African American Farmers: MARKETING CASE STUDIES & Marketing Concepts

Federation of Southern Cooperatives/Land Assistance Fund 2006
Dear Friends:

For four decades, the Federation of Southern Cooperatives/Land Assistance Fund has worked with African American farmers across the southeast. The work has been extensive in terms of assisting farmers to hold on to their land through cooperative development and individual one-on-one assistance. This has included assistance as with debt restructuring, acquiring credit, marketing, production issues, etc.

Rarely has the Federation/LAF interviewed farmers to better understand their experiences and wisdom that could be shared with others. With this booklet, we will provide narratives with farmers in South Carolina, Georgia, Alabama and Mississippi. These are case studies on marketing. We are hoping that with this effort we are beginning to rectify the lack of farmers voices.

We are thankful to the USDA’s Southern Region Risk Management Education Center for funding this project.

Sincerely,
Heather Gray
Director of Communications
Federation of Southern Cooperatives/
Land Assistance Fund

The “Vision” of the Federation of Southern Cooperatives/
Land Assistance Fund

We envision sustainable rural communities that are supported by a network of farmers, cooperatives and credit unions, which are based on local control and leadership and are centered around advocacy, land based economic development and wealth creation.

In 2004 and 2005 the Federation of Southern Cooperatives/Land Assistance Fund interviewed African American farmers across the south to develop marketing case studies. The interviews and workshops associated with the project were conducted and the publication funded thanks to the USDA’s Southern Region Risk Management Education Center.

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**Appendix**

History of the Federation of Southern Cooperatives/Land Assistance Fund
To better understand how African American farmers market their produce (vegetables and some commodity crops), the Federation of Southern Cooperatives/Land Assistance Fund (Federation/LAF) interviewed a range of farmers throughout the region in 2004 and 2005. Below please find a summary of these interviews.

Summary of Case Studies
Farmers in Alabama, Georgia, Mississippi, and South Carolina were interviewed. All of the farmers were members of a cooperative. All of the farmers were vegetable producers and two were growing organically. One farmer also grows commodity crops.

Crop Production Decisions
The decision on what to grow was determined by five considerations which were: past history of successful crops and markets; what was being grown locally - i.e. there might be a void in some crops being grown locally (one farmer would even drive around the observe what was being produced); recommendations from customers; market trends; and labor availability.

Quality of Produce
All the farmers recognized the importance of quality produce and to limit chemical use as much as possible.

Timing of Crop Production
One of the farmers noted the importance of having a diversity of produce at the market. Because of this, planting crops to ensure they are mature at the same time is essential to maintaining a variety of produce at the market.

Labor
Virtual all the farmers stated that labor was problematic and hard to find. As mentioned, decisions on crops to grow was often decided based on labor availability. Having people come to the farm and harvesting the produce themselves (i.e. U-Pic) was an option many of the farmers found helpful to address the labor shortage.

Record Keeping
All the farmers kept records, of course, but the methods were not consistent. Some kept their records on a note pad; some on computer spread sheets; some were using FSA forms (Note: the Federation/LAF encourages computerized record keeping.)

Type of Markets
All of the farmers reported having a diversity of markets for selling their produce and/or commodity crops. The markets, for example, ranged from farmer’s markets, tail gate markets, individual customers, restaurants, churches, U-Pic on the farm, school markets, commercial markets, contracts, to hedging.

Price of Produce
Deciding the price of the produce was also variable. It ranged from observing supermarket prices; to information from the internet such as State Agriculture Pricing; to direct market competition.

Presentation of Produce at Direct Markets
It was generally agreed that having diversity of crops at a direct market, as well as, a nice display was an advantage. It was also mentioned that highlighting the quality of the fresh produce was important and making
Having people come to the farm is another excellent promotional opportunity. One farmer found that having customers come to the farm introduced them to other crops he was growing which vastly increased the demand for his produce.

**Promotional Efforts**
The farmers were also varied in how they promoted what they were marketing. Some were constantly seeking new customers. Some had been farming for years and felt that promotion was not that important for them as the customers were already there. No farmer complained about not being able to sell what was grown.

Nevertheless, fliers in the community were one way to promote; some got the word out at community organizations, churches and in stores. Some used word of mouth, which was considered important - this is essentially having someone else promote what the farmer sells. Another promotional method was having something extra at the market either to give away and/or to taste.

**Customers**
The farmer’s customers ranged from repeat customers; to new customers from farmer’s markets, tailgate and other markets; to referrals.

> “I think if you grow organically you can make a profit just on a half an acre to an acre because of the price difference between a traditional crop and an organic crop. There’s a big difference in the price so it doesn’t have to be from a large acreage. It’s especially good if you belong to a cooperative and you have a network to buy seeds in bulk. That saves tremendously because, of course, the fewer seeds you buy the more you’ll pay and the more seeds you buy the less you pay.”

Barbara Mitchell  
Mississippi Organic Farmer

“Sure that dead leaves, for example, were removed. The goal is to keep potential customers staying around your display - if there’s not enough to interest them they’ll probably move on and you might have lost a sale.

**Attitude Toward Customers**
Farmers noted that in direct markets it’s best to have something extra to give to customers; that the customer is always right; and that farmers need to be aware of new trends learned from customers that can add value to their products. This was particularly true with value added products such as offering products to customers that reduce preparation time (i.e. washed, shelled and packaged).
John Brown: South Alabama Vegetable Farmer

John Brown, at age 42, is a part time farmer in south Alabama and also a correctional officer. The discussion with John Brown includes information about how he markets individually as well as his cooperative's marketing activities. He is a member of Selma/Dallas Small Farmer’s Association.

He lives on a family farm his father purchased in the 1940’s. His father died in 1981. The family farm has close to 30 acres and he also leases approximately 20 to 25 acres. He has been farming most of his life. “I went into farming for the love of it,” he said. “I’ve always enjoyed farming.” He learned farming practices from his father and his grandfather who was a sharecropper.

Brown is a member and president of his cooperative which was created in 1998. There are 25 members and “we continue to get new membership” he said. “We meet once a month and, if necessary, we’ll meet more often.”

Cooperative Plans
The cooperative has recently purchased a produce shed and he went into details about the co-op’s plans. “First of all we’re going to have a cleaning system and a grading system. We also plan to acquire a hydro-cooling system to take out the field heat. Then once we’ve done that we need a cooler to protect the produce until we take it to market. And some of the produce, like peas and beans, will need to be shelled and we can put them in the freezer and keep them frozen until we have a market for those. That way we can sell the same produce (i.e. peas and beans) year round and not just during the summer time - we can sell them in the wintertime because we can keep them in the freezer.”

“We’re already grading our produce, but that’s basically all we can do right now. Some of the produce we can wash - like squash and cucumbers - to try to give them a clean appearance. But we don’t have the facility to keep them cool and keep a long shelf life to be able to get the price or market that we’re looking for. That’s a very important need for the group.”

Production Issues/Seminars
He takes courses/seminars on production, such as on pesticide and herbicide use. “The State of Alabama’s Fruit and Vegetable Growers holds conferences,” he said, “and there are other seminars from other colleges such as at Mississippi State, Georgia and Clemson. I sit in on many of these conferences.”

