MARKET GARDENING: A Participatory Primer Course

Part #3: Business and Marketing Planning

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Outline

• Short Review of Course Syllabus

• Overview of Food Economics & Farm Trends

• “Building A Sustainable Business”
  – Business Planning
  – Marketing Planning
Market Gardening Course
Class Topics Sequence

• #1: Introduction
• #2: Holistic Management
• #3: Business and Marketing Plans
• #4: Crop Production Systems and Planning
• #5: Equipment and Tools; Post Harvest Handling
• #6: Food & Farm Safety and Regulations
• #7: Farmers’ Markets
• #8: Financial Resources & Management
Review: Economic Motivation for Market Gardening

• “Earn $36,000 in a single year from less than one full acre”

• “How to Make $100,000 Farming 25 Acres”
  by B.T. Whatley

• $16,5000: Potential Income in a Hoophouse (24,00 sq ft)
  - You Can Farm: The Entrepreneur’s Guide to Start and Succeed in a Farming Enterprise
• Today's farmer gets less than 10-16 cents of the retail food dollar, depending on your source of information.
• USDA has changed the way it reports this statistic.


http://livinggreen.ifas.ufl.edu/food/local.html
• When analyzed among ag industry groups, today's farmer gets less than 12 cents of the retail food dollar.

Food Dollar Economics

Distribution of food expenditures

The marketing bill is 79 percent of 1997 food expenditures

Billion dollars

Source: USDA Agriculture Fact Book 1998

http://www.umanitoba.ca/afs/agric_economics/ardi/farm_value.html
<table>
<thead>
<tr>
<th>Item</th>
<th>Retail Price</th>
<th>Farmer's Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bacon</td>
<td>$2.99</td>
<td>$0.42</td>
</tr>
<tr>
<td>Top Sirloin Steak</td>
<td>$7.99</td>
<td>$0.81</td>
</tr>
<tr>
<td>Bread</td>
<td>$2.99</td>
<td>$0.12</td>
</tr>
<tr>
<td>Beer</td>
<td>$5.69</td>
<td>$0.13</td>
</tr>
<tr>
<td>Fresh Carrots</td>
<td>$2.99</td>
<td>$0.76</td>
</tr>
<tr>
<td>Cereal</td>
<td>$4.49</td>
<td>$0.09</td>
</tr>
<tr>
<td>Cheddar Cheese</td>
<td>$5.79</td>
<td>$1.28</td>
</tr>
<tr>
<td>Eggs</td>
<td>$3.39</td>
<td>$1.03</td>
</tr>
<tr>
<td>Flour</td>
<td>$2.69</td>
<td>$0.61</td>
</tr>
<tr>
<td>Boneless Ham</td>
<td>$4.29</td>
<td>$0.42</td>
</tr>
<tr>
<td>Lettuce</td>
<td>$1.79</td>
<td>$0.59</td>
</tr>
<tr>
<td>Milk</td>
<td>$3.75</td>
<td>$1.10</td>
</tr>
<tr>
<td>Potato Chips</td>
<td>$3.99</td>
<td>$0.08</td>
</tr>
<tr>
<td>Fresh Potatoes</td>
<td>$3.99</td>
<td>$0.73</td>
</tr>
<tr>
<td>Soda</td>
<td>$1.49</td>
<td>$0.07</td>
</tr>
</tbody>
</table>
# USDA Farm Categories

## Defining the Farm Typology

<table>
<thead>
<tr>
<th>Small Family Farms (sales less than $250,000)</th>
<th>Other Family Farms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited-resource farms.</strong> Small farms with sales less than $100,000, farm assets less than $150,000, and total operator household income less than $20,000. Operators may report any major occupation, except hired manager.</td>
<td><strong>Large family farms.</strong> Sales between $250,000 and $499,999.</td>
</tr>
<tr>
<td><strong>Retirement farms.</strong> Small farms whose operators report they are retired.*</td>
<td><strong>Very large family farms.</strong> Sales of $500,000 or more.</td>
</tr>
<tr>
<td><strong>Residential/lifestyle farms.</strong> Small farms whose operators report a major occupation other than farming.*</td>
<td><strong>Nonfamily farms.</strong> Farms organized as nonfamily corporations or cooperatives, as well as farms operated by hired managers.</td>
</tr>
<tr>
<td><strong>Farming-occupation farms.</strong> Small farms whose operators report farming as their major occupation.*</td>
<td></td>
</tr>
<tr>
<td>- <strong>Low-sales.</strong> Sales less than $100,000.</td>
<td></td>
</tr>
<tr>
<td>- <strong>High-sales.</strong> Sales between $100,000 and $249,999.</td>
<td></td>
</tr>
</tbody>
</table>

*Excludes limited-resource farms whose operators report this occupation.
Figure 3-6
Share of total farms and value of production, 2000

Large, very large, and nonfamily farms account for 68 percent of the value of production

Percent of total farms or production

- Farms
- Value of production

Limited-resource: Small family farms (sales less than $250,000)
- Retirement
- Residential
- Low-sales Farming-occupation
- High-sales
- Large
- Other family farms
- Very large
- Nonfamily

