t smell the food or touch the produce
• market research is required in order to identify your target customer as only certain types of customers prefer e-commerce
• handling inquiries or complaints quickly and efficiently
• customers feel more secure if there is an office location and mailing address listed on the website
• a need to set up a secure payment file so that customers can pay online
• special packaging, shipping, advertising and labour costs
• computerized mailing list and customer purchase tracking capability needed

Common features
The previous two farm direct marketing methods have some common opportunities and challenges.

The opportunities are:
• rural locations can have access to an international marketplace

The challenges are:
• special packaging, shipping, advertising and labour costs
• products must ship well and have a long shelf life
• national and international regulations

Direct sales to restaurants
In this method of farm direct marketing, the producer is selling to the chef who, for the purpose of this factsheet, is assumed to be the end-user. Chefs are increasingly willing to buy direct from producers in order to find unique products or items that are difficult to purchase from distributors. Although some restaurants buy directly from producers hoping to get a lower price, chefs working for high-end restaurants are often willing to pay top dollar for hard-to-find items. For the very best producers, prices may be high enough to justify the expense of delivering products directly to the restaurant.

Products must be of top quality, fresh and available as needed. Specialty products, which aren’t available in wholesale markets, are top sellers. Chefs also consider price, consistency and reliability of supply and delivery.

Selling direct to restaurants offers several opportunities:
• a steady market throughout the production season
• a consistent price, often 10 to 30 per cent over wholesale
• personal contact with buyer
• flexibility in the products grown
• potential of brand name recognition of locally grown products

Challenges include:
• location is most practical if it is near a large urban centre or tourist area
• a wide variety and quantity of products is needed to meet market demand, meaning producers may have to specialize in one or two products, or co-operate/joint market with other producers to meet demand
• short-seasoned products may not fit with every restaurant or chef’s needs, so it’s important to discuss availability and reliable supply of products with chefs
• frequent delivery is required due to limited storage space in restaurant kitchens
• food safety concerns are associated with delivering perishable products at the right temperature and in food-safe containers
• product liability insurance premiums may outweigh the profits
• higher labour costs with some products
Checklist: Have you got what it takes to be a direct marketer?

Personal qualifications:
☐ I am friendly and outgoing.
☐ I like to meet people.
☐ I welcome visitors to my farm and am happy to answer their questions.
☐ I have the support and encouragement of my family.
☐ I am willing to work long hours seven days a week during the peak season.
☐ I am not afraid to take risks.
☐ I take pride in my product and I’m not shy about saying so.
☐ I am flexible, independent, creative and thrifty.

Production capabilities:
☐ I have the necessary knowledge about production methods and techniques.
☐ I know who my target clients are and what they want.
☐ I will be able to supply the variety, quantity and quality of products my customers want.

Merchandising and marketing savvy:
☐ I know how to develop a marketing strategy.
☐ I understand my target market and utilize appropriate marketing tools (i.e. business cards, customer lists, public relations, cross promotions, networking).
☐ I have a working knowledge of retail selling.
☐ I understand the principles of merchandising.
☐ There is demand for the products I plan to sell.
☐ I have a unique product.
☐ There is room for another direct market outlet in my area.
☐ I can work with neighbouring farms to co-operatively market our products and our region.

Logistics:
☐ I have the space and location for a farm direct marketing operation.
☐ I have adequate space for parking.
☐ There is convenient access to the farm.
☐ There is sufficient traffic near the farm to generate business.

Business factors:
☐ I have sufficient capital available to construct facilities and acquire equipment.
☐ I have completed a feasibility assessment and a projected cash flow.
☐ Farm direct marketing activities complement my farm production possibilities.
☐ I have good financial management practices (product costing, pricing, budgeting, cash flow and record keeping).

Other considerations:
☐ I utilize appealing display techniques to enhance my image at markets.
☐ I set prices to cover costs and make a profit, but consider market demand and competitor prices.
☐ I offer good customer service to obtain repeat business.
☐ I maintain good quality control measures for products sold.
☐ I set aside adequate time to hire and train friendly, knowledgeable staff.
Critical success factors for direct marketers

Site location:
- Visible from a distance.
- Easily accessible for the travelling customer.
- Within a reasonable distance from market and other farm direct marketing operators.
- Safe entrance and exit.
- Ample, accessible, well-drained and safe parking.
- Customer-friendly site layout.
- Satisfactory lighting.

Signage:
- Directional signs on major highways and at key intersections.
- Professionally done and well maintained.
- Easy to read (simple logo, good white space, no more than 10 words and good colour combinations).
- Hours per day and days of operation indicated on farm gate sign.

Amenities:
- Sufficient numbers of clean, accessible washrooms.
- Landscaping, curb appeal.
- Rest areas, meeting points and covered shelters.
- Food and drink sales provided.
- Safety and first aid.

