

Marketing Overview

Direct Marketing of Meat and Poultry

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Direct to Consumer Food Sales Trends

USDA 2007 Census of Agriculture:

Direct to consumer food sales increased threefold over 15 years from \$404million in 1992 to \$1.2 billion by 2007

Between 1997-2007 alone, direct to consumer food sales in the U.S.:

- ❖ ? Grew twice as fast as total agricultural sales in the U.S. (105% vs. 48%)
- ❖ ? Three times as fast in Far West, Rocky Mountain regions
- ❖ ? Four times as fast in the ten states where growth in direct to consumer food marketing was steepest (220% vs. 53%)

Direct to Consumer Food Sales Trends

- Over the 1978-2007 period, farms with direct-to-consumer food sales represented an average 5.5 percent of all farms, and total direct-to-consumer sales.
- Between 1992 and 2007, the number of farmers participating in direct-to-consumer sales increased by 58 percent to 136,000, and the constant dollar value of direct sales increased by 77 percent to \$1.2 billion.

Farmers Markets Increase

- From 1,755 in 1994 to nearly 5,300 in September 2009
- Threefold increase in farmers markets over 15 years mirrors growth in direct sales between 1992-2007
- More than 2,400 of these new farmers markets—nearly half—have been established in last 10 years alone.

Community Supported Agriculture

- Community supported agriculture began in U.S. in mid-1980s with 2 operations
- Local Harvest, on-line portal, currently estimates the number of CSAs in the U.S. at almost 3,400. (2010)
- In the 2007 Census of Agriculture, 12,549 farms reported they had marketed products through CSAs or some form of subscription agriculture arrangement.

Local Food Marketing 2008

Direct to Consumer Outlets:

- 71,200 farms- \$877 million in sales
- Farmers Markets
- Roadside Stands/Farm Stores
- CSA Arrangements

Local Food Marketing 2008

Intermediated Marketing Channels:

- 13,400 farms- \$2.7 Billion in Sales
- Grocers
- Restaurants
- Regional Distributors

Local Food Marketing 2008

Farms that sell to both direct to consumer, and through intermediated marketing channels:

- 22,600 farms
- \$1.2 billion in sales

Still a Small Amount of Total US Agricultural Sales

Direct to Consumer Sales as a % of Total US Agricultural Sales:

2007- 0.4%

2002- 0.4%

1997- 0.3%

North Central Region- 2007- 0.7% (adjusted)

How to Market?

- Retail- Selling direct to the customer, the end user. Involves selling custom exempt (poultry), custom, retail (on-farm store). **Relational- seeks to build loyal customer base.**

Relationship marketers (retail) increase profits by offering a product or service that commands a higher price, or by cutting costs.

Farmers' Markets

Benefits:

- Good entry point for farmers who want to try direct marketing.
- Set your own price, but need to compete with other vendors.
- Opportunity to connect with customers, potentially develop a relationship.
- Learn about customer preferences.
- Sell what you have available. No promises on other products.

Farmers' Markets

Challenges:

- No guarantee that all of product will be sold.
- You need to be there at the required times, regardless of weather or other issues.
- Customer loyalty hard to win and keep. They may be more loyal to the market than to individual vendors.
- Need to maintain good relations with other vendors at the market.

How to Market?

- Wholesale- Selling through an intermediary, such as a distributor, a food broker, a retail outlet (restaurant or store).

Transactional-seeks to make the largest number of sales possible.

Transactional marketers (wholesale) seek to increase profits by increasing sales or decreasing costs.

Advantages of Selling to an Intermediate Buyer

- Often able to move larger quantities than through direct marketing.
- Can concentrate efforts more on production than on marketing.
- Limited contact with ultimate consumers, which is an advantage for those who dislike such encounters.
- Tend to have a regular volume of orders.
- Tend to have standardized packaging, which can simplify packaging

Disadvantages of Selling to an Intermediate Buyer

- Price the farmer receives is usually lower than for direct to consumer marketing.
- Seasonal supply can be a challenge to relationships with intermediate buyers.
- Channels for sales to intermediate buyers may be inaccessible to small farmers.
- Limited contact with the ultimate consumer (a disadvantage for those who enjoy such encounters)

How To Start in Direct Marketing?

- Start with the potential markets- what market do I want to serve? (What do I want to produce, and how.)
- Scout the competition- Farmers Markets, CSA's, grocery stores both large and small.
- Talk to farmers who sell off the farm directly to consumers.
- Take notes and reflect!

Develop A Business Plan

- A road map to operate the business. Will help determine feasibility.
- Who will do the production?
- Who will do the marketing?
- Record keeping?
- Include marketing and financial info.
- Set goals. Not set in stone. Change as needed.

Develop a Business Plan

A Business Plan will include:

- What?- Describe your product or service.
- Why?- Describe the need for your product or service.
- Who? – Describe the customer.
- Who?- Describe your workforce and areas of responsibility.
- When?- Draw a timeline and list all the tasks that need to be accomplished.
- Where?- Describe the location of your business.

Monitor Progress Toward Goals

- Start small.
- Make decisions based on good records.
- Follow demand-driven production.
- Get the whole family or partners involved.
- Keep informed.
- Evaluate continuously.
- Capitalize adequately.

Marketing/Business Planning Resources

Minnesota Institute for Sustainable Agriculture, at www.misa.umn.edu, or (612) 625-8235 or **Toll Free:**

(800) 909-MISA :

- Marketing Local Food
- Collaborative Marketing- A Roadmap and Resource Guide for Farmers
- Building a Sustainable Business, A Guide to Developing a Business Plan for Farms and Rural Businesses

Marketing Resources

- Business Planning (AgPlan)- <https://www.agplan.umn.edu/>
- E-Extension-
<http://www.extension.org/pages/33162/marketing-meats#>
- Beginning Farmers:
<http://www.beginningfarmers.org/marketing-resources/>
- USDA local food resources:
www.usda.gov/knowyourfarmer
- USDA/AMS direct marketing publications and resources:
www.ams.usda.gov/MarketingServicesPublications