# US Farm Numbers Trends

## Table 3-1.


<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of farms</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total farms</strong></td>
<td>2,240,976</td>
<td>2,087,759</td>
<td>1,925,300</td>
<td>1,911,859</td>
<td>-6.8</td>
<td>-7.8</td>
<td>-0.7</td>
</tr>
<tr>
<td><strong>Sales less than $10,000</strong></td>
<td>1,051,510</td>
<td>966,743</td>
<td>879,842</td>
<td>962,966</td>
<td>-8.1</td>
<td>-9.0</td>
<td>9.4</td>
</tr>
<tr>
<td>Point farms</td>
<td>253,147</td>
<td>235,562</td>
<td>212,580</td>
<td>277,248</td>
<td>-6.9</td>
<td>-9.8</td>
<td>30.4</td>
</tr>
<tr>
<td>Other farms</td>
<td>798,363</td>
<td>731,181</td>
<td>667,262</td>
<td>685,718</td>
<td>-8.4</td>
<td>-8.7</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>Sales between $10,000 and $19,999</strong></td>
<td>592,228</td>
<td>567,006</td>
<td>502,220</td>
<td>444,745</td>
<td>6.0</td>
<td>9.8</td>
<td>11.4</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>262,616</td>
<td>256,448</td>
<td>234,770</td>
<td>212,120</td>
<td>-2.3</td>
<td>-8.5</td>
<td>-9.6</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>82,080</td>
<td>78,078</td>
<td>68,709</td>
<td>61,920</td>
<td>-4.9</td>
<td>-12.0</td>
<td>-9.9</td>
</tr>
<tr>
<td>$25,000 to $39,999</td>
<td>167,003</td>
<td>151,212</td>
<td>137,341</td>
<td>117,196</td>
<td>-9.5</td>
<td>-9.2</td>
<td>-14.7</td>
</tr>
<tr>
<td>$40,000 to $49,999</td>
<td>80,629</td>
<td>71,268</td>
<td>61,409</td>
<td>53,509</td>
<td>-11.6</td>
<td>-13.8</td>
<td>-12.9</td>
</tr>
<tr>
<td><strong>Sales between $50,000 and $99,999</strong></td>
<td>253,069</td>
<td>217,479</td>
<td>186,937</td>
<td>158,160</td>
<td>-14.1</td>
<td>-14.0</td>
<td>-15.4</td>
</tr>
<tr>
<td><strong>Sales between $100,000 and $249,999</strong></td>
<td>239,923</td>
<td>228,514</td>
<td>216,334</td>
<td>189,417</td>
<td>-4.8</td>
<td>-5.3</td>
<td>-12.4</td>
</tr>
<tr>
<td><strong>Sales of $250,000 or more</strong></td>
<td>104,146</td>
<td>118,014</td>
<td>139,958</td>
<td>156,571</td>
<td>13.3</td>
<td>18.6</td>
<td>11.9</td>
</tr>
<tr>
<td>$250,000 to $499,999</td>
<td>70,173</td>
<td>76,764</td>
<td>86,968</td>
<td>87,777</td>
<td>9.4</td>
<td>13.3</td>
<td>0.9</td>
</tr>
<tr>
<td>$500,000 to $999,999</td>
<td>22,914</td>
<td>27,151</td>
<td>34,911</td>
<td>42,860</td>
<td>18.5</td>
<td>28.6</td>
<td>22.8</td>
</tr>
<tr>
<td>$1,000,000 to $2,499,999</td>
<td>8,000</td>
<td>10,250</td>
<td>13,139</td>
<td>19,069</td>
<td>26.7</td>
<td>28.2</td>
<td>45.1</td>
</tr>
<tr>
<td>$2,500,000 to $4,999,999</td>
<td>1,724</td>
<td>2,213</td>
<td>2,919</td>
<td>4,066</td>
<td>28.4</td>
<td>31.9</td>
<td>39.3</td>
</tr>
<tr>
<td>$5,000,000 or more</td>
<td>1,245</td>
<td>1,636</td>
<td>2,021</td>
<td>2,799</td>
<td>31.4</td>
<td>23.5</td>
<td>38.5</td>
</tr>
</tbody>
</table>

1 Point farms have sales of less than $1,000 (current dollars), but are still considered farms because they would be expected to normally sell at least $1,000 of agricultural products. Point farms are defined in current dollars, rather than constant dollars, because they are identified in each census on the basis of current dollars.

Source: Compiled by ERS from the 1997 Census Longitudinal File.
Paradigm Shift for Success (And Avoiding Negative Farm Trends)

• “Old agriculture” approach
  – Selling undifferentiated commodities
  – Anonymous buyers

• “New agriculture” approach
  – Selling differentiated products
  – Direct contact with customers
Market Garden/Farm Profile

- Jack & Karen Manix of Walker Farm, Dummerston, VT
  - a fifteen-acre organic flower, vegetable and fruit farm and roadside stand
  - see their website: http://www.walkerfarm.com/
  - see the DVD video from NE SARE & UVT or alternatively see the 6 minute clip at:
    http://www.extension.org/pages/Video_Clip:_Roadside_Stand_from_Farmers_and_their_Diversified_Horticultural_Marketing_Strategies
Review: Course Textbook

Building A Sustainable Business

A Guide To Developing A Business Plan For Farms and Rural Businesses

http://www.sare.org/publications/business.htm
“Building A Sustainable Business”
- Tasks & Process -

1. Identifying stakeholder values
2. Assess your current situation
3. Vision, mission & goals
4. Strategic value & evaluation
5. Presenting, implementing & monitoring
“Building A Sustainable Business”
- Full Circle of Tasks & Process -

- Identify values
- Review current situation
- Draft vision, mission, goals
- Research, develop, and evaluate business strategy
- Implement and monitor business plan
“Building A Sustainable Business”
- Review -

• Unlike conventional approach

• Holistic Management
  – Starts with and integrates personal, economic, environmental, & community values
  – Uses a whole-farm approach
  – Considers conventional business planning & marketing principles
  – Integrate values w/ business management
What is Business Planning?

• On-going problem-solving process
• Identification of challenges and opportunities
• Application to the 4 key management areas
  – Marketing
  – Operations
  – Human resources
  – Finances
• Development of strategic objectives to achieve your vision
Why Develop a Business Plan? - Review -

- Make regular marketing, operational, human resource, & finance decisions
- To identify new market opportunities
- Pursue long-term personal, economic, environmental & community goals
- To communicate ideas to lenders, business partners and business stakeholders
Who Needs a Business Plan?

