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Direct Farm Marketing - Rural Economic Development Opportunities

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Direct Farm Marketing - Rural Economic Development Opportunities

Market Report	Yr Ago	4 Wks Ago	7/28/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$64.89	\$67.46	\$65.66
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	80.17	*	94.50
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	78.00	105.75	107.12
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt. . . .	99.61	109.52	103.30
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	34.50	*	47.50
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	*	42.59	40.60
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt. . . .	110.75	136.50	126.70
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	81.35	85.40	82.75
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	177.00	190.00	185.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.97	3.00	2.82
Corn, No. 2, Yellow Omaha, bu.	1.75	1.66	1.42
Soybeans, No. 1, Yellow Omaha, bu.	4.26	4.70	4.27
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.27	2.81	2.79
Oats, No. 2, Heavy Sioux City, IA, bu.	1.18	1.18	1.26
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	82.50	105.00	125.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	*	52.50	67.50
Prairie, Sm. Square, Good Northeast Nebraska, ton.	*	*	75.00
* No market.			

Direct farm marketing is once again on the rise. Enterprising producers across the nation are developing a renewed interest in direct sales for numerous reasons - - low farm-gate prices, increased interaction between farming communities and growing suburbs, increased interest in food safety and the environment and a willingness of consumers to purchase food products at a premium price. Direct marketing potentially means preserving small farms, strengthening the social relations between rural and urban citizens and rural economic development.

What is direct marketing? Direct marketing is based on the concept that producers control the processing of their products, from planting or birth to final sale. Direct markets are often specialty markets that provide higher value to the consumer and a higher price to the producer. Today, more than ever before, there are options such as Internet sales, agricultural tourism and recreational activities that allow for producers to get involved with direct market sales.

The traditional direct market for producers has been the farmers market. The latest count from the USDA shows an estimated 2,863 farmers markets operating in the United States, up from 1,755 operating in 1994. This equates to a sixty-three percent increase in market opportunities for producers. One of the reasons for the increasing success is that unlike sterile grocery stores, farmers markets allow consumers to experience, smell and taste farm fresh foods and products. Farmers markets also help consumers establish relationships with the producer who grows their food.



Pick-your-own fruit and berry operations, cut-your-own Christmas trees and roadside stands are common forms of direct marketing in Nebraska. Some of these producers have also expanded into crafts, baked goods, flowers and other related items. Other producers are opening their own retail outlets or operating Community Supported Agriculture (CSA) businesses. A CSA usually involves an agreement with consumers paying fixed amounts at the beginning of the growing season in return for fresh produce delivered or picked-up throughout the summer months.

Adding value to the farm product is key to successful direct market sales. To add value, the producer captures a greater share of the end-value of the product, such as processing a raw commodity into a more usable consumer product. Although processing costs can be excessive and may require immense capital outlay, they can also require minimal time and expense. Value can be added through packaging, new uses, delivery, breeds, hybrids, services, production methods or establishing a special relationship with customers. Value can also be added to commodity products through delivery to niche markets such as non-GMO end users or ethnic markets. Some of these markets tap into high-end users who are concerned about environmental and social issues. The list is long and the opportunities are wide for producers who understand their customers and market to their needs.

How does direct marketing impact Rural Development? Direct marketing can have positive economic impacts on rural and urban communities. The most apparent contributor is the direct flow of income from the consumers to the producer. By selling direct, producers retain the value that is added to their products rather than allowing income to go to the usual wholesalers and retail outlets located outside the rural community. As a result, a larger share of the retail food dollar goes back to the community where it was grown. Additionally, when recreation is added to food consumption, urban consumers traveling to rural communities spend additional dollars within the communities at restaurants, retail outlets or other services.

For example, a 1994 study (Leones and others) of Arizona county farm outlets and pick-your-own-operations found that groups visiting from outside the county spent an average of \$18 in the local commu-

nity, plus the \$40 they spent at the farm outlets. These types of agricultural tourism may have a “multiplier” effect on the community’s economy.

Communities that are best suited to draw visitors from the urban areas are located near or at the fringe of a larger urban center. However, further away communities can compete through marketing and establishing their community as a destination site for an “agricultural experience,” or by creating community identity for farm and retail products.

Although complete data are not available on the impacts of direct marketing, individual success stories and entrepreneurial opportunities for side-businesses should generate sufficient interest for producers to take a look at the possibilities. Communities can also assist producers by encouraging a climate of entrepreneurship and a willingness to market to visitors beyond their local communities.

Note: The Nebraska EDGE provides entrepreneurial training for producers interested in direct marketing opportunities. Contact Marilyn Schlake, (800) 328-2851 for more information.

Sources:

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