

Addressing the Marketing Barriers of Small Fresh Produce Growers in North Carolina

The goal of the project was to solve common barriers affecting farmers in North Carolina. The grant was initiated on September 28, 2012 and completed on March 21, 2015. It provided excellent education and engagement to farmers throughout the state. The farmers served by the project are traditionally underserved and often lack the network to enter into wholesale or institutional markets. These networks include infrastructure assessment, marketing, branding, labor management and business management. The workshop provided one-on-one assistance to address and start the process of moving through those barriers. Producers were given assistance with developing new markets and preparing them to manage within the requirement and purchase schedule of the respective market.

Many of the farmers began to take a new look at non-direct marketing and how it could benefit them. By looking at market options in a holistic manner that focuses on net profit, they began to understand and focus on money gain vs money handled.

Outline of Issue or Problem

By all accounts, marketing fresh fruits and vegetables has been transformed. Retail consolidation, technological change in production and marketing, and growing consumer demand for produce have altered the traditional market relationships between producers, wholesalers, and retailers. Increasingly, produce suppliers are asked to provide additional marketing services and incentives in exchange for volume purchases and other commitments by buyers. These marketing channels have undergone considerable change since the late 1980s. Prior to 1987, fresh fruit and vegetable markets were more fragmented; most transactions took place between produce grower-shippers and wholesalers on a day-to-day basis, based on fluctuating market prices and quality levels. Today, a typical produce sale may take place between a multiproduct grower-shipper and a large supermarket retailer under a standing agreement or contract specifying various conditions and terms, including marketing services provided by the grower-shipper, volume discounts, and other price adjustments and quality specifications. Changes in these marketing services coincided with the growth of value-added and consumer-branded products, increasing variety, consolidation of food wholesalers and retailers, the expansion of the foodservice sector, and the greater role of produce imports and year-round supply.

Changes have also occurred in the marketing channels. These include non-price provisions such as marketing fees, the demand for Good Agricultural Practices (GAP), and Good Handling Practices (GHP) on behalf of producers have grown increasingly common in transactions between retailers and grower-shippers. Especially the share of produce volume sold directly by grower-shippers to retail supermarkets has increased, as have sales to the foodservice sector.

Large supermarket retailers have sought efficiency gains, in the form of lower labor and capital costs, product differentiation, and improved consumer services (*Wall Street Journal*, 1998). Many supermarket retailers have merged or expanded through acquisitions, citing the potential for lower costs as an incentive for becoming larger (Kroger Co., 2000; Safeway, 2001; *Food Institute Digest*, 2000). Consolidating retailers have cited potential cost savings through streamlining of product distribution functions (*Wall Street Journal*, *The Packer*, company press retailers, the focus of the study.) Retailers (supermarkets) and wholesalers were both large and midsized, and covered different regions. The demand for efficiency gain together with acquisitions has created unfair disadvantages for the small producer.

Description of How the Issue was Approached

The work plan was to develop outreach (training) models on direct marketing for small farmers in North Carolina. In order to succeed in direct marketing, farmers need effective marketing and management practices, entrepreneurial skills, and well-thought out business plans. This training was intended to provide small farmers relevant skills to enhance their direct marketing activities, thus reducing the price spread between farmers and consumers. The activities included:

1. Developing outreach models for direct marketing training and conducting four workshops on direct marketing/developing an effective marketing plan;
2. Developing modules for farm management tools as well as conducting four workshops on farm management/entrepreneurship education; and
3. Conducting three field demonstrations on direct marketing and farm management tools; and three workshops on farm resource plan development.

Topics covered in the workshops are as follows:

Basics of Market Research (What is market research?)

- Basics of merchandise displays
- The marketing mix (the 4 Ps of Marketing);
- Promotion (when, how, and what); and people (employees, customer service)
- Types of direct marketing strategies (tailgating, pick your-own, farmers' market)
- Advantages and disadvantages of direct marketing
- Why people visit offline stores/farmers market?
- Why people visit online websites?
- Benefits provided by online vs. offline
- Developing a good small business web site
- How to increase web traffic
- Customers' concerns for online shopping and how to handle it

- Ways to enhance cross-channel shopping

The Concept of Optimization in Production Economics and Process Flow Diagrams (TFDs)

- Tips for Constructing Your TFDs
- Major Factors for Agricultural Production
- Goal Setting and Advantages and Disadvantages of Goal Setting
- Recordkeeping; and
- Economics of Land Use and Management

Why should I Keep Good Records?

- The Two General kinds of Records- Physical and Financial Records
- What Records Should I Keep?
- Where do I Start: Ledger or Simple Spreadsheet?
- Elements of a Good Recordkeeping
- Cash Flow Analysis
- The Income Statement
- Detailed Enterprise Analysis
- Whole Farm Business Analysis
- Development and the Use of Budgets
- The Types of Budgets; and
- Income versus Expenses.

Description of the Contribution of Public or Private Agencies

The North Carolina Department of Agriculture (NCDA) partnered with the Agribusiness program within the School of Agriculture and Environmental Sciences at North Carolina Agricultural and Technical State University. Dr. Osei Yeboah conducted the workshops and training for this project.