• Everyone at Any Business Cycle Stage!
  – A beginning producer
    • Evaluating startup enterprises and scale
  – An experienced producer
    • Transitioning from conventional to organics
    • Expanding your operation
    • Planning to incorporate family members/partners
    • Consolidating enterprises
  – A retiring producer
    • Transfer or sell the business
“A Sustainable Business Plan”
- Review of Definitions -

• Values
  – standards, beliefs or qualities that you consider worth upholding or pursuing

• Vision is the “dream”

• Mission statement is the “reason why”

• Goals are the “who” and “what”
  - basis of business strategies
Example from “Building a Sustainable Business Plan”

- Dave/Florence Minar, Cedar Summit Farm
- 30 years operation before a business plan
- Objectives
  - Evaluate on-farm milk processing to reduce yearly income volatility
  - Create permanent work for several adult children

http://www.cedarsummit.com/
"A Sustainable Business Plan"
- Task 2: Assessment

• **Assessment Factors**
  – Farm history
  – Current markets and sales
  – Operations situation
  – Human resources situation
  – Financial situation
  – Sources of risk
Assessing the Current Situation

- **SWOT Analysis - Review**

**Strengths**

= What the organization does well

**Weaknesses**

= What is done poorly

**Opportunities**

= External events, that if taken advantage of, could improve the organization

**Threats**

= External events, that if not addressed, could harm the organization

- SWOT needs to be an inclusive process
Developing A Marketing Plan

A Marketing Plan Should Include:

- **Results of market research**: competitors, buyers, suppliers, and trends
- **Marketing objectives**: goals that help you mark your progress, typically short term (less than 2 years), and are measurable/attainable
- **Strategies to reach objectives**: the process of getting your product from the farm to the customer (product, price, place, promotion)
Effective Business Strategies

Address The Following:

- **Markets**: who are the target customers & what do they value?

- **Product**: products offered & how unique?

- **Competition**: who are the competitors & how will the organization position itself?

- **Distribution & Packaging**: how & when will the product be moved to the market?

- **Prices**: how will the product be priced?

- **Promotion**: how & what will be conveyed?
Customer Identification: Segmentation

- **Geographic** - by regions, counties, states, zip codes, census tracts, etc.
- **Demographic** - based on age, gender, race, education, income, etc.
- **Psychographic** - by lifestyle, behavior, values, culture, etc.
- **Needs** - by health, local, quality, safe, preferences, etc.
Worksheet 4.1 Customer Segmentation

Complete this Worksheet for each major product you plan to produce. Develop a profile of the customer(s) you intend to target by market segment. Note the geographic, demographic, and psychographic characteristics of each segment. Be sure to describe your customers’ needs and preferences and what they value. Use additional sheets of paper if this product has more than three major market segments.

<table>
<thead>
<tr>
<th>Product:</th>
<th>Bottled Milk</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Customer Segment:</th>
<th>1 Home delivery customers</th>
<th>2 Retail customers</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic</td>
<td>New Prague community</td>
<td>Twin Cities Metro and New Prague communities</td>
<td></td>
</tr>
</tbody>
</table>

| Demographic       | Elderly and families with young children | Upper, middle class |

<table>
<thead>
<tr>
<th>Psychographic</th>
<th>Health conscious</th>
<th>Health conscious</th>
</tr>
</thead>
</table>

| Needs/Preferences | “Old fashioned,” safe, healthy products | Healthy, high-quality, local products |
Identifying Potential Markets

- Who can help you identify markets and customer profiles?
  - Chambers of commerce
  - Trade associations & membership directories
  - USDA/Government sources
  - Online resources
  - Your knowledge & experience
Identifying New Markets Example

Understand the Potential Customer by Developing a Customer Profile With Online Resources
Identifying New Markets

• KNOW YOUR MARKET’S DEMOGRAPHICS = KEY STRATEGY

• There are several free sources of information on-line to help you identify the demographics of your market.

• Identify them today, and watch how they are projected to change.

• Adapt your product mix to their lifestyle
As featured on Tech Guru's segment on WABC in New York, Bay News 9 in Tampa Bay, and USA Today's Hot Sites

We’ve collected and analyzed data from numerous sources to create as complete and interesting profiles of all U.S. cities as we could. We have thousands of pictures, maps, satellite photos, stats about residents (race, income, ancestries, education, employment...), geographical data, crime data, housing, businesses, political contributions, weather, hospitals, schools, libraries, houses, airports, radio and TV stations, zip codes, area codes, user-submitted facts, similar cities list, comparisons to averages... If you ever need to research any city for any reason, from considering a move there to just checking where somebody you know is staying, this is the site for you.

Top 100 Lists of cities, including highest income, least crime, newest houses, most females, shortest commute, best educated residents, and many more.

Random city pictures submitted to our site.

Use the search box:

http://www.city-data.com/
Example Data: Tampa, FL

- Population (year 2000): 303,447, Est. population in July 2010: 335,709 (+10.6% change)
- Males: 148,050 (48.8%), Females: 155,397 (51.2%)
- Co.: Hillsborough; Land area: 112.1 sq mi
- Zip codes: 33601, 33602, 33603, 33604, 33605, 33606, 33607, 33608, 33609, 33610, 33611, 33612, 33613, 33614, 33615, 33616, 33617, 33618, 33619, 33620, 33621, 33622, 33623, 33624, 33625, 33626, 33629, 33630, 33631, 33633, 33634, 33635, 33637, 33647, 33650, 33651, 33655, 33660, 33661, 33662, 33663, 33664, 33672, 33673, 33674, 33675, 33677, 33679, 33680, 33681, 33682, 33684, 33685, 33686, 33687, 33688, 33689, 33690, 33694, 33697
- Median resident age: 34.6 years
- FL median age: 41.3 years
- Median household income: $41,605 - (2009)
- FL median household income: $44,736
- Median per capita income: $26,154
Example Date: Tampa, FL

For population 25 years and over in Tampa:
High school or higher: 77.1%
Bachelor’s degree or higher: 25.4%
Graduate or professional degree: 9.2%
White alone - 155,552 (46.3%)
Black alone - 83,032 (24.7%)
Hispanic - 77,472 (23.1%)
Asian alone - 11,362 (3.4%)
Two or more races - 6,535 (1.9%)
American Indian alone - 755 (0.2%)
Other race alone - 794 (0.2%)
Native Hawaiian and Other Pacific Islander alone - 207 (0.06%)
Assessing New Markets Potential

- Start with possible pool of customers or market potential
- Identify number of competitors and their share
- Identify your potential share.
Assessing New Markets Potential

• Who uses your product? How often is it used?

• Multiplying these two can give you an indication of the market potential (expressed as the number of customer or sales) you might expect in a market.