Irrigation
He has put his whole farm under irrigation, including drip irrigation and plastic mulch. “I use an overhead irrigation and we use the drip under conditional farming. So we have three ways of irrigation that we use on our farm. Four years ago it was just my farm that had irrigation. Now we have to put irrigation in maybe three or more co-op farmer members farms. We might not be able to convert all acreage into irrigation - I know that might be a long shot. But we’re trying to get every
farmer to at least have a portion of their farm under irrigation.”

**Decisions on What Crops to Grow**

“I let my customers decide what I’m going to grow. It depends on what the market is asking for that determines what I’m going to grow. I also try to base my decisions from the previous year - and, of course, this depends on what the customers ask me for and what they have a need for. I try to accommodate that.”

“Based on what the customers wanted the previous year you might supplement your production - and if you have a lot of people asking for a product then we might grow it. Also, different people contact me over the internet as to what they want me to grow.”

**Customers**

Brown has a variety of customers. “Young, old, white, black…. but most of my customers are female from middle age to older. They’re looking for more fresh vegetables, than are the younger customers. But we do have a younger group with the tendency to look for certain crops like watermelon or the vegetables that they don’t have to do a lot of preparation for.”

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“We have found that many customers would rather buy fresh produce from the farmers than to purchase from the store. They’ve told us this is because they know they’re getting fresh produce produced locally, rather than from another state or country.”

**Co-op/Individual Markets and Customers**

The cooperative sells its produce at the Birmingham farmer’s market. It also sells in the Selma farmer’s market during the summer months from May to October. In addition, the co-op sells at several other cities or small towns, such as the Alberta, Alabama market, Thomaston market and others. Co-op members also have their own personal repeat customers.

“Repeat customers are some of the people who were buying produce from my father. They’ll buy from me and my family now - both individuals and businesses. We have customers who live out of state such as Chicago, Detroit, Cleveland - they come home different times of the year to get our produce.”

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Detroit, Cleveland - they come home at different times of the year to get our produce.”

The co-op sells at the Birmingham market through a broker. “Sometimes the broker sales work...sometimes it doesn’t. That’s why we started our own co-op so we can get a processing plant here in Selma. So we can have more opportunity. So we can get a better price. You go to the Birmingham market and they might need your produce, sometimes they don’t, and if that’s the case then they’ll give you a lower price for your produce.”

“The market in Selma is a little bit different. We pretty much have a good quality of produce and have a good trend here in Selma. Sometimes the market can get flooded with produce. This is because everybody (farmers) has produce coming out at the same time. You can’t have the same number of people in Birmingham as you do in Selma, which is smaller, so sometimes it’s hard to (get) rid of some of your produce, but usually it’s okay.”

The co-op has been looking into some commercial contracts. “We have had some commercial contracts in the past with Winn Dixie and with Calhoun Foods” he said. Markets such as Winn Dixie are apparently requiring value added produce. As a result, he acknowledged that the

co-op recognized the need for “a processing plant more than ever to compete, and to prepare our produce for a market like Winn Dixie before taking it to the warehouse. We want to prepare our produce ...cool it, clean it, package it and sell to the stores.”

Promotion
Most of the marketing promotion is word-of-mouth. “It’s just something that we’ve been doing for so long until we have that confidence that we know this (word of mouth) is going to happen. When the produce gets ready, my customers know I’ll start contacting them.”

Price of Produce
The co-op utilizes information about the market prices from the Birmingham and Atlanta markets. It also makes use of the marketing department of the State of Alabama. “There’s personnel there that can keep us informed of the market price day by day if we need it. They’ll give us two prices - the wholesale and retail prices. Sometimes we’ll go in between and sometimes we’ll go with the exact price. It all depends on the time of the year.”

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Advice to New Farmers
“New farmers probably need to work closely with someone in the business - somebody who could show him the ropes and give him the information that he needs. Otherwise he or she probably won’t be as successful as they should be. They might not be able to take advantage of some issue and as a result might lose profit.”
Barbara Mitchell: Mississippi Organic Farmer

This was an interview with Barbara Mitchell - a Mississippi organic farmer in her late 40's. She has been farming most of her life, but more intensively in the past five years when she found that over the years there is a demand in the market for locally grown produce.

She is a member of the newly created South Rankin Farmer’s Cooperative and has a “marketing” relationship with the Mississippi Indian Springs Farmers Association. She is also part of a “small garden” network.

Her extended family owns 32 acres, which mostly supports cattle.

Mitchell has a diverse 5 acre operation of organic herbs and heirloom vegetables. These are specialty vegetables such as spaceship squash, heirloom hot peppers and banana peppers.

Her seeds are certified organic and purchased from Johnny’s Selected Seeds, Rainbows or Seed Exchange. She requires that her seeds be certified organic.

Production and Marketing Philosophy

“Our main focus is herbs so that at any given time you will find herbs on our farm. But we do like heirloom tomatoes; hot peppers because they sell really well; bell peppers because they’re easy to sell, easy to produce; and then I do collard greens because for some reason collard greens do really, really well both at the market and at the casino.”

“What I try to do is to figure what will do well in the area and that’s what we try to plant. Because we can’t compete with large farmers - there’s no way we can do that - we have to expand to the specialty market and provide what the large farmers are not willing to grow.”

“And my grandchild just loves getting out in the field. When I grow collards she knows how to pick them. Our collard leaves are just huge and she’ll break off one of the leaves and walk through the garden just fanning herself. She’s four but I’ve had her out there since she was in a stroller. I would roll her out and cover her up and let her sit there and watch me.”

Mitchell is not yet a certified organic farmer but is working on becoming one, as Mississippi just became a certifying state.

The new cooperative has approximately 32 members that meets once a month. About a third of the members are women. The members are mostly livestock farmers. While she is more interested in vegetable and herb produce farming, the benefit for her, she says, is the networking and the knowledge you can acquire from other people; and ultimately to be able to buy and market in bulk. She also learns from other members about how to care of her own livestock.

Most of the co-op members are not organic producers, but there are other people who grow small gardens that she networks with and purchases seeds with cooperatively. Her goal
is to be a member of a co-op that has organic production as its primary focus.

She started farming as a necessity to provide adequate nutrition for her family. One year she grew so much that she had a lot left over, so she decided to market the surplus.

Her first markets were the family, the church and her co-workers. This worked well. Then began her foray into farming as an income generating enterprise.

Production and Labor
Much of her production is in raised beds that her son helps build and put in the soil. Then she plants. She also has a neighbor whom she pays to help turn the soil and weed the crops, such as okra and peas, that do not grow well in raised beds. He helps in planting generally if she needs the assistance.

Decisions on what to plant are made by going on-line and doing as much research as possible through the University websites. Advice and support are also provided from the local extension agent. Research and advice are always prerequisites to growing a new crop, she says.

Regarding organic production, Mitchell says, “When we first started out it was hard because when you would talk to people about organic production it was like pulling a tooth, but now that it’s catching on it’s easier. More people are growing organically and there are certification programs now and there’s more advertising of organic foods. It’s steadily growing.”

“That’s why I can’t understand anybody who has large acreage that is not growing organically. It’s like it’s crazy - it really is. It’s just a waste. They’re killing the land and it’s not good for the people they’re selling the crops to - it’s locally grown, but it’s still full of chemicals.”

Livestock
On occasion money is made from her cattle, but on the whole she doesn’t raise cows to make a profit. She uses a lot of the manure from the cows as fertilizer. “I think a lot of the organic farmers are doing the same thing” she said.

One of the primary reasons she joined the cooperative was because of the different classes they have on livestock and how that knowledge can compliment her organic operation.