Regulations:
- Check legal restrictions limiting the type of operation.
- Know zoning and building regulations.
- Check health regulations with Alberta Health Services/Public Health Inspector.
- Obtain business licenses.
- Check production and labelling guidelines with Canadian Food Inspection Agency (CFIA).
- Know commodity regulations affecting the type of products produced or sold.
- Review signage regulations with Alberta Transportation.
- Obtain labour regulations such as: Worker's Compensation, Canada Customs and Revenue Agency (GST, Income Tax and Business Number), Canada Pension Plan and Employment Insurance.
- Arrange liability insurance, both product and business.
References


Resources

For general agriculture business information, contact the Ag-Info Centre at 310-FARM (3276).

Alberta Agriculture and Rural Development publications are available on-line at www.agriculture.alberta.ca/publications or by calling 780-427-0391.

Ag-Strategies factsheet series. A series of factsheets to help producers understand the key elements needed to manage a business. Available online at: www.agriculture.alberta.ca/publications. This series includes:

- The Essentials of Pricing (FS845-1)
- Methods to Price Your Products (FS845-2)
- Pricing Processed Food Products (FS845-3)
- Pricing Horticulture Products (FS845-4)
- Farm Direct Marketing: Know the Regulations booklet series:
  - General Legislation (Agdex 844-1)
  - Food Labels (Agdex 844-2)
  - Food Claims (Agdex 844-3)
  - Meat and Meat Products (Agdex 844-4)
  - Poultry and Poultry Products (Agdex 844-5)
  - Fruits, Vegetables and Products (Agdex 844-6)
- Managing Risk for Farm Direct and Ag Tourism Ventures (FS845-10)
- Developing a Promotional Plan (FS846-1)

Ag-Alternatives factsheet series. A series of factsheets to help producers evaluate the feasibility of new agricultural or rural based businesses. Available online at: www.agriculture.alberta.ca/publications. This series includes:

- Personal and Family Considerations: Where Do You Want to Be? (FS1834-10)
- Identifying Alternatives: What are the Possibilities? (FS811-2)
- Marketing: Will it Sell? (FS848-5)
- Production Requirements: Do You Have the Resources? (FS811-4)
- Financial Feasibility: Can You Afford to Do It? (FS811-3)
- Profitability: Will it Make Money? (FS811-6)
- Decision Making: Will You Start the New Enterprise? (FS811-5)

Agri-Tourism factsheets. A series of factsheets for producers interested in agritourism ventures. Available online at: www.agriculture.alberta.ca/publications. This series includes:

- Agri-Tourism: Rural Festivals and Special Events. (FS888-3) Ag-Ventures. 2001.
- Providing Farm Tours. (FS888-4) Ag-Strategies. 2001.

Other resources


**Associations**

Alberta Farmers’ Market Association  
PO Box 69071  
13040 137 Avenue  
Edmonton, AB T5L 5E3  
Telephone: 1-866-754-2362  
Fax: 780-669-5779  
Email: info@albertamarkets.com  
Website: www.albertamarkets.com

Alberta Farm Fresh Producers Association  
Box 20 Site 3 RR1  
Okotoks, AB T1S 1A1  
Alberta toll-free: 1-800-661-2642  
Telephone: (other than AB toll free calls) 403-558-0189  
Fax: 1-866-802-8059  
Email: info@albertafarmfresh.com  
Website: www.albertafarmfresh.com

Alberta Greenhouse Growers Association  
#200, 10331 – 178 Street  
Edmonton, AB T5S 1R5  
Telephone: 780-489-1991  
Toll Free Phone: 1-800-378-3198  
Fax: 780-444-2152  
Website: www.agga.ca

Alberta Aquaculture Association  
R.R. 1, Site 3, Box 26  
Red Deer, Alberta T4N 5E1  
Telephone: 403-342-5206  
Fax: 403-342-2646  
E-mail: info@smokeytroutfarm.com  
Website: www.smofrma.ca/index.htm

North American Farmers’ Direct Marketing Association (NAFDMA)  
62 White Loaf Road  
Southampton, MA USA 01073  
Telephone: 1-888-884-9270  
Local phone: 413-529-0386  
Fax: 413-233-4285  
Website: www.familyfarms.com or www.nafdma.com

**Directories**

*Alberta Farmers’ Markets.* This is an annual listing of markets, dates, times, locations and market contact phone number. Available from Alberta Agriculture and Rural Development at 780-427-4611. Available annually online at www.sunnygirl.ca

*Come to Our Farms – Where to Find Alberta Berry and Vegetable Farms.* Available annually from Alberta Farm Fresh Producers Association at 1-800-661-AMGA (2642) or online at http://albertafarmfresh.com

*Dine Alberta:* This on-line directory contains information for producers wanting to sell directly to restaurants, for restaurants wanting to buy from producers, and for consumers who want to eat locally. It also contains a list of participating restaurants. Available at www.dinealberta.ca.

**Websites**

Appropriate Technology Transfer for Rural Areas at: www.attra.ncat.org/attra-pub/directmkt.html

This service provides information and other technical assistance to producers, ranchers, extension agents, educators and others involved in sustainable agriculture in the United States.

**More information**

Visit the Explore Local website at www.explorelocal.ca.

Contact Alberta Ag-Info Centre  
Call toll free 310-FARM (3276)  
Website: www.agriculture.alberta.ca

For more information on developing your business go to the Alberta Agriculture website  