• First, find accurate population stats then

• Combine with good “usage” stats
Consumption and Usage Resources

• Sources for information on Consumption and usage:
  – USDA – per capita food consumption estimates
    • http://www.ers.usda.gov/Briefing/Consumption/
  – Trade Associations
    • http://www.foodinstitute.com
    • http://www.specialtyfood.com
  – Commodity Groups (e.g. Nation Pork Producers Association)
  – University Research
Researchers at Rutgers, UF, and Univ of MA conducted surveys in major northeast markets to quantify market demand and to identify crops that are popular among four large ethnic groups that dominate the Eastern Seaboard: Chinese, Asian Indian, Puerto Rican and Mexican.

Chinese selections included edamame, pak choy, oriental spinach, snow peas, oriental eggplant, edible luffa, baby pak choy, napa cabbage, perilla, oriental mustard, and malabar spinach.

Asian-Indians want things like eggplant, amaranth, bottle gourd, cluster beans, fenugreek leaves, mint leaves, mustard leaves, ridge gourd, white pumpkin and bitter gourd.

Mexicans prefer anaheim pepper, calabaza, calabacita, chili jalapeno, chili poblano, chili serrano, chili habanero, cilantro and tomatillo.

Puerto Ricans are seeking aji dulce, batata, calabaza, calabacita, chile caribe, cilantro, berenjena, pepinillo and verdolaga.

Food Supply Consumer Views
University Market Study Example

• Web-based survey results of a 500 responses from a representative sample of US population.

• Highest importance placed on food safety, freshness (harvest date), and pesticide use on fresh produce they purchase.

• 57% of respondents in this survey “somewhat” or “strongly” agreed that organic food was healthier than conventional food.

Food Supply Consumer Views
University Market Study Example

- 69% “somewhat” or “strongly” agreed that local food is better for their personal health than food that has traveled across the country.

- 88% perceived local and regional food systems to be somewhat safe or very safe, compared to only 12 percent for the global food system.

- 58% were willing to pay more and 38 percent indicated they would pay the same for locally grown foods (i.e., of respondents who shop for locally-grown foods)

Assessing New Markets Potential

- **ESTIMATING LOCAL DEMAND**
  - Draw map with 20, 25, 30 miles radius
  - Get census data
  - Add up population for three circles
  - Adjust for demographics factors
  - Adjust production to population numbers
  - Example = estimated 10,000 people needed to market one acre of strawberries
Market Potential Estimation

Example

- Startup of Local Coffee Shop
  - Who uses your product?
  - How often is it used?
  - Multiplying these two factors can show market potential
### Local Coffee Market Estimation

**Example**

#### FACT SHEET

**United States | 27713**

**Zip Code Tabulation Area 27713**

![Image](image-url)

**2000**  
2003 data not available for this geography

**Census 2000 Demographic Profile Highlights:**

<table>
<thead>
<tr>
<th>General Characteristics - show more &gt;&gt;</th>
<th>Number</th>
<th>Percent</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population</td>
<td>30,903</td>
<td>100.0</td>
<td>100%</td>
</tr>
<tr>
<td>Male</td>
<td>14,652</td>
<td>47.4</td>
<td>49.1%</td>
</tr>
<tr>
<td>Female</td>
<td>16,251</td>
<td>52.6</td>
<td>50.9%</td>
</tr>
<tr>
<td><strong>Median age (years)</strong></td>
<td>31.6</td>
<td>(X)</td>
<td>35.3</td>
</tr>
<tr>
<td>Under 5 years</td>
<td>2,436</td>
<td>7.9</td>
<td>6.8%</td>
</tr>
<tr>
<td>18 years and over</td>
<td>24,068</td>
<td>77.9</td>
<td>74.3%</td>
</tr>
<tr>
<td>65 years and over</td>
<td>1,738</td>
<td>5.6</td>
<td>12.4%</td>
</tr>
<tr>
<td>One race</td>
<td>30,300</td>
<td>98.0</td>
<td>97.6%</td>
</tr>
<tr>
<td>White</td>
<td>16,488</td>
<td>53.4</td>
<td>75.1%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>10,712</td>
<td>34.7</td>
<td>12.3%</td>
</tr>
<tr>
<td>American Indian and Alaska Native</td>
<td>123</td>
<td>0.4</td>
<td>0.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>2,401</td>
<td>7.8</td>
<td>3.6%</td>
</tr>
<tr>
<td>Native Hawaiian and Other Pacific Islander</td>
<td>14</td>
<td>0.0</td>
<td>0.1%</td>
</tr>
<tr>
<td>Some other race</td>
<td>562</td>
<td>1.8</td>
<td>5.5%</td>
</tr>
<tr>
<td>Two or more races</td>
<td>603</td>
<td>2.0</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
Local Coffee Market Estimation

Example

Consumption in the United States

In 1999 there were 108,000,000 coffee consumers in the United States spending an approximated 9.2 billion dollars in the retail sector and 8.7 billion dollars in the foodservice sector every year (SCAA 1999 Market Report). It can be inferred, therefore, that coffee drinkers spend on average $164.71 per year on coffee. The National Coffee Association found in 2000 that 54% of the adult population of the United States drinks coffee daily (NCA Coffee Drinking Trends Survey, 2000). They also reported that 18.12% of the coffee drinkers in the United States drink gourmet coffee beverages daily (NCA). In addition to the 54% who drink coffee everyday, 25% of Americans drink coffee occasionally (NCA).