Record Keeping
All her record keeping is computerized. She does this so she’ll know when to rotate the crops to replenish the soil. “I keep the charts and what I planted on what bed. My son set up a system for this on the computer. All I have to do is type in whatever changes there are and print it out. Like one year if I’m using bed ‘number one’ to plant cilantro, then I might want to plant some lettuce in that bed in the next season. You have to alternate your crops; you can’t have the same crop in the same bed each year. So I keep a list of what I planted - what and when and where because you have to know. I do
this except for my perennials, because they’ll come up year after year after year and you don’t have to worry about rotations - but the other crops you have to know about because some crops don’t mix very well together.”

**Bookkeeping**
Mitchell doesn’t like bookkeeping and prefers to use an accountant. “I have a big brown envelope,” she says, “and I put all of my receipts in that envelope and I take it to my accountant.”

**Marketing**
Some of her markets are those she develops on her own and others she markets with the Indian Springs Farmer’s Cooperative. Her three major markets are:
- Local Restaurants
- Farmer markets
- Casinos through Indian Springs

She says about 50% of her produce is sold to casinos, about 25% at the farmer’s market and 25% to restaurants. “The casinos are the safest bet for me,” she says. “They are the best contract.”

She also has repeat customers.

**Local Restaurant Market**
She sells to three local restaurants in Jackson. This is primarily a secondary market. She describes how to identify the market. “You have to study the market like with anything else that you might want to do. Find out what restaurants are out there. Go to the restaurant. Get a copy of the menu. See what’s on there. Are they including things in the preparation of their menu that you’re growing? If so, set up a meeting with the chef or the owner. But more than likely it will be the chef who will inform the owner - if the two are not the same person - about what he or she is going to buy. So it’s real easy.”

She describes how the payments work - and much depends on the sales with the casinos. “The way it’s set up is that they pay for whatever I have left over (from casino sales) because the casinos will always be my main client as long as we have that relationship. The restaurants will buy whatever I don’t sell. I don’t have a contract with them saying, for example, that I will produce 20 pounds of basil per week. I don’t do that. But I also have to produce enough so that the restaurants don’t have to go to someone else to buy (produce). So you’ve got to figure it out, after a minute, how to keep the client.”

**Farmer’s Market**
She sells at two farmer’s markets. “At the market we set up our own booth - we have a tent and then we take our tables and we set up. The market is on Saturdays.” Farmer’s markets are an excellent way to meet customers that can end up being “repeat customers”.

**Casino Market**
Prior to the Katrina Hurricane disaster, the Casino Market was quite profitable. They were buying, as she said, 50% of her produce. The casino would pick up the produce from the Indian Springs Farmer’s Association shed and load the products grown by the farmer co-op members.
Value Added Products

“You can also do some value added to the things that you grow. Like we grow a lot of peppers so we make pepper sauce. People down at the Bellhaven Market love our pepper sauce. We had one guy - a professor over at Jackson State that was from New York - who even after he left to go back to New York, we sent him our pepper sauce because he was in love with it.”

Income Producing Markets

She says she can make a living income from her production on five acres. Actually, she says, “I think if you grow organically you can make a profit just on a half an acre to an acre because of the price difference between a traditional crop and an organic crop. There’s a big difference in the price so it doesn’t have to be from a large acreage. It’s especially good if you belong to a cooperative and you have a network to buy seeds in bulk. That saves tremendously because, of course, the fewer seeds you buy the more you’ll pay and the more seeds you buy the less you pay.

Advantages of a Cooperative

“In the co-op there’s power in numbers – anytime you have an organized group, compared to working as an individual, you have a lot of people behind you. So if you’re talking with the USDA, and they know your co-op they know that rather than dealing with one individual they might have to deal with a lot of people. It gives you more power.”

Advice to New Farmers?

“Make sure it’s something you’ll enjoy doing – it can be very stressful at first. But you have to have a desire to do it. Once that desire’s there you can accomplish a lot. You need to set goals – you need to plan and take time to study what you want to do. All these things need to be worked out and most of the information is on the internet. To me, there is no other farming but organic farming. I always thought farming was for the production of healthy foods. But when you start putting in chemicals, it’s no longer healthy safe food. It’s actually doing more damage to the body. When my mother was raising us, everything we ate was from that farm – everything. We were very rarely sick. If we were sick, my grandmother had this little raised bed in front of the front porch where she grew herbs. When we got sick she would pull something out of the ground – we called them weeds – and put it on the stove and make a salve, juice or something – we never knew if it actually worked or because it was so nasty we said that it worked. But the point I’m trying to make is that the sicknesses we have today we didn’t have when we were eating from the land – when we were nourishing the land compared to what you get now. Now everything is commercial – they’re not thinking about the long-term range of what’s going to happen. It’s how much money can I get today.”
Theodore Nesmith is an organic farmer in South Carolina. He is 62 years old. Much of the discussion with him focused on his organic production – how he produces it and why. He is a member of the South Carolina People’s Farmer’s Cooperative.

Organic Production and Crops

“I was on the farm until I was 19 years old, then I went to New York City. I stayed there 27 years and moved back here when I was 45 years old. I planted produce in 1987 and 1988. Then, I used fertilizer and chemicals and stuff like that. Then, I started reading and found out how chemicals affect you and I started growing organically and using chicken litter. Chicken litter is cheaper and it’s much better to grow your product with. I’ve been growing organically every year since 1988 and 1989. I love it.”

He found that after using chemicals for a few years the soil became “dead”. He found, for example, that the earthworms were killed. When he started growing organically, he had a higher yield.

He said, “In the past I have planted 7 acres of collards and 3 to 4 acres of cabbage. But then I caught the devil trying to get rid of that much so I now plant what I can handle and get rid of. There’s no need to reach for the sky and lose everything, when you can plant a little bit and make a good profit.”

Every year he plants a variety of produce. “This year I had about an acre and a half of collards and about an acre of cabbage and that’s a lot of collards and cabbage. I had about twelve thousand sets of collards and seven thousand sets of cabbage.”

“In the Fall of the year I grow cabbage, collards, turnips, mustard, kale and rape. In the Spring of the year I plant peas, beans, watermelon, cucumber, cantaloupe, squash, tomatoes, okra, sugar corn, bell pepper, hot pepper, eggplants, butternut squash, sweet potatoes, and white potatoes. I work around the bugs and the worms.”

“I plant this way so I don’t have to use chemicals. If I have to spray, I’m not going to eat it and I feel bad selling it to anybody.”

He says he has maintained the high yield by feeding the soil with chicken litter and through crop rotations. Also, in the Fall of the year he plants wheat and oats as cover crops which he says, also helps to increase his yield.

Record Keeping

“I’ve got a record book that I use with paper and pencil. Everything I plant I put down in my book the day I planted it and what I plant.”
Nesmith says he is able to live from what he earns from the farm. He says that he makes a living from his produce, cattle, chicken and now goats. From all of this “I make a pretty good living.”

He also has an auto body shop business from which he earns some income.

Obviously, the income he generates is from diverse economic activities.

**Promotion of Markets**

He does not promote his market. He says, “I’ve been doing it so long, I don’t have to go and sell those collards and cabbage.” Nesmith says basically that the crops sell themselves. He also states that you have to know the season when people will buy certain produce. “I sold a whole truck load between Thanksgiving and Christmas, because I knew that was a good season to sell them. After that they didn’t want them no more. People even come to my house and cut them in the field.”

