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Farmer-to-Consumer Direct Marketing: Sales and Advertising Aspects of New Jersey Operations

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This article provides insights into the sales and advertising operations and characteristics of direct marketing enterprises in New Jersey. Sales data are analyzed with respect to the number of acres planted, related products, products sold that were grown by marketers, and organic produce. The advertising aspects explored are dollar amount spent on advertising and methods of advertising.

Introduction

Agriculture is an important economic sector in New Jersey. The preservation of open space and the production of agricultural products have been given priority and importance by the New Jersey legislature through the passage of the Right to Farm Act. In order for farmers to remain in farming, however, they must be able to make a reasonable return on their investment. For some farmers, direct marketing facilitates this objective enabling them to capture a greater share of the consumer's food dollar.

Farmers view direct marketing as an alternative market outlet to increase their income while consumers see it as a means of gaining access to fresher, higher quality foods at lower cost. Consumers also derive cultural and social benefits from direct contacts with farmers, visits to farm, and nature (Linstrom).

Farmer-to-consumer direct marketing in New Jersey plays an important role, not only in providing many farmers with greater net returns but also in helping economically to retain agricultural lands in and near urban areas (Fabian). There has been considerable growth of interest in farmer-to-consumer direct marketing in New Jersey. In March 1994, Nayga et al. reported from a survey of direct marketers that about 46 percent of the facilities used in direct marketing in New Jersey are permanent. They also found

that over half of the direct marketers surveyed characterized their operation as in the "growth" stage. Moreover, Nayga et al. indicated the diversity in the type and size of the facilities in the direct markets. Nayga et al. estimated that the New Jersey farmer-to-consumer direct marketing industry represented by the study was valued at approximately \$189 million.

The objective of this study is to provide information concerning sales and advertising aspects of New Jersey farmer-to-consumer direct marketing enterprises. Sales data are analyzed with respect to the number of acres planted, related products, products sold that were grown by marketers, and organic produce. Advertising aspects explored are dollar amount spent on advertising and methods of advertising.

Methodology

In 1992, a survey of New Jersey farmer-to-consumer marketers was conducted to collect information on various aspects of direct marketing operations and to evaluate the current status of these operations. The survey was conducted by the Rutgers Cooperative Extension in consultation with other Extension and Research personnel at the New Jersey Agricultural Experiment Station as well as representatives of New Jersey Department of Agriculture, New Jersey Farm Bureau, and the New Jersey Farmers' Direct Marketing Association. Reference to several other studies (Kinsman; Schooley et al.) was especially helpful in designing the instrument. The questionnaires were mailed to 1,055 direct marketing operators identified by Rutgers Cooperative Extension, New Jersey Department of Agriculture, New Jersey Farmers'

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Direct Marketing Association, and the New Jersey Farm Bureau. Of the 1,055 questionnaires, 557 were returned. One hundred of these 557 (18%) were returned from businesses no longer operating due to various reasons (e.g. death, out of business, sale, etc.). Two other questionnaires were received after the compilation and analysis of the data had already begun and were not included. Therefore, the number of usable completed questionnaires was 455.

Survey Results

Sales

Sales are an important determinant of the continued operation of direct marketing facilities by farmers. The direct marketing operations are classified by gross retail sales in Figure 1. Of the 409 responding marketers, 31.3 percent had total retail sales below \$10,000; 14.2 percent made between \$10,000 and \$24,999; 11.7 percent made between \$25,000 and \$49,000; 10.1 percent had total sales in the range of \$50,000 and \$99,999; 15.2 percent had sales in the range of \$100,000 and \$249,999; and 7.8 percent grossed between \$250,000 and \$499,999. Finally, 9.7 percent of the respondents had sales of at least one-half of a million dollars, and three of these direct marketing operations had sales of at least \$5 million each.

A tabulation of the number of marketers at various levels of acres farmed and gross retail sales is exhibited in Table 1. Three hundred thirty-seven marketers responded to both questions concerning the number of acres farmed and gross retail sales. Of the 121 marketers with gross retail sales under \$10,000, 57 farmed fewer than 10 acres, 26 farmed between 10 and 24 acres, 11 farmed between 25 and 49 acres, 13 farmed between 50 and 99 acres, 8 farmed between 100 and 299 acres, four farmed between 300 and 599 acres, and two farmed over 900 acres. At the other extreme, two marketers had sales of at least five million dollars, and each of these marketers farmed fewer than 100 acres.

Most of the marketers surveyed farmed fewer than 100 acres. Interestingly, however, six of the 107 marketers who farmed fewer than 10 acres had at least half a million dollars of sales. In addition, eight of the 71 marketers who farmed between 10 and 24 acres had sales of at least half a million dollars. Only eight marketers had at least half a million dollars of sales and farmed at least 100 acres. The issue of related products and gross retail sales is discussed in the next section.

The proportions of respondents at various levels of percentage of dollar sales from related products (e.g.

pies, donuts, flower pots) are exhibited in Figure 2. A cross tabulation of 149 responding direct marketers by gross retail sales and percent of total dollar sales from related products is presented in Table 2. About 84 percent or 125 of the 149 responding marketers indicated that the percentage of their total dollar sales from related products was 25 or less. Of these 125 marketers, 16 had sales of between \$10,000 and \$24,999; 15 had sales of between \$25,000 and \$49,999; 20 had sales of between \$50,000 and \$99,999; 35 had gross retail sales of between \$100,000 and \$249,999; and 17 had gross retail sales of between \$250,000 and \$499,999. The remaining 22 had gross retail sales of over \$500,000.