The average consumption per capita in the United States is around 4.4 Kg. Among coffee drinkers (i.e. not per capita) the average consumption in the United States is 3.1 cups of coffee per day (NCA). Per capita men drink approximately 1.9 cups per day, whereas women drink an average of 1.4 cups of coffee a day (NCA).

http://www.coffeeresearch.org/market/usa.htm
Local Coffee Market Estimation
Example

- **Who uses your product?**
  - Maybe half of the adults > age 18
- **How often is it used?**
  - Once daily, perhaps the morning
- **Multiplying these two can show market potential**
  - 24,068 (50% drink coffee) = 12,034 potential cups of coffee consumed in 27713 zip code area
Local Coffee Market Estimation

Example

• How many competitors?
  2 Starbucks, 4 McDonalds, and probably 24+ additional competitors = 30

• What is an equal share of the market?
  12,043 cups of coffee ÷ 30 = 401 cups ea

• Calculate sales and profit
  401 cups at $2.00 each = $802 in sales
  401 cups at $0.50 each = $200.50 in profit
  But that is per day, what about annually? 401 per day x 364 days = 145,964 cups annually or $291,928 in sales annually
Market Garden Farm Profile

• Chris & Dave Colson of New Leaf Farm, Durham, ME
  – a ten-acre organic flower, vegetable & fruit farm and restaurant sales business
  – see their website:
    http://www.newleaffarm.biz/newleaf/Home.html
  – see the DVD video from NE SARE & UVT or alternatively see the 7 minute clip at:
    http://archive.org/details/edu.uvm.market.7
Assessing Market Niches

- Marketing begins before the first seed is planted!
Direct Market Examples

- Farmers Markets
- Community Supported Agriculture
- eMarketing
- Institutional
- Restaurants
Direct Markets ‘Factors’

• ‘Pros’
  - One-on-One access to the end-users of your products (who you are may matter)
  - Smaller, more manageable volumes
  - Generally receive a higher price vs. wholesale
  - More flexibility relative to your product availability
  - Increased ability to move all variability in product quality
Direct Markets ‘Factors’

• ‘Cons’
  - Smaller volume requires a large enough customer base to move the entire crop
  - More daily marketing required
  - Does this fit the operation and skills?
  - Just because you remove the middleman, doesn’t mean you can skip their functions
  - May or may not earn higher profits
Direct Markets ‘Factors’

‘Challenges’

- Meeting customer expectations
  • Restaurants
  • Walk-in customers
  • Internet sales

- Access to various customer groups requires different approaches and skills

- Can you constantly find ways to differentiate your product/service?
Farmers’ Markets

Fastest growing form of direct marketing

- **Preparation**: requires little preparation by producer; public enjoys convenience
- **Startup**: minimal costs and marketing skills are needed
- **Direct interaction**: best feature is contact between customer and producer
- **Weather**: at its mercy for rain, heat, & cold
Farmers’ Markets Considerations

- **Comfort**: you are out in the weather all day
- **Time**: you will spend the better part of a day at the market
- **Direct competition**: competing producers are all together in a small area
- **Regulations/policies**: you have to be able to follow rules set by market management
Pick-Your-Own

Has long been a successful direct marketing venture

- **Customer pays to pick**: if it was just that simple, everyone would be doing it
- **Cost reduction**: biggest advantage (transportation, handling, storage), labor for harvesting is offset by the possible cost of people movers
- **Customers buy more**: PYO customers typically purchase more than at other markets
- **Lack of privacy**: you are allowing the public on your farm
Pick-Your-Own Considerations

• **Liability Insurance**: insurance companies get “twitchy” about PYO and having people roaming your farm
• **Damaged crops**: customers and their kids will pick-over and damage crops
• **Bad weather**: will chase away customers; this can be a problem with limited season crops
• **Labor costs**: need cashiers and people movers
• **Price**: PYO prices are often lower; customers expect compensation for their labors
Roadside Markets

Location, Location, Location!

• **Attracting repeat customers**: this is key to the long term success of your market

• **Save costs**: there is cost savings in transportation, packaging, and middlemen

• **“Catchy” signs/displays**: are necessary for attracting customers to stop at the stand

• **Overhead costs**: are higher due to the facilities
Roadside Markets Considerations

• **Planning and Zoning**: government red tape

• **Location**: key to success (needs to be near enough to main roads to attract customers and repeaters)

• **Facilities and buildings**: first thing people see of your market (you want to put the best possible look on your stand)
Restaurant Sales

Start with “independents” rather than chains

- **Amount**: smaller quantities needed
- **Be informed**: know your product, understand ‘organic’ vs ‘natural’
- **Opportunity**: highlight “locally grown” on menus
- **Specialty products**: consider edible flowers/ethnic choices
- **Partnerships**: “part of the family” relationship between producers/restaurants
Restaurant Sales Considerations

- **Comfortable Marketing**: you will develop relationships with chefs and others
- **Consistent income**: price is established for the season
- **Frequent deliveries**: lack of storage at restaurants may require more transportation
- **Liability**: a law suit on a restaurant could reach you if your product was involved
- **Out of business**: the turnover is high in the restaurant business, so be careful
Subscription Marketing

Customer pays fee in advance and places order for products they want for the season

- **Crop planning**: know in advance what to produce (crop is sold before it is planted)
- **Pickup/drop off**: orders are put together for customers, target large corporations for sales
- **Record keeping**: no money handled during the season; customer settles account at season’s end (may owe money or receive a refund)
Subscription Marketing Considerations

- **People skills**: lots of customer interaction and potential for customer relations situations
- **Time**: servicing customers needs and orders
- **Customer limit**: you can handle only so many customers (limits production, income)
- **Customer involvement**: they may be allowed to help plant, care for and harvest crop
- **Variations**: clientele membership club, food buyers club and home delivery
Members purchase shares of the farm’s harvest and accept production risks

- **Educate consumers**: show them benefits of eating farm fresh product, that is locally grown
- **People skills**: must be able to positively interact with customers
- **How distributed**: as crop matures, it’s harvested and divided among shareholders; if picked up at farm, usually 25 to 50% less than retail cost
- **Urban-rural linkage**: shareholders get a fresh supply of produce and support local agriculture; option of helping with harvest
Community Supported Agriculture Considerations

• **What to grow:** shareholders have input into what is grown and how it’s grown; better off season planting

• **Payment:** fees/contract done in advance, guaranteeing the farmer a market for everything produced

• **Pre-sold:** upfront sales allow the farmer to devote more time to enterprise management which becomes more complicated with this system

• **Cash flow:** advanced payment creates working capital for the farm operation
Specialty & Retail Stores

Includes specialty markets, supermarkets and food cooperatives

- **Time:** generally year round
- **Amount:** large volume needed for supermarkets
- **Value added:** may want ‘organically grown’
- **Specialty products:** opportunity for ethnic commodities
Schools/Institutions