**Marketing**

Nesmith says he is able to sell everything he plants, and that he knows what sells because of his experience at markets over time. He times his planting to ensure he has a variety of crops at the market.

“I look at the mature date before I plant a crop. Then I know when the crop will be ready for harvest. If I want it to be ready the first of June I will plant at the right time – for example, peas and beans average from 60 days to 75 days to mature. So if you want them by June, you go back 75 days. That will tell you when those beans will be ready. Cantaloupe is mature from 85 to 90 days...cucumber come from 45 to 60 days.”

“So, if you want to have cucumber and cantaloupe at the same time you have to plant the cantaloupe about 20 to 30 days ahead of the cucumber. This is how I have variety of produce at the market at the same time. When you go to the market you
can't go with one or two different things, you've got to go with a variety of stuff. If you don't have a variety of stuff to choose from, the customer will go to another table. Working the market is good, but you've got to be smart to work the market to make money. I enjoy it... as long as I live I'll grow produce and I eat the produce myself."

He describes his experience at a new market and the popularity of his organic produce. "We opened a new market in Georgetown last year - a fresh produce market. We only have three vendors on this market. I go to the market at 8 AM in the morning and by 11 o'clock I'm sold out. People buy fresh produce...especially when it's home grown, locally grown...and when you tell them it's grown organically, they all want to buy it."

He sells his produce at two “fresh” markets. One in Florence, and another in Georgetown...one is on Saturday and the other on Tuesday.

"When I go to the market in Georgetown, the county of Georgetown puts a tent up there for each vendor and we set up our produce on tables and the people come there and we sell."

**Repeat Customers/U-Pic**

His repeat customers are at his house immediately when his produce is ready for distribution. He also has customers who want to harvest their own produce.

"I let people come and pick their own peas, if they want to, and pick their own beans, if they want to. What I do is, if they want to come and pick for themselves, I charge them half price. If they want to come and pick for half, they pick a bushel for me and a bushel for themselves and that's it." No money is exchanged in this second scenario.

He does not sell at commercial markets.

**Pricing of Produce**

'I plant 12 thousand bunches of collards. I sell my collards at $1 a bunch from the field. If I go to the market I'll sell them at $2 a bunch. Out of the 12 thousand stalks you'll probably lose 500 that will die - or 1,000 maybe will die. So you've got 11 thousand left in the field and you sell them at $1 a bunch that's $10,000. Cabbage I sell at $1 a head. With 7 thousand cabbages you'll lose about 1 thousand and you sell 6 thousand for $1 that's $6,000."

**Future Plans**

He is an organic farmer but he is not certified under the new federal standards. "I'm 62 years old now, so why should I go now to be certified? I'll plant vegetables, but I'm not planning on planting that much anymore. I'm wanting to work with children and get them into the field and show them how to grow stuff. I'm supposed to get children from the school in the Spring of the year and show them how to plant. If they want to grow a little row, I'll give them a little place there and let them grow. But I'll make sure they come back and work it. Because if you give them something to do and say 'This is yours. We'll see who gets the best crops and whoever gets the best will get a prize.' At the same time you're teaching a child how to survive. You're teaching them how to make a living for themselves. That's what we plan on doing."
William Robinson: West Alabama Vegetable Farmer

William N. Robinson is a 67 year old Alabama farmer. He has been farming all of his life. His father and grandfather were farmers. While he has worked basically as a full time farmer, he also worked off-farm for 45 years. This included 35 years in a cement factory and 10 years as a truck driver. He has since retired from the factory. He is a member of the Greene/Sumter County Farmer's Cooperative.

Robinson farms on approximately 400 acres on occasion, but not all the time. He leases land part of the time, has access to about 135 acres of extended family owned land, and he owns 156 acres.

Out of 8 children (2 sisters and 2 brothers) he is the only one who stayed in farming. He says that this is because “I used to hate it when I was small...coming up. My whole intention was to be a medical doctor. But my mother and father both took sick when I was going to school at Tuskegee (University). They didn’t have any other kind of income and it was the farming season so I stopped school and helped them until they got better. I was going back to school. But before my parents got old enough to get social security, I guess I was over the hill and got married and just stayed on the land.”

“But out of the whole 45 years that I worked (off-farm), unless there was a funeral, I never missed but 5 days out of the whole 45 years. And again I want to say this...back then I was cotton farming and I’d get up on a Monday morning - I didn’t go back to bed until 12 o’clock Saturday night.”

Production and Acreage
The row crops he has grown over time are soybeans, cotton, and corn – “it used to be that if I didn’t have any corn in my county, then nobody had corn. For some reason, it was that I would always have the best corn crop...regular field corn. At the time there was a feed mill in Eutaw and you always would take a couple of loads and sell it if you wanted for some quick money...it’s a quick cash crop.”

He does not irrigate his crops. “I’m not really set up for irrigation with wells,” he said.

He decides what crops to grow based on demand, “You’re around and you know what the demand is for peas, the demand for watermelon...whether the demand is great or not.” He knows this by “Talking with people and experience. You see, a lot of people love watermelon, and they love ‘good’ watermelon. First thing they would say, ‘I always get good sweet watermelon from you.’ They start calling me ‘when are the watermelon going to be ready?’ You meet people on the street in grocery stores and different places ‘When will you have some watermelon?’”
He generally produces the following vegetable/fruit crops: "With my watermelon we’re talking about from 5 to 10 acres. I also have about 20 acres in vegetables and about 75 acres in corn. The corn is used mostly for feed and people come by and get about a truck of corn and people will call and say they want about a ton tomorrow. If they want a ton, I can’t let them have any more than that. Normally, I would sell by the ton and get cash from them."

In addition to the corn and watermelon, he grows peanuts, potatoes, peas, butter beans, okra, turnip greens, sweet potatoes, and cucumbers.

Other farm operations include "a cattle business and potatoes, but I didn’t make any money off of that. About 40 years ago an Alabama company (that canned vegetables) would come with a truck to pick them up (the potatoes) and you wouldn’t need to do nothing with them, but they paid less than $.69 a bushel where I lost money." There were some advantages, however, to the potato crop. "People would sometimes come and pick potatoes, and pay $3 a bushel, and then they would also discover I also grew peas and they would put their orders in for those and I couldn’t grow them as fast as the demand for them."

Robinson decides what to grow by “what people like. But the decision is how well you can grow and harvest the crops. Now okra is a crop you have to gather almost every day or every other day and cucumber is the same way and I knew I couldn’t do that (because of lack of labor) so I had to cut loose from them. But almost everybody likes peas, and you can always get rid of peas or watermelon. In my early years of farming I never planted anything that hogs wouldn’t eat because if the people wouldn’t buy them the hogs would eat them.

"My (off-farm) job had to be the first priority, so I had to figure what crops would work with my schedule. I would have to plow in the afternoon and, like I said, I would get up on a Monday morning and wouldn’t go to bed until Saturday night. If I was working nights, when I would get off in the morning I would be up on the tractor and stay there all day and I would come in and take a shower and go back to work."

Marketing
His marketing outreach has been diverse over time. He’s tried going through a broker, he’s attempted contractual arrangements, farmer’s market, U-Pic, and tail-gate marketing.

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Marketing
His marketing outreach has been diverse over time. He’s tried going through a broker, he’s attempted contractual arrangements, farmer’s market, U-Pic, and tail-gate marketing.
His primary markets currently are: U-Pic, tailgating, and the co-op’s farmer’s market.

