

Direct-to-Market

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Direct-to-market channels reduce intermediary costs or the marketing margin associated with getting food from the farm to the table allowing producers to by-pass the middle man garnering a higher return for their products. There are a variety of direct-to-market channels include farmers markets, roadside stands or on-farm markets, U-pick operations, community supported agriculture organizations, food cooperatives, buying clubs, and selling direct to retailers, restaurants, institutions and even schools. The following figure provides a break-down of the food dollar:

Labor takes the biggest chunk of the food dollar



On average, farmers receive \$0.19 for each dollar consumers spend, the remaining \$0.81 is referred to as the marketing bill. The marketing includes costs associated with processing, wholesaling, distributing, and retailing of foods produced in the US and consumed in the US. Simply, it reflects the difference between the value farmers receive for the food and the amount consumers spend on food for consumption at and away from home.

Direct Marketing provides the opportunity for producers to capture more of the food dollar. The following descriptions were compiled from information provided by FoodRoutes Network (FRN), a national nonprofit organization that offers communications tools, technical support, networking and information resources to organizations nationwide that are working to rebuild local, community-based food systems. FRN is dedicated to reintroducing Americans to their food: the seeds it grows from, the farmers who produce it, and the routes that carry it from the fields to their tables.

Farmers Markets: At farmers markets, growers from the area bring their produce and products to a central location on some regular basis, usually weekly, throughout the growing season. Farmers markets offer consumers the convenience of many fresh, local products all in one place and an opportunity to meet the people who grow the food. Farmers benefit from having a ready location to sell their products as well as having the marketing support of others, often local chambers of commerce, farm bureaus or other organizations who help organize or sponsor the markets. The Georgia MarketMaker website (marketmaker.uga.edu) provides a database to find markets by county, city or zip code.

Roadside Stands or On-Farm Markets: Farm stands or on-farm markets allow consumers to buy goods directly from farmers at their own independent locations. Such stands or markets run the gamut from small sheds or trucks on the side of the road selling a single seasonal item, such as strawberries or corn, to large warehouse-sized, year-round operations with a diversity of products. Such stands can be particularly successful if they are on well-traveled roads and/or are located near other area attractions that generate traffic. They are less likely to attract local residents since their locations are typically less convenient for those living in the area, since they may not travel that particular route. The Georgia MarketMaker website (marketmaker.uga.edu) provides a database to find roadside stands and on-farm markets by county, city or zip code.

U-pick Operations: U-pick operations give consumers the unique experience of harvesting their own produce, typically fruit. U-pick farms usually operate during the summer and fall, offering a variety of items such as strawberries, blueberries, kiwis, and pumpkins. By removing the “middle-man,” U-pick operations, as well as roadside stands and on-farm markets, offer the farmer higher profits, additional income, the convenience of selling and marketing without having to leave the farm, and a direct, one-on-one relationship with the consumers. Consumer benefits include lower prices, bulk amounts for canning or preserving at reasonable prices, and the opportunity to meet, get to know, and appreciate the individual farmers and the places where their food is grown. The Georgia MarketMaker website (marketmaker.uga.edu) provides a database to find u-pick and on-farm markets by county, city or zip code.

Community Supported Agriculture (CSA): CSA is an arrangement in which community members, individually or as part of a group, buy a “share” or shares in a local farm and receive in return weekly food deliveries of whatever produce/ product is being harvested from the farm at the time. The share system provides a stable relationship for both the consumer and the farmer. Shareholder benefits include: steady stream of fresh, healthy produce; satisfaction of supporting a local business; knowledge of where their food comes from; updates and information on products and recipes from their CSA farm. Benefits to the farmers include: ability to focus efforts on growing quality products, rather than spending a lot of time marketing the products; a guaranteed steady income, allowing for more security and advance planning; better understanding by and a solid relationship with the community.

Food Cooperatives: Food cooperatives, or “co-ops,” are member-owned retail businesses that serve a community by providing high quality grocery items at a good value, often featuring locally grown and/or natural products. Members who pay fees to use co-op services typically own them. In most cases, consumers can buy from co-ops even if they are not members, but membership usually offers additional benefits, such as a voice in co-op policies, discounts or rebates for patronage, and opportunities to volunteer at the co-op itself. For more information on food co-ops, check the International Cooperative Alliance and Co-op America.

Buying Clubs: Food buying clubs are usually volunteer-run groups that place warehouse orders together for food and supplies. Members of such clubs save money by making purchases in bulk that they couldn’t do as individuals, and often gain access to specialty items not normally available in regular retail outlets. Local farmers may be able to take advantage of similar benefits if they band together to purchase certain products in bulk that they couldn’t individually afford or even to go in together on machinery that could be used by more than one farmer. For more information about buying clubs, how they work, and how to start one, the National Cooperative Business Association sells a Food Buying Club Resource Kit.

Selling Direct to Groceries and Restaurants or Other Institutions: Some local groceries and supermarkets work with local farmers to offer a small selection of locally grown and produced items, giving consumers the benefit of being able to buy fresh, locally grown food while doing their regular shopping. Certain gourmet or specialty restaurants and cafes may do the same, highlighting the use of ingredients purchased from local producers. In some areas of the country, local farmers are also pursuing relationships with schools, colleges or universities, hospitals and other institutions to provide fresh, locally grown food items for use in their cafeterias. For more information on restaurants offering local foods, see the Chefs Collaborative and its guidebook, called The Farmer-Chef Connection.

Institutions: Institutions offer a significant potential for direct market of products. However, many institutions are currently utilizing established commercial distributors to

purchase their food products. These commercial distributors are not set up to work with local producers, in general, and there have been some problems working with farmers to direct market their products. However, a number of specialty food distributors is emerging to address this need allowing easier access to institutional markets.

Schools: Research conducted by the Center for Agribusiness and Economic Development into selling directly to schools found a positive venue. However, schools, like households, are looking for convenience items. They no longer have a full staff that can prepare raw whole foods. They purchase pre-cut and packaged products. This may provide some barrier to entry into this market. However, seasonal foods that can be prepared with minimal effort such as strawberries provide a better opportunity to selling directly to schools.

Note: Direct-to-market channels tend to work best for seasonal crops and value-added products. A close urban population and/or a vibrant tourism industry also compliment the success of these marketing techniques.

Adapted from John Ellerman, Don McFeeters, and Julie Fox, "Direct Marketing as a Value-Added Opportunity for Agriculture" Ohio State University (Recreated)