Start with one crop

- **Amount**: large volume needed
- **Getting in the door**: provide free samples
- **A Must**: need for professionalism and accountability to food service director
- **Certification?**: as a Department of Defense vendor & participation in Direct Vendor Delivery Program 1-800-795-5772 or 1-904-387-2737
- **Promotion**: be a guest speaker on what you produce
E-Retail Sales

Doesn’t replace traditional direct markets, but will enhance sales

- Wider access to potential customers
- Additional revenue streams via links to other sites
- Management - who will manage the site/orders?
- Volume - may generate more Business than you can handle

- Shipping costs are high
- Inspections - state inspected products cannot be shipped out of state without federal inspections
Producer responsibilities to buyer:

- **Buyer’s reputation**: it’s on the line with your product
- **Be reliable**: buyer needs to count on you
- **Consistency**: deliver a consistently high quality product for the buyer to sell
- **Time**: be on time with deliveries
Wholesale Markets ‘Factors’

- **Customer needs**: provide products that buyers request rather than trying to find customers for what you grow

- **Be knowledgeable**: buyer relies on producer to provide information on product’s features, advantages and benefits become an asset to the buyer

- **Specialty crops**: some buyers are especially interested in crops not produced by the larger farms

- **Product identity**: you can develop your own logo or packaging to enhance the product
Wholesale Markets ‘Factors’

- **Transportation costs**: you will have to deliver your product to the buyer.
- **Special handling and grading**: some buyers have particular requirements and standards for products; these vary by customer.
- **Special packaging**: some buyers are very “picky” about how you deliver product.
- **Prices**: wholesale is usually 50% less than direct sales to consumer.
- **Limited diversity**: less diversity is risky.
- **Pooled production**: small farmers will need to work together to meet production demands.
Distribution
Describe the current distribution channels for this product.

Logistics: Customers come to farm; we deliver to farmers market once each week.

Market Locations: On-farm and in New Prague – all local

Market Intermediaries: None

Marketing Costs (transportation, labor, spoilage, price discounts for intermediaries):

Farmers market stall space fee = $25/year
Labor for market-related travel and staffing = 8 hours/week
Labor for on-farm sales = 2 hours/week

CONTINUED
Assessing the Product Situation

- **Product**: What is your product?
- **Unique features**: How are your foods different from everyone else?
Identifying Unique Product Features

• It’s all about Competitive Advantage
• **Freshness**
• **Quality**
• Environmental and/or Social Benefits

• Market research may be needed to uncover needs of existing & potential customers
What Is A Product?

• Too many small farms have a “production” mentality & do not fully assess their potential product line

• Products can be multi-faceted:
  – Commodities (aka foods)
  – Final consumer goods
    • e.g., value-added products
  – Services
    • e.g., plant workshops & newsletters
Worksheet 2.2 Current Market Assessment

Complete this worksheet for each of your major products or services. Be as specific as you can and, where relevant, include numeric facts and figures. These will be the basis for projections you’ll make later on for the strategies that you consider.

Product/Service:  Meat products

Markets Served: Geographic/Customer Segments
Answer the following questions for each major market segment (geographic and/or customer type) you serve. Use additional sheets if this product has more than three major market segments.

| Segment | 1. On-farm sales | 2. New Prague farmers market | 3. ___________
|-----------------|------------------|-----------------------------|-------------------|
| Potential Number of Customers | a. ? | a. ? | a. ___________
| Current Number of Customers | b. 400 | b. 25 | b. ___________
| Current Sales Volume | c. $43,600 | c. $1500 | c. ___________
| Current Sales per Customer (c / b) | d. $109 | d. $60 /year | d. ___________
| Potential Sales Volume (a x d) | e. ? | e. ? | e. ___________

Unique Characteristics
What are the unique features that distinguish this product or service? For which customer segments are they important? How easily can they be imitated by competitors?

Characteristic 1: Gross fed
Appeals to which segments? Both segments
Easy for competitors to imitate? ___ Yes ___ x No

Characteristic 2: Locally produced
Appeals to which segments? Both segments
Easy for competitors to imitate? x Yes ___ No
How Are Products Priced?

• Do you have a choice?
• Be a ‘price setter’ not a ‘price taker’!
• Study current pricing conditions
  – Typical price
  – Price ranges
  – Price leader
  – Sensitivity of price to demand changes
## Prevailing Wholesale Market Pricing
### US Organic Strawberry Example

Compare prices for Strawberries across all markets

**Week of January 23, 2009**

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## Florida Strawberries Package: FLTS 8 16-OZ BKTS w/LID, ORGANIC

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<td>Truck</td>
<td>657</td>
<td>2008</td>
</tr>
</tbody>
</table>
Pricing

- **Difficult**: price needs to cover your costs and return a profit
- **Competition**: top of list (must be competitively priced unless you can show a difference)
- **Quality**: important (a premium price commands a quality product), often a high price infers quality
Pricing

- **Specialty products**: limited supply or competition helps set price
- **Perception**: low prices may infer that your business sells inferior products
- **Location**: customers will pay for convenience
- **Time of Year**: “early bird gets the worm”
- **Customer acceptance**: ultimate test for pricing
- **Know the break-even price**: the price that covers your costs; remember that you are in business to make money
Marketing Skills-Packaging

- **Presenting product**: has much to do with marketing the product
- **Feasibility**: not needed for all markets
- **Fancy vs. Basic**: should reflect the market
- **Preservation**: can extend shelf life
- **Identity**: farm name or logo on product
- **Communication**: recipes, info tags, etc.
How Are Products Promoted?

- Promotional strategies affected by choice of distribution system

- Assess promotional strategy effectiveness
  - How many customers are reached?
  - The cost of reaching customers
Promotion Strategy Should Include:

- **Message:** What should customers know about their products
- **Tools & Delivery:** How will the message be communicated?
- **Timing & Frequency:** How often will customers be contacted?
- **Costs:** How much will promotion cost?
Mission = Attract Customers

- First, identify what kind of business you are, who your customers are, and what you are going to provide.