Contracts vs. Individual Customers: He has in the past attempted to contract his crops but this didn’t work for him. He says, “I had some sweet potatoes and I learned that people would come by and pay more than $3 a bushel for those potatoes - people would pay more that way than I could get contracting them out. When I tried to contract them, they paid 69 cents a bushel. Once, I did good the last year I planted cotton. I tried hard to contract some cotton out. I went to this office and made at least 10 trips to try to get them to book this cotton. Every time I would go the guy would be out and I missed him. I was told I could book the cotton for 38 cents and knowing at that time cotton was about 29 cents a pound. And when I got that cotton picked and harvested I got 7 or 8 cents a pound for cotton. So, I learned a lesson that I should have got it booked. That was the last time I farmed cotton.”

He has had many of the same customers for years. However, he does continue to gain new customers through word of mouth. “This year I had new people coming from Mobile. Some way they got the word. I had about 10 or 15 bushels of peas that they wanted - and sweet potatoes.”

Farmer’s Markets and U-Pic: Regarding selling vegetable crops, Robinson “got involved in the farmer’s market selling watermelon…. A lot of time people also come to pick in the field and pick up a truckload. Sometimes I would have 2 or 3 pick-ups a day. Normally, I was selling $3 a piece but if they come for a truck load I give it to them for $2, knowing that they were going to sell them at $4 or $5 a piece - but I would just let them have them for a straight cost.”

Tailgating
“For watermelon, I’ll park on Highway 43 and people will stop. Now the co-op is having a market in Eutaw where I also sell. Sometimes I’ll sell near the Wal-Mart in Demopolis outside, way up on the street where people are going in and coming out.”

He generally has two trucks when marketing – “one would be for the Farmer’s Market and then I would take the other truck to Wal-Mart. During the week I would go over there and I would have several people who would call to see if I was going to be there and I would go over to Wal-Mart and most likely come out empty.”

Repeat customers
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Most Productive Marketing Method
“As for money wise, when your tailgating you’ve always got $3 watermelon there - but you’ve got (a lot of) time that you need to spend (tailgating). But if people come out into the field there’s more money there because there’s less time and you can load a truck in about 20 minutes. If people are picking peas, I let them get half of what they pick and I get half - it covers the cost of labor. I also have a pea sheller and get a dollar for them shelling their own and sometimes they’ll shell four or five bushels with 2 or 3 people together. I’ve been doing this so long that everybody knows anybody in Greene County whose got peas, and I’m probably one of them. If not, than they’ll see me in June and will ask when the peas will be ready, what time, or when will the watermelon be ready, when will the corn be ready.”
Price of Produce
The prices he charges for his produce are determined by the supermarket and taking a look
at what products are selling for and “then that’s
what I base my price on - peas and everything. I
charge slightly less than the supermarket price.
But usually I don’t look at it that way (i.e. pricing by
single items). I think in terms of bushels. Normally,
if a bushel is going in the supermarket for $20, I
would sell mine for $15.”

“Also, in the grocery store if they pay $4 for
watermelon, they’ll drive over here and get 3 or 4 watermelon
for $3 each. And it works.”

He takes all of
his costs into
consideration when
deciding his price.
“Yes, I look at the
cost and what it costs
me to buy fertilizer,
seeds and sometimes
I have to get labor. I
take all of that under
consideration.”

Advice for New Farmers
“One of the most important things I would tell new
farmers is ‘your crop needs to be your first priority’. You’ve got to do it
today - you can’t wait
-like if your going on
vacation and have to
wait a week to pick
peas or plant this
- in farming it doesn’t
work that way. Today,
the time it needs
to be done, you do
it then and don’t put
off what needs to be
done today until next
week.”

“(Finally), always be nice and courteous and
always be prepared to give a little and to give
something and hoping that it will come back.”

He does not necessarily call his customers. “I tell
them to call me because if they expect you to call
them, you’ll forget it and then you’re in trouble. I
don’t want to take that responsibility, so I tell them
to call me. I’ll tell them the crops they want will
be ready at such and such a time and tell them
‘you call me’.” Robinson admits, however, that
he is able to do this because he has been in the
business for a long time, has a good reputation,
and has repeat customers. It would be different for
new farmers. “You’ve got to accept that fact that
you might loose as well as gain when dealing with
people,” he says. “You have you understand that
some are difficult and some are easier to deal with.
Sometimes you have to smile, when you should be
frowning.”

Promotion
Giving is also
important as a means
of promotion and to establish loyal customers. At
the end of the season, he has open field day when
people come in and pick whatever is in the field.
And another thing he does, that brings people
back to his farm after the season is over, is that he
plants large fields of greens. He then gives these
greens to people who pick them. “They always
remember where they got this from and they
always come back.”

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it comes down to marketing and you start selling one
of the first things is to have a
pleasant attitude or personality and that will
help you along sometime in selling - you might have
to give a little. I don’t mean necessarily to cut the price,
but when you’re loading up to go to the market
always have an extra bushel of something and
be prepared to give that away....”

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that away - just to give that to somebody if they
come by.”

“(Finally), always be nice and courteous and
always be prepared to give a little and to give
something and hoping that it will come back.”

“I love farming. But I don’t want to go in the hole
too far. But I say quite often from my heart that
God blesses me or blesses you to help somebody
else. Helping people is what you can do in farming.
That’s the way I feel about it.”
Larry O’Neal is a farmer from southwest Georgia. He and his wife own 125 acres and he leases approximately 475 acres from other Black families that own land in the area. The land he owns is used for vegetable production and is irrigated. The land he leases is generally dry land on which he produces row crops such as corn, cotton or peanuts. He is a member of the Flint River Farmer’s Cooperative.

Production and Acreage
O’Neal plants 344 acres of cotton, 220 acres of peanuts, 30 acres of watermelon and 20 acres of assorted vegetables, such as peas and collards. His father and grandfather were farmers and he learned from them. “For some reason, I wanted to be a farmer,” he said. “I wanted to do what my Dad did. He made a good living and I thought it would be the same for me. But it’s different now. Things are a lot more expensive these days and then the commodity prices right now are not good - right now we’re selling the commodities for the same prices that my father was selling his for and that was 50 years ago”.

The family lives on the farm and O’Neal’s youngest son helps on the farm in the afternoons after his off-farm work. His wife helps with record keeping and is involved in the family farm generally.

Labor
Finding labor is difficult. “I know some people that harvest peas and I’ve been trying to get them to harvest my peas. At one time labor wasn’t really a problem, but for some reason people are turning away from farming. I’ve been trying to get Mexicans to pick peas, but it’s hard to get them as well.”

“Black people, before, used to pick peas - now they’re not interested in it. Young people are definitely not interested. So the people I get are mostly in their 50’s and 60’s. Years ago, a lot of people used to have a home on their places and the family would do a lot of harvesting for them - but now that’s sort of a thing of the past. Everybody is sort of moving into the city and we just don’t have the people to do it anymore.”

Record Keeping
For keeping records, he uses the Farm Service Agency books. “I keep records of everything that I purchase and everything that I buy and sell - because if I don’t keep records, there’s no way I can know if I’m making a profit or losing money. So you have to keep records in order to know where you’re going.”

Marketing
He considers his budget and expenses for the year when deciding what to plant and the profit he needs. As a rule, he markets his commodity crops individually and his produce through the cooperative.