Project Outputs and Impacts

1. All modules included:

- Direct marketing
- Farm Management Practices
- Enterprise Budgets
- Recordkeeping and Farm Accounting Practices
- Farm Resource Plan

2. The project staff held seven workshops on Direct Marketing Strategies for Small Producers. This happened because a lot of these farmer groups were eager to get Good Agricultural Practices (GAP) and Good Handling Practices (GHP) certification. Dr. Osei Yeboah, the Project director gave the presentation. The major themes of the presentation included:

- Basics of Market Research (What is market research?)
- Basics of Merchandise Displays
- The marketing mix (the 4 Ps of Marketing)
- Pricing; Promotion (when, how, and what); and People (employees, customer service)
- Types of direct marketing strategies (tailgating, pick your-own, farmers' market)
- Advantages and disadvantages of direct marketing
- Why people visit offline stores/farmers market?
- Why people visit online websites?
- Benefits provided by online vs. offline
- Developing a good small business web site
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- Ways to Enhance Cross-Channel Shopping

Field demonstrations where farmers were exposed to some direct marketing strategies including Pick-Your-Own, visit to some local farmers' markets, and road side marketing were also included.

3. Three workshops on Farm Business/Resource Plan development and the Critical Components of a Typical Farm Resource Plan--What is a Farm Resource Development Plan? were held. Topics included:

- What is a Farm Resource Development Plan?
- When do you need a Farm Resource Development Plan?
- Importance of a Farm Resource Development Plan
- Elements of a Farm Resource Development Plan
- 8 Steps to Creating a Farm Resource Development Plan
- Financial Analysis
- Market Analysis Research
- Business Analysis
- Government Regulations Regarding Agricultural Operations
- Farm labor Profile; and
- Recruiting and Hiring of Employees
- Government Regulations Regarding Agricultural Operations
- Farm Labor Profile

4. Three workshops on Small Holder Farm Management Techniques were held farmers to be able to manage their farms/enterprises successfully. The Concept of Optimization in Production Economics and Process Flow Diagrams (TFDs).

- Tips for Constructing Your TFDs
- Major Factors for Agricultural Production

- Goal Setting and Advantages and Disadvantages of Goal Setting
- Recordkeeping; and
- Economics of Land Use and Management
- Field Demonstration of Optimal use Farm Resources such as Labor, Input and Land.

5. In order to accomplish item four above, the project held two workshop on Recordkeeping and Farm Accounting Practices for farmers. The themes covered include:

- Why should I Keep Good Records?
- The Two General kinds of Records- Physical and Financial Records
- What Records Should I Keep?
- Where do I Start-Ledger or Simple Spreadsheet?
- Elements of a Good Recordkeeping
- Cash Flow Analysis
- The Income Statement
- Detailed Enterprise Analysis
- Whole Farm Business Analysis
- Development and the Use of Budgets
- The Types of Budgets; and
- Income versus Expenses.

6. Finally, three Entrepreneurship Education workshops were held for farmers including the youth. Topics included:

- How to become an entrepreneur
- Who are entrepreneurs (students learned that entrepreneurs are made, not born)
- Characteristics of entrepreneurs (passionate about achieving goals, goal oriented)
- Starting up your own business.

Project Results

1. Direct Marketing Assistance:

More than 20 farmers received training in direct marketing strategies in a workshop setting. These farmers used a one-on-one approach and assisted other farmers in developing their own direct marketing plans. For example, Spence Family Farms, Spring Lake, NC, assisted three other farmers in their direct marketing plan development as they prepared to obtain GAP and GHP certification.

More than half of the 60 farmers that received training in direct marketing strategies are engaged in other direct marketing strategies besides farmers' markets and road stand. Farmers whose farms are close to busy highways are involved in Pick-Your-Own, institutional marketing such as selling to Military Bases, Hospitals, and Coast Guard. Others are selling to restaurants; and most have added on-line/e-marketing to their

marketing strategies; c) Other outcomes and products include: stronger farmers' markets that are benefitting the local community and economy by nurturing local and rural economic development; maintaining diversity and quality in products and produce; and strengthening the relationship between local producers and consumers by strengthening the bond between local identity and solidarity.

2. Farm Management /Entrepreneurship Education:

The farmer participants have also been given a new applied knowledge in managing their farms as businesses especially in the areas of paying with checks instead of cash, limited use of petty cash, and others.

3. Recordkeeping and Farm Accounting Practices:

Farmers who received training in recordkeeping and farm accounting practices now understanding of the basic fundamentals of keeping records for tax and credit access purposes as well as participating in USDA and other federal programs especially applying for FSA loans. They also understand the need of keeping physical records such as planting dates, planting density, seed and fertilizer application rates in order to maximize yields. The majority of the farmers use excel spreadsheet to keep the names and addresses of all customers as well as other expenses and transactions.

4. Business Plan/Farm Resource Plan Development Assistance:

Several of the farmers that received training in in this are in the process of developing either a business plan or a farm resource plan or both to take inventory of their farm business. Most understand the need to develop at least either a marketing plan or financial plan or both. They are also very aware of the regulations and their implications both federal and local as they relate to their farms.

Description of Project Beneficiaries including Number, Type and Scale of Producers

Throughout the project technical assistant was provided to approximately 240 farmers. The farmers who attended these trainings and workshops were limited-resource, minority, or traditionally underserved. Most of these producers are growers of fruits and vegetables with several also being grain producers. The farm sizes of the producers varied from approximately 5 to 200 acres. The Business setups also ranged from sole proprietors to LLC.

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