- Develop an image that fits your personality.

- Plan a promotional campaign that you are sure you can live up to and fulfill the promotion ads.
If you decide not to have an internet site, use other places to advertise your farm such as these **free** sites:

- FL Market Maker - [http://fl.marketmaker.uiuc.edu/](http://fl.marketmaker.uiuc.edu/)
- Pick Your Own - [www.PickYourOwn.org](http://www.PickYourOwn.org)
- Local Harvest - [www.localharvest.org/register.jsp](http://www.localharvest.org/register.jsp)
- Farm Locator - [www.newfarm.org/farmlocator](http://www.newfarm.org/farmlocator)
- Sunshine Farmers Market - [www.sunshinefarmersmarket.com](http://www.sunshinefarmersmarket.com)
- Eat Local Guide (Transition Sarasota) - [http://eatlocalguide.com/sarasota/](http://eatlocalguide.com/sarasota/)
Planning Task 4: Strategic Planning & Evaluation

• Strategy: a “A careful plan or method for achieving an end.”

• This is an important step in the process:
  – Develop a business strategy
  – Evaluate strategic alternatives
  – Decide on the whole business strategic course
  – Develop contingency plans
Strategic Marketing Plan

• *Develop A Whole Farm Marketing Strategy*

• *Think How Individual Product Strategies Fit Together*
Business Plan Input—Marketing Strategy Summary:

Our primary marketing strategy is to target health-conscious, upper middle class families with young children and people who remember traditional foods. The consumer will perceive our products as being very different from the regular dairy products in the grocery stores. Our grass-fed cows produce higher amounts of Omega-3 and conjugated linoleic acid in their milk than grain-fed cows. These two fatty acids fight cancer, promote lean muscle mass in humans, and have many other health benefits. Milk from our grass-fed cows will also be processed and marketed as non-homogenized or cream-top milk.

We plan to package our milk in returnable bottles, either glass or plastic depending on costs. It is a common perception that milk in glass bottles stays colder, tastes better, is of higher quality, and has a nostalgic appeal to many customers. We are considering several distributional alternatives in the New Prague and Twin Cities areas: (1) Home delivery; (2) retail; (3) on-farm; (4) farmer’s markets and (5) alliances. We expect that the first two distribution options will account for the bulk of our sales. By marketing locally, we hope to build name recognition, a loyal customer base, and dependable sales. Costs may clearly be a disadvantage with home delivery—both in terms of packaging and the need for additional marketing staff to make regular deliveries and communicate with individual customers. We will dominate the market in the New Prague and Twin City areas for a number of years by being the first dairy to bottle milk from grass-fed cows in returnable containers.
Whole Farm Strategy

• The System-wide Connections of the Strategies of the 4 Management Areas
  – Marketing
  – Operations
  – Human resources
  – Finances

• It Considers How Each Strategy Affects Each Other
Choosing The Best Strategy

• Decision makers need to decide?
  – Stay with current business plan
  – Adopt an alternative strategy
  – Reconsider new alternatives

• Consider Strategy “Best Fit” Tests

• Develop a contingency plan
  – Use of scenario planning
Worksheet 4.38 Scoring and Deciding on a Final Business Strategy

Use each of the strategy tests (described in Figure 96) to assess your whole farm business alternatives. Give each strategy a subjective score, from one to five (five being the highest), for each test. Once each strategy is scored, sum the scores across all tests. The strategy with the highest score is apparently the best for the farm and your planning team. If more than one strategy ranks similarly, then spend more time researching and evaluating the remaining strategies before making a final decision about which direction to take your business.

<table>
<thead>
<tr>
<th>Proposed Strategy:</th>
<th>Base Plan</th>
<th>Strategy #1</th>
<th>Strategy #2</th>
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<tbody>
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<td>Processing</td>
<td>Alternative</td>
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<tr>
<td>Total Score</td>
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</tr>
</tbody>
</table>

Which whole farm or enterprise strategy will we pursue?
Planning Task 5: “Which Route Will You Take & How Will You Monitor Progress?”

• Parts of a Monitoring Program
  – Make a “To-Do List”
    • Assigned stakeholders
    • Deadlines
  – Maintain Records
  – Establish “Checkpoints”
    • Short time frame
    • Evaluate “objectives”
  – Renew Full Circle of Planning Process
- Repeat the Full Circle Process -

1. Identify values
2. Review current situation
3. Draft vision, mission, goals
4. Research, develop, and evaluate business strategy
5. Implement and monitor business plan
Here is an example of a small farm that needs to diversify in order to remain sustainable. This farm family needs to conduct a SWOT analysis. Read the example and conduct your own SWOT analysis for the Ryan family. When you are done, you can check your answers against the answers prepared by experienced users of the SWOT analysis tool. Those answers are on the page after your fill-in-the-blanks page. If your answers are close to the experts' answers, you are ready to do your own SWOT analysis.

Meet the Ryan Family

The Ryan family has operated a dairy farm for over 50 years. Paul Ryan, age 48, took over the dairy from his father 20 years ago. The dairy is average-sized for the area: the Ryans milk 60 cows, grow most of their own forage and grain, and raise their own heifers. The family withdraws about $30,000 from the farm business each year for living expenses. The dairy is located in a rural area, but urban and suburban areas are close by. The nearest city has a population of 100,000.

Margaret Ryan, 42, is Paul’s wife. They have three children: Jane, Hal, and Susan. Margaret used to work on the farm, but for the last 8 years she has been working full-time as a clerk-typist in the school district office. Take-home pay from this job is $18,000, plus health, dental, and other benefits that extend to the whole family. At this point, Margaret oversees the finances with Paul, occasionally milks, and manages the household.

Jane Ryan, 21, has just received her bachelor’s degree in culinary arts from the local community college. During the summers, Jane works full-time on the farm with the milking. She is considering farming as an occupation, but would like to continue her work in value-added food production.

Hal Ryan, 16, is in high school and works with his father part-time during the school year, and full-time during the summer. He is not interested in the dairy or in any type of farming and would rather attend a university and study science, engineering, or economics.