Marketing strategies are something that evolved for him. “I didn’t really go to school for marketing or agriculture. It began with me being in agriculture and knowing that these are things that I needed to do. At first, I didn’t pay much attention to the market. I would just grow my crops and get whatever I could get at the market. But after the first three or four years of farming I said, ‘well, I need some kind of strategy so that I can get as much as possible out of a crop.’ I was talking to a fellow I know and he was telling me that on the internet there’s the price of whatever you need - I just began to keep up on the prices and where I thought I could make a comfortable profit and I would lock the price in.”

O’Neal constantly watches the variable prices of cotton, peanuts and collards. “When I think the market is high enough and I can make a profit off it, that’s when I lock the price in - but one thing about
contracting in marketing is if you don’t deliver what you contract, most time they won’t hold you to it. It’s not a binding contract. So, if I contract for 100 bales of cotton and I have a real bad year and I can’t offer but 80 bales, I’m not liable for all of the 100 bales.”

Commercial Markets
Selling Peanuts
He ultimately decided to contract his peanuts because he could make more profit this way. By contracting he was making $25 more per ton. In addition to participating in the government peanut loan program, he also participated in the commodity program payments. (The government loan price from 2002-07 was $355 per ton. The target price was $495 per ton and the direct payments were $36 per ton. Details about the FSA farm program information can be found on the FSA website.)

Selling Cotton
With cotton, he delivers it to a cotton association and they sell it for him. “They do all the contracting and keep up with the cotton market very closely. They can do a better job than I can because I’m out in the field, and trying to keep up with the cotton market is not possible. Then you’ve got the futures market - there’s so much to deal with, so I decided to let them do the marketing for me. They do this every day.” (The target price for 2002-07 was .724 per pound and direct payments were .0667 per pound and the loan rate was .52 cents per pound.)

Direct Markets
Selling Vegetables
His vegetables are sold through the co-op. It is with the cooperative that he is able to add value to the production. The peas, for example, are shelled and then packaged at the co-op. The cooperative has a contract with the local school system and also a direct market at the co-op from which the peas are sold. It is often necessary to prepare the peas and other vegetables before the school opens.

“We have a freezer at the co-op and we place those peas in the freezer and when school starts we will sell them. And with the collard greens, we place those in the freezer as well. When growing season starts we sell fresh greens directly from the market at our cooperative. We have a walk-in vegetable market at the co-op. We have an assortment of vegetables that are available for the customers as they walk in.”

Individual Customers
He has a few individual customers. “Sometimes people like to go out and harvest vegetables themselves,” he says. So he does a little of the U-Pic and it “works real well. For the U-Pic, if the person goes out and picks those peas - normally I get $10 a bushel for peas, but if I need to go out and harvest the peas for those people I have to get $14 a bushel because the labor that pick them are going to charge $4 to pick them.”

Advice to Aspiring Farmers
“Giving advice to a farmer on marketing? Basically what I would advise a farmer to do is that you have to pay attention not once a week or once a month, but daily. When you put your crops in the ground, and up to the point that you’re ready to sell them, you have to watch the market to see what the price is doing. The price might fluctuate and go down for a month and then it might go up - but it will only stay up for a week or so. So you’ve got to keep good records to see what it takes for you to make a profit. Once you find out how much money that it takes for you to pay for your farm, you’ve got watch your market so you can lock your price in and make a decent profit. That’s the key to it, unless you have someone else doing your marketing.”
Developing a Marketing Plan

**Introduction**

There are many components of a marketing plan that will be outlined in this section. One of the pivotal practices that farmers need to address before developing a plan, however, is record keeping. To develop a marketing plan requires knowledge of records of all the variable and fixed costs.

It is also necessary for farmers know what they desire to earn for their own salary. The salary should be included as a fixed cost line item. Farmers need to pay themselves!!!

Another central issue in the development of a marketing plan is pricing...how to price...and where to get the information on pricing. In the development of a marketing plan, being able to project the revenue from sales is central to the plan, but this cannot be projected without knowing the prices of products.

**Marketing is more than Promotion:** Marketing is often thought of as the “promotion” of farm products, but marketing is about much more than that. Before a farmer plants the seed in the ground, she or he must know everything that will happen with the product once it is harvested. The farmer needs to know the costs involved with the production, determine the price of the product, project the revenues, know where the product will be sold, and how it will be promoted.

Finally, if farmers decide to explore a new market, such as a niche market or an ethnic market (i.e. goat production, Chinese snow peas, and many others), they need to understand the new market, they need to know where the customers are...where the product can be sold.

All of the above will be briefly explored in this section.

**Types of Markets:** Small farmers generally sell their produce through (1) Direct Markets, and/or (2) Commercial Markets.

Much of the narrative in this document is about direct marketing. Direct markets are often referred to as a market with a human face. It’s a market setting, such as a farmer’s market, in which the farmer sells directly to the consumer.

Commercial markets are where farmers sell their produce to a business rather than “directly” to the consumer. Farmers will sometimes utilize a “broker” to assist with sales to businesses.
Small Farmer Marketing Plan *

Below are some of the most important components of a marketing plan. As becomes clear, developing a plan and deciding on the and price and profits for farmers depends on good record keeping.

Elements of a Marketing Plan
- Knowledge of local production and marketing activities
- Production and promotional strategies
- Product objectives and strategies (i.e. type of crops, value added components)
- Pricing
- Sales and profit projections
- Evaluations and review

Pricing and Profitability
How are Prices Set?
- At the Lower End
  - Production and Marketing costs
- At the Upper End
  - What your customers are willing to pay
  - How much competition you have
  - Your own desired profit

Keeping Records/Knowing Costs
- It pays to know your costs and set your prices accordingly rather than deciding pricing based on what others are charging
- Steady, consistent prices encourage steady consistent customers

Variable Costs
- Directly associated with the product such as:
  - Field preparation
  - Seed
  - Harvest
  - Packaging costs
  - Labor

Fixed Costs (or overhead)
Includes costs such as:
- Loan repayments
- Property taxes
- Insurance
- House mortgage
- Truck payment
- Depreciation
- Maintenance
- Salary for the farmer

Common Pricing Mistakes*

Marketing author Michael O'Donnell outlines the following common “mistakes” to be aware of when building a market price strategy.

1. Pricing too high relative to customers’ existing value perceptions: prices not in line with target market needs, desires or ability to pay.

2. Failing to adjust prices from one area to another based upon fluctuating costs and the customer’s willingness and ability to pay from one market to another.

3. Attempting to compete on price alone (note: There’s a need to often be flexible with pricing depending on the area where the marketing is taking place..

4. Failing to test different price levels on customers, from one area or market to another.

* ATTRA - National Sustainable Agriculture Information Service

Developing A Marketing Plan
Farmers will often make the assumption that marketing is primarily about promoting a product. But a marketing plan includes considerations of a vast range of issues from the actual production; to understating and knowing the variable and fixed costs; to the pricing of products; to the sales; to the evaluations and reviews; and, in addition to all that, how to promote the products and sales. Central to all of the above is good record keeping. It is impossible to know real profits and income without keeping accurate records.

In the ideal setting, a vegetable farmer who sells locally will do the following a year in advance, if possible:

1) **Know Costs and Desired Profit:** Knowing the variable and fixed costs and how much revenue is needed to cover those costs is essential. The farmer will also have decided how much profit is needed. With those costs and profits in mind, the farmer will consider what crops to grow to bring in the needed revenue.

