



Alcorn

SCHOOL OF AGRICULTURE
AND APPLIED SCIENCES

Mississippi Small Farm and Agribusiness Center

Direct Marketing

FACT SHEET

A Quick Reference Source

Introduction

Over the last several years, focus has been given to the development of local and direct marketing alternatives for small-scale limited resource farmers. Examples of these markets include farmers markets, markets, wholesale marketing, and marketing cooperatives. The purpose of such strategies is to avoid middlemen in the marketing system in order to benefit both consumers and producers. Producers are able to increase their net income, and consumers are able to purchase high quality produce at cheaper prices.

Small-scale limited resource farmers have benefited from these alternatives because of greater access and opportunity to sell their produce and increase their income potential. These markets are generally not suitable for large farmers. Direct marketing refers to selling that is based on a personal, one-to-one relationship that ties farmers and consumers together.

Many times this relationship is face-to-face, like at farmers markets. Other times, the consumer and farmer may not actually meet, for example, for Internet sales. Direct marketing alternatives have advantages and disadvantages that need to be evaluated in order to make proper marketing decisions.

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Farmers' Markets

Farmers markets are urban and suburban sites where growers bring fresh produce and sell directly to consumers, thus avoiding various middlemen in the marketing system. They are supported by local or state governments or by nonprofit organizations. They are set up for several reasons such as to support farm families, revitalize downtowns, and provide fresh inexpensive food to urban residents. As of National Farmers Market Week 2017, (the first full week in August), there were 8,669 farmers markets listed in USDA's National Farmers Market Directory. This is a 2.3 percent increase from 2015.

Farmers Markets Advantages

- Usually lower prices for consumer
- High quality/fresh produce
- Large volume available
- Superior social atmosphere
- Limited liability given to the farmer due to customers not being on the farm site
- Reduced cost of advertising because this is a function of the market
- Increased opportunity for sales because a more diverse supply of produce is available

Farmers Markets Disadvantages

- Policies of farmers markets regarding advertising, hours, rental space, etc. may be favorable
- Location of markets may be poor
- Time requirements for transportation and selling of produce
- Requires farmer to be good salesperson

- Can be time intensive
- Packaging and presentation are important
- Distance to market
- Market fees
- Market season and days may not fit your needs
- Competition among vendors

Pick-Your-Own (PYO)

It refers to the situation where consumers harvest the produce they buy directly from the farmers' farm. Formerly, PYO was used as a means of harvesting residual crops in commercial areas. However today, it is used to harvest and sell entire farm produce.

Pick-Your-Own Advantages

- Feasible for fruits and vegetables which mature at one time or for those which are easily identified
- In addition to providing means to increasing net return to farmers through potential reductions in harvesting, handling, container, and transportation costs, PYO offers consumers a good source of quality produce plus the opportunity for recreational experience
- No harvest costs
- No transportation costs
- No middleman
- Crop/Product mix is not critical

Pick-Your-Own Disadvantages

- The farmer becomes a retailer
- The farmer assumes additional liability because of the presence of consumer on the farm
- Demands long hours
- Location is critical

- Intrusion on family life
- Parking and staffing
- Limited growth potential and product value

Roadside Markets

Roadside markets refer to markets set up by the side of the roads to sell fresh farm produce. Sellers at roadside markets may or may not be the growers.

Roadside Markets Advantages

- Easy access to consumer
- Usually fresh produce appealing to the eye
- Lower prices for consumer
- Reduced advertising cost
- May not be governed by a lot of policies

Roadside Markets Disadvantages

- Storage cost could be high
- Quality deterioration of products is not sold on time
- Location is critical
- Appearance and upkeep of the stand
- Advertising
- Crop/Product mix
- Staffing—long business hours
- Parking and traffic

Wholesale Markets

Wholesale marketing refers here to the buying and reselling of farm fresh produce to retailers and other merchants such as grocers, and to industrial institutional, and commercial users, but not (or rarely) to ultimate consumers. Sometimes producers combine to perform their own wholesale functions, forming a producer cooperative.

Wholesale Markets Advantages

- Usually low prices and low cost
- Available information and advice on various aspects of marketing
- Provision of storage space
- Breaking bulk for resale benefits retailer

Wholesale Markets Disadvantages

- Little creative selling
- Reduce farmer net incomes

Marketing Cooperatives

These are organizations of persons (mostly farmers) who pool their resources to buy or sell more efficiently and profitably than they could individually.

Marketing Cooperatives Advantages

- Increased bargaining strength and access to different markets
- Increased better marketing and technical information
- Lower input cost
- Increased volume and pooled resources enable cooperative to earn profits through forward integration into processing, distribution, and transportation
- Increased volume purchase may yield quantity discounts which results in increased profits
- Large potential for growth
- Pooled resources—purchases, advertising, transportation, etc.
- Product mix and variety of group is greater than any one producer
- Little added infrastructure or demand on your farm

Marketing Cooperatives Disadvantages

- Elections may be as much a popularity contest as anything. As a result, the directorate does not always consist of the members with the most insight and managerial acumen
- The farmer-directors are often reluctant to invest in the quality of management necessary to run the business
- The farmer-directors are often personally affected by the decisions they must make on the board
- Now you are part of a group—you may not like all of the decisions
- Legal costs and time to establish a co-op
- Management is critical—hiring professionals may be the best route
- Competition among members (prices go up so I decide to sell my stuff somewhere else, for example)

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