Susan Ryan, 12, is a middle school student who really enjoys the farm. She takes care of the calves after school, belongs to 4-H, and has just begun to show an interest in helping with the crops, although she is too young to drive the tractor.

Jean Miller, 64, is Margaret’s mother. Since the death of her husband 5 years ago, Jean has lived with the Ryans. She shares an interest in cooking with her granddaughter, Jane.
Alternative ventures

The Ryans are considering an alternative farm enterprise because they need additional income to send their younger children to college and to save for retirement. Paul and Margaret feel strongly that they would like Jane or Susan to take over the farm.

This means that, until they retire, the farm may have to support two families (Jane currently has no plans for marriage). The Ryans are thinking about expanding the dairy to generate additional income, but Jane would rather be involved in a value-added (food product) enterprise. Paul and Margaret realize that changes in the farm may have to occur to satisfy the desires of the next generation and are willing to explore alternative farm enterprises.

The family met to determine how each person felt about developing a new enterprise on the farm, and found that Jane and her grandmother are most excited about this idea. After they did an inventory of resources, they concluded that their main, underutilized, physical resources are a small piece of land — about 5 acres currently used to grow extra hay for sale — and a concrete block shed used to store bicycles and patio furniture. Their main, under-utilized, marketing resource is the city 38 miles away. The Ryans also have good road frontage along a fairly well-traveled highway. Management and labor resources available year-round would come from Jane and Jean. High school students would be available primarily in the summer, as would Susan.

The family decided that Jane would generate enterprise ideas, and the others would offer opinions on suitability. Jane and Jean discussed possible food products that could be made using farm resources. She also spoke to some former professors and classmates, a farming neighbor she respected, and the Extension economic development educator. She reviewed back issues of culinary and country magazines and spent an entire day walking through the city, visiting stores, restaurants, the downtown area, and malls.

Out of 6 ideas that Jane came up with (fruit pies, salsa, strawberry jelly, cheese, ice cream, and yogurt), the idea that most family members liked was cheese, which Jane and Jean thought could be sold at a farm-market stand or to the many hotels and restaurants in the city.

Your Task

Help the Ryans become more confident about this idea by doing a SWOT analysis for this project. Use the first SWOT worksheet to record your thoughts and those of others. You may copy the second worksheet as often as you want to do a SWOT analysis for any enterprise you are considering. Worksheets are also available at www.Farm-Risk-Plans.USDA.gov.
SWOT Analysis Exercise (cont)

Exercise SWOT Analysis Sheet
For the Ryan family, brainstorm about ideas related to the four areas below. Use this sheet to determine whether the Ryans should explore an enterprise idea further. For answers, see the inside back cover.

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<th>WEAKNESSES</th>
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## SWOT Analysis Exercise (cont)

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<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Longevity — the Ryans have been farming for 50 years.</td>
<td>• They still need to withdraw $30,000 per year for family living expenses.</td>
</tr>
<tr>
<td>• They raise their own replacements and feedstuffs.</td>
<td>• They are located in a rural area.</td>
</tr>
<tr>
<td>• Family’s insurance is paid from an off-farm job.</td>
<td>• The son is not interested in continuing the farming operation.</td>
</tr>
<tr>
<td>• They have off-farm income.</td>
<td>• They need to set money aside for children’s college expenses.</td>
</tr>
<tr>
<td>• They use family for labor.</td>
<td>• They will need to support multiple families in the near future.</td>
</tr>
<tr>
<td>• There are multiple generations living on the farm.</td>
<td>• They may need to hire some outside labor for the alternative enterprise.</td>
</tr>
<tr>
<td>• They are willing to explore alternatives.</td>
<td>• No one has cheesemaking experience.</td>
</tr>
<tr>
<td>• They have good family communication.</td>
<td></td>
</tr>
<tr>
<td>• They have available land and a building to use for an alternative business.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>OPPORTUNITIES</strong></th>
<th><strong>THREATS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• They are located close to a suburban area.</td>
<td>• There may be other cheesemakers in the area with the same marketing ideas.</td>
</tr>
<tr>
<td>• They have good road frontage.</td>
<td>• They have a 76-mile round trip to the city.</td>
</tr>
<tr>
<td>• The nearest city has 100,000 people.</td>
<td>• This does not say if they have a vehicle to transport the cheese.</td>
</tr>
<tr>
<td>• Jane has a bachelor’s degree from college.</td>
<td>• Need a steady workforce from a rural area.</td>
</tr>
<tr>
<td>• Jane wants to return to the farming operation.</td>
<td>• Government regulations may dictate many aspects of the operation.</td>
</tr>
<tr>
<td>• They are located on a well-traveled rural highway.</td>
<td></td>
</tr>
</tbody>
</table>
Acknowledgements

- Bullen, S.G. Dept. of Agricultural and Resource Economics, North Carolina State University, “Evaluating Your Business” presentation at 2006 SSAWG Conference, Louisville, KY.

- Landrum, L. Market Options: Entering the Market. UF/IFAS North Florida REC – Suwannee Valley

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  http://www.attra.org/marketing.html
• ATTRA. Holistic Management
• Macher, R. 1999. Making Your Small Farm Profitable. – online book report see
  http://thebeginningfarmer.blogspot.com/search/label/Making%20Your%20Small%20Farm%20Profitable
• Purdue University’s Business Planner
  https://www.agecon.purdue.edu/planner/
• UF/IFAS/FAMU Small Farm & Alternative Enterprise Program
  http://smallfarms.ifas.ufl.edu/
  http://www.agriculture.state.pa.us/portal/server.pt/gateway/PTARGS_0_2_24476_10297_0_43/agwebsite/Files/Publications/SWOTbroch-FINsingles.pdf
Online Sales Potential Information

- Sources of demographic & food consumption data and trends
  - City-Data.com - http://www.city-data.com
  - Departments of Ag - http://www.doacs.state.fl.us/
  - US Census Bureau http://www.census.gov/
  - Myflorida.com: http://www.myflorida.com/
Online Reading Assignments

- UF/IFAS Small Farms & Alternative Enterprises Website: Planning & Management; Crops - http://smallfarms.ifas.ufl.edu/