2) **Deciding on Production:** The farmer will have looked at past performance of crops in terms of revenues and variable costs and perhaps consider new crops. This decision will be made after considerable research on all of these crops - research will include talking with extension agents, reading materials on new market trends, looking at State Agriculture Department materials on crops and revenues, and talking with other farmers and cooperative members. The farmer might also consider a niche market such as vegetables and/or spices that might appeal to the growing Mexican or African population in the south. The farmer will also talk with leaders in the Mexican and African communities to know more about the market and better understand the market needs of the communities.
The farmer will also consider organic production for this year. Even if he/she is not yet a certified organic farmer it is possible to promote products that are grown without chemicals and command better prices.

As the farmer wants to have a diversity of crops at the direct market, there will be plans developed to time the planting of the vegetable crops so that they will be mature at the same time.

(4) **Labor Issues:** The farmer will have taken into consideration what labor is available before making a final decision on the year’s crop production. If it’s known that labor will be hard to find, the farmer will select crops that don’t require an intensive amount of labor.

(5) **Pricing:** Deciding how much to charge for farm products is one of the most important considerations and activities for any farmer. This requires some research. Ultimately the revenues from sales should equal the costs. This farmer will look at past performance in prices and will research trends in prices by looking at the information, in particular, from the State Department of Agriculture. The farmer will also observe crop prices in supermarkets and discuss pricing with other farmers and co-op members.

(4) **Determine Costs and Revenues:** Once the farmer has made a decision on what crops would be a good mix to make the revenues needed for the year, all the variable and fixed costs will be entered into the “Break-Even” formula. If, in the formula, a debt results, the farmer will do more planning and perhaps (a) consider ways to add value to the product through packaging, washing or shelling, etc. (b) see if there is a way to cut the variable and/or fixed costs, or (c) consider planting another crop, or planting more acreage of a crop that is likely to bring in more revenue.

(5) **Diversity of Markets:** The farmer will decide where to sale the products. This will include a diversity of markets such as a farmer’s market, a tail-gate market, having a U-Pic opportunity for customers to harvest the crops on the farm, consider whether or not to seek a commercial market in a restaurant and what crops will be sold with the cooperative. The farmer plans to sale most of this year’s produce at the local farmer’s market.

As most farmers appear to engage in a mixture of all of the above markets, this farmer will be no different. In the ideal situation, the farmer will have looked at all of these options and will have considered the possible revenues to be obtained from each. Then make a final decision on where to market.

(6) **Promoting the Markets:** The farmer can promote the sale of his or her produce in a variety of ways, as through fliers in churches and community groups, and through word of mouth. There are a number of promotional opportunities to choose from. Rarely will a farmer choose all of these! But below are a few suggestions.

The farmer can place notices in local neighborhood newspapers and local radio stations, if possible. While some notices in papers and radio can cost money, as another promotional tactic, the farmer will also write and circulate a press release and explore the possibility of being interviewed by someone in the media about this year’s market.

With the names, addresses and phone numbers of customers that have been obtained from past markets, the farmer will also send out a mailing or make calls to these past customers about when they can come to the farm to harvest the “U-Pic” crops and also about the farmer’s market and/or tailgate schedule.

(Note: Farmers do the important work of growing food for everyone. They need to be shameless about promoting their important products! More and more, people are demanding safe, healthy, locally grown food - but they need to know where to find it. When family farmers succeed, everyone benefits!)

(7) **Evaluations and Review:** After the season’s sales the farmer will review the year’s activities and consider what worked and what didn’t and based on this will also consider any changes for next year.
Promotion: How and what will we communicate to our buyers or customers?*

Promotion is a must if you are going to gain product recognition among customers. Promotional strategies often are built around a "message." The message that you deliver about your product or business is just as important as the product itself. Equally important is how and when you deliver that message through the use of advertising tools and media.

Before beginning detailed promotions research, think about an overall strategy approach. Will you concentrate on your business image, the product, or both (total approach)?

Businesses use brand image advertising to build awareness and interest in their products. A brand is represented by a name, term, sign, symbol, design or some combination. A brand or logo is used to identify the products of your business and to distinguish them from other competitors. Although the establishment of a brand can be expensive, particularly for small businesses, many of today’s alternative farm businesses are concentrating their promotional efforts on image advertising - promoting the concept of "healthy" or "locally produced" or "eco-friendly" products....

Product advertising aims to create immediate sales through some type of special product offer, such as seasonal discounts, frequent buyer clubs, and in-store samples. For instance, (some groups use) a three pronged product strategy to: (1) Make use of excess products by distributing them as advertising samples - "we will give it to customers who can use it. They will repay us many times over in 'word of mouth' advertising"; (2) Give our customers dis-

**Pricing And Profitability**

The pricing of products is probably the most important part of any marketing plan and strategy. The “Break-even Analysis” is extremely helpful in making decisions about pricing.

### Break-Even Analysis: A Note to Farmers

With the break even analysis it’s possible to try different experiments with prices on paper. You can include your price for products to decide how much revenue you’ll make. Then you can subtract your variable and fixed costs to see what your profit will be.

Once you see this on paper you might want to change your price. But it’s found that once farmers see all this written down, they can more easily understand how to better manage their costs so that they can earn a higher profit.

Make sure that in the fixed costs section you include a “salary for yourself.”

The break-even point refers to the price and quantity of what a farmer needs to sell in order to cover all costs. At this price and sales level, you won’t be losing money. When you use the formulæ below, you should end up with “zero” because your sales should equal your costs.

Once you know the break-even point, you can figure out how much profit you want. You can do this by either thinking about raising the prices, if possible; adding value to your product by, for example, packaging or washing; trying to reduce some of your other variable costs; and so forth.

If you look at your break-even formula projections on paper as part of your marketing plan - before you even place a seed in the ground - then you can better control your finances and set your goals.

### Deciding on Profit

Some farmers will determine their fixed costs (mortgage notes, car payments, etc.) and how much profit they need for investment before planting and then:

1. Decide on their enterprise (what crops to grow, head of cattle to sell, etc.) and;
2. The prices they think the market will bear to achieve their goals.

### Break-Even Formula

Here is the formula to determine your “break-even” point.

\[
\text{Sales} = \text{Cost}
\]

### Break-even Calculation

\[
\text{Sales Price} \times \text{Quantity Sold} = \text{Revenues} \\
(\text{minus}) \text{Variable Costs per unit} \times \text{Quantity Sold} = \text{Contribution Margin} \\
(\text{minus}) \text{Fixed Costs} = \text{Zero}
\]

### Contribution Margin

The contribution margin is what revenues will go toward covering the fixed costs. This concept is useful because it is often very difficult to decide what part of fixed costs can be assigned to a particular item. Rather than trying to figure out that your okra crop amounts to 5% of the cost of your tractor, you can figure out which items contribute the most and plan to earn as much as possible.
Differentiated Producer Pricing Strategies*

**Competitive Pricing:** Competitive pricing strategies are common among large manufacturers and are aimed at undermining competition. Predatory pricing, where a company sets its price below cost to force its competitors out of the market, is a typical competitive pricing strategy. Although these strategies may work well for large commercial companies, they are not recommended for small scale, independent businesses. Price wars are not easily won. That said, the food industry is considered a “mature” marketplace and your ability to compete on the basis of price may be very important (29). There are several well-capitalized players, even in the organic market, offering similar services.

**Cost Oriented Pricing:** The cost oriented pricing strategy is probably the most straightforward. Based on your production costs, you and your planning team make a subjective decision about whether to price your product at 10 percent, 50 percent, or 100 percent above current costs. Of course, you will need to conduct marketing research to determine whether or not your customers are willing to pay the cost-plus price that you have established.

**Flexible or variable pricing:** Flexible pricing strategies involve setting a range of prices for your product. Flexible pricing is common when individual bargaining takes place. The prices that you set may vary according to the individual buyer time of year, or time of day. For instance, farmers who sell perishable fruits, vegetables and herbs at farmers’ markets often establish their price for their products in early morning and by day-end are willing to lower their prices to move any excess product.

**Penetration or promotional pricing:** A penetration pricing strategy involves initially setting your product price below your intended long-term price to help penetrate the market. The advantage of penetration pricing is that it will not attract competition. Before pursuing a penetration pricing strategy, you should thoroughly reach prevailing market prices and crunch some numbers to determine just how long you can sustain a below-cost penetration price. Penetration or promotional pricing usually takes place at the retail level when marketing direct to your product’s final consumers.

**Product line pricing:** If you plan to market a line of products, you might consider a product line pricing strategy where a limited range of prices is established for all of the products that you will offer. For instance, if you envision marketing to low-income customers, then your price line or price range must be based on “affordability.” In this case, you might establish an upper limit or ceiling for prices so that your price line is bounded by your production costs on one end and affordable ceiling on the other end.

**Relative pricing:** Relative pricing strategies involve setting your price above, below or at the prevailing market price. Clearly, this strategy requires that you research the prevailing market price for your product.

**Skimming or skim pricing:** The price skimming strategy is based on the idea that you can set a high market entry to recover costs quickly (to “skim the cream off the top”) before lowering your price to what you intend at the long-term price. This pricing strategy is possible only when you have few or no competitors. The primary disadvantage of the skimming strategy is that it attracts competition. Once competitors enter the market you may be forced to match their lower prices.

**Contract pricing for specialty commodities:** Contracts for specialty commodities vary dramatically in terms of the price paid, payment conditions, grower responsibilities, storage and shipping arrangements. The advantage of pricing on contract is that you know in advance what price will be paid for the commodity. Be aware, however, that when producing a specialty variety crop or when employing a new production management system, your yield and output risk increases as does your exposure to quality discounts. Use a contract checklist if you are considering this method of pricing for specialty crops or livestock.

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* Building a Sustainable Business” Minnesota Institute for Sustainable Agriculture (2003) and “Marketing” Kurtz and Boone (1981)
Pricing and Research

Cost-plus Pricing
Once variable costs are figured per item produced, some will use a cost-plus pricing which is to:

- Add a percentage of unit cost to set the price
  - The percentage added should be enough to cover fixed costs

- A 40% markup is the average for direct marketers

Cost-plus Comparisons
for Direct Marketers, Wholesalers & Retailers

- Direct Marketers usually markup 40%
- Wholesalers usually markup 50%
- Retailers will often markup as much as 100%

Researching Prices
- For retail prices
  - Grocery stores
  - Farmer’s market competitors
  - Other farmers

- For wholesale/commodity prices
  - State or USDA on-line services

Federation staff member and Georgia farmer Cornelius Key (left) packing watermelon
Unique Markets: Niche and Ethnic Markets

Because of the increased migrant population into the south many new ethnic and niche market opportunities are becoming available. For example, many from Mexico, the Caribbean and Africa eat goat. The goat market is mushrooming through the region and increasingly more farmers are getting into the business. Here’s some information about niche and ethnic markets.

Sample: Goat – Livestock Markets

Niche Market
• A niche market is a target group whose market activities and interests are similar but different from other groups.
• There must be information about the group
• The group must be reachable
• The group must be large enough to be profitable
• Its nature is that it tends to disappear after awhile because it might become mainstream and more farmers will also will grow for this market

(Note: There is a considerable population of migrants in the southeast United States such as Africans, Mexicans, Caribbeans and Asians who eat goat. Farmers are now recognizing the importance and the opportunities of this niche market.)

Ethnic Market
• Research on various ethnic groups is necessary to know how to successfully market to them.
• Beliefs, interests, religious requirements, as on slaughtering, are essential for the best opportunities and customer service to help in this market access.

Research
Some additional research is necessary on ethnic markets to discover the best market opportunities, such as:
• States laws on slaughtering
• Opportunities for on-farm sales

• Where do ethnic groups purchase products
• Opportunities for presentations at ethnic gatherings - when, where, and how is this possible?
• Opportunities for farm tours

Goat Market Considerations for “conventional” American customers
Adding goat to conventional markets not familiar with goat:
• Requires promotion and education
• Recipes and health benefits can be shared with potential customers

Federation/LAF goat workshop in Alabama
In the four decades since the founding of the Federation of Southern Cooperatives in 1967, there has been significant work, participation and development of low income people and their communities.

There are three major themes of the Federation/LAF’s mission, work and accomplishments over the past forty years:

• to develop cooperatives and credit unions as a means for people to enhance the quality of their lives and improve their communities;
• to save, protect and expand the landholdings of Black family farmers in the South;
• to develop, advocate and support public policies to benefit the membership of Black and other family farmers and low income rural communities.

The Federation/LAF has woven these themes together to create a strong community based movement of organizations steeped in struggle, tested by time, experienced in fighting exploitation and knowledgeable of the tactics, tools and techniques needed to help people build their own property and progress.

The Federation has for these four decades maintained a membership of low income grassroots people, organized into cooperatives and credit unions to make quantitative and qualitative changes in their lives and communities. Currently, there are over 70 active cooperative member groups, themselves with a membership of more than 20,000 families working together across ten southern states, with a concentration in Mississippi, Alabama, Georgia and South Carolina.

**Federation Merges With Emergency Land Fund**

From its beginnings, the Federation/LAF was dedicated to saving and enhancing the land resources owned by its small family farmer members in the South. This goal was significantly advanced when the Federation merged in 1985 with the Emergency Land Fund, a sister organization working on the crisis in Black land ownership. The new organization, called the Federation of Southern Cooperatives/Land Assistance Fund, was able to provide more extensive land protection services to Black farmers within cooperatives and other interested farmers, some of whom were later organized into cooperatives.

**Saving Black Owned Land**

Despite the overall decline in the number of Black farmers and land owners in the South from over 100,000 owning 8 million acres in 1960 to less than 20,000 today owning 2.3 million acres, the Federation continues to work with thousands of these landowners. Those Black farmers affiliated with the Federation have learned how to save, protect and use their land in a sustainable manner. With our help, family farmers have developed alternative and more appropriate agricultural and forestry enterprises to sustain land ownership. More outreach, education and technical support is clearly needed but without the Federation, we are convinced that significantly more land would have been lost over the decades. A major focus in the coming decades is how to more effectively utilize the remaining valuable land-base owned by Black people in the South.

The Federation/LAF was developed by community organizations and leaders molded and forged in the Civil Rights Movement of the 1960’s. These people understood that a successful community development process involved both activities showing progress through alternative means and advocacy for change in public policies that would help support, permit and institutionalize those changes. The Federation/LAF has been active over the years in advocating at the local, state and national level for public policies to assist Black farmers and develop persistently poor rural communities.
Federation of Southern Cooperatives/
Land Assistance Fund

www.federation.coop