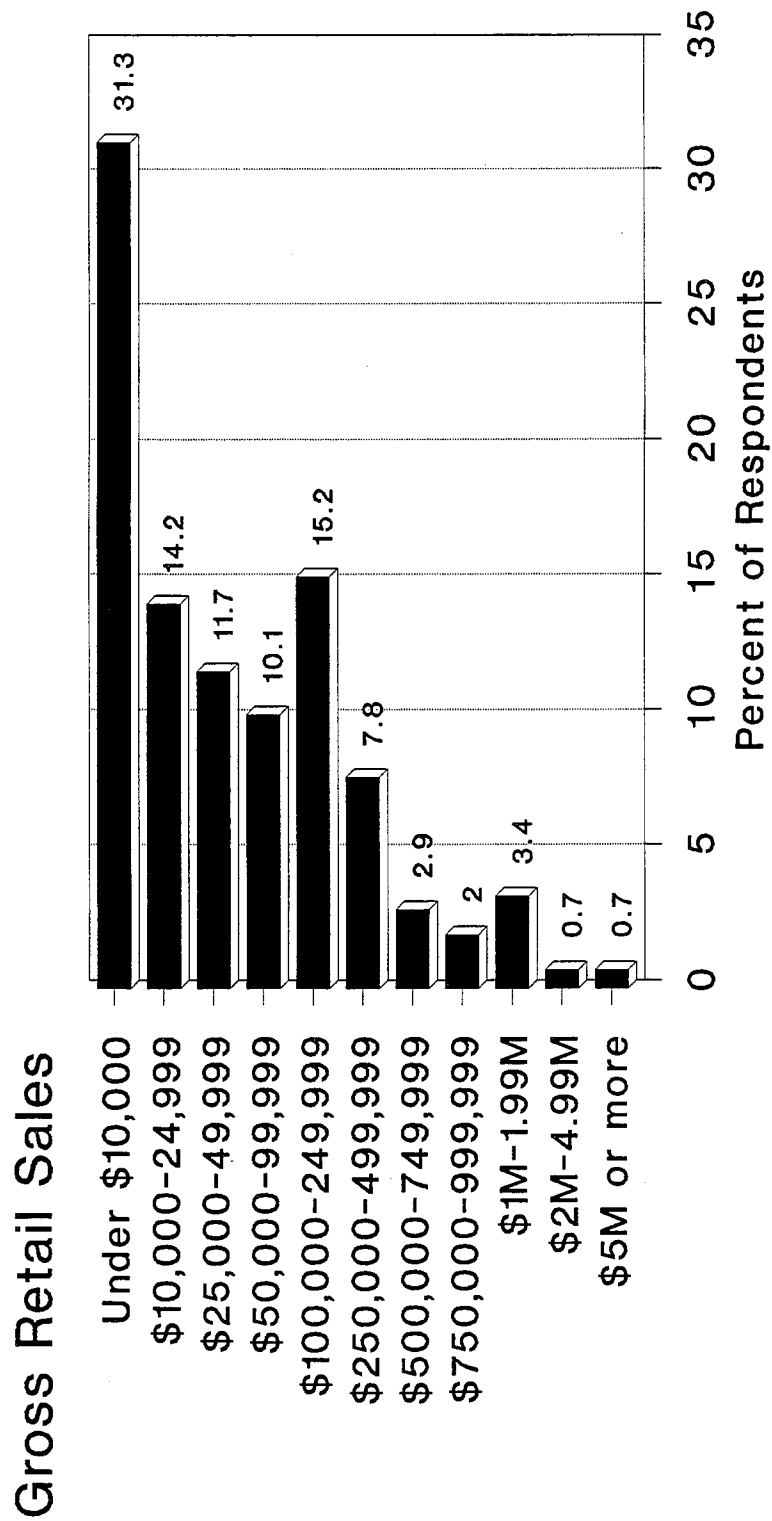
Related products accounted for between 26 and 50 percent of total dollar sales for 22 (14.7 percent) of the respondents. Of these 22 marketers, three had gross retail sales of between \$50,000 and \$99,999; five had gross retail sales of between \$100,000 and \$249,999; and four had gross retail sales of between \$250,000 and \$499,999. Ten marketers had gross retail sales of over \$500,000; five had gross retail sales of between \$1,000,000 and \$1,999,999. One marketer who had between 51 and 75 percent of dollar sales from related products had gross retail sales of between \$1,000,000 and \$1,999,999.

Respondents were also asked about the percentage of all the agricultural products sold that was grown by them. The proportions of marketers by percentage of products sold that were grown are presented in Figure 3 while the cross-tabulation of percentage of products sold and grown by them classified by gross retail sales is exhibited in Table 3. Of the 273 marketers who responded to both questions, seven percent did not grow any products sold by them; 11.4 percent were within the one to 30 percent range of percentage of products sold that was grown by them; 9.5 percent were within the 31 and 50 percent range; and 9.5 percent were within the 51 and 70 percent range. Roughly two-thirds (62.6%) of the responding marketers produced between 71 and 100 percent of the products they sold.

Of the 103 farmers with gross retail sales between \$10,000 and \$49,999, three grew none of what they sold, two grew between one and 30 percent of what they sold, seven grew between 31 and 50 percent of what they sold, five grew between 51 and 70 percent of what they sold, and 86 grew between 71 and 100 percent of what they sold. At the other end, of the 38 marketers with gross retail sales of at least half a million dollars, seven grew none of what they sold, 13 grew between one and 30 percent of what they sold, three grew between 31 and 50 percent of what they sold, seven grew between 51 and 70 percent of what

Figure 1

Direct Markets Classified by Sales, 1992



Based on 409 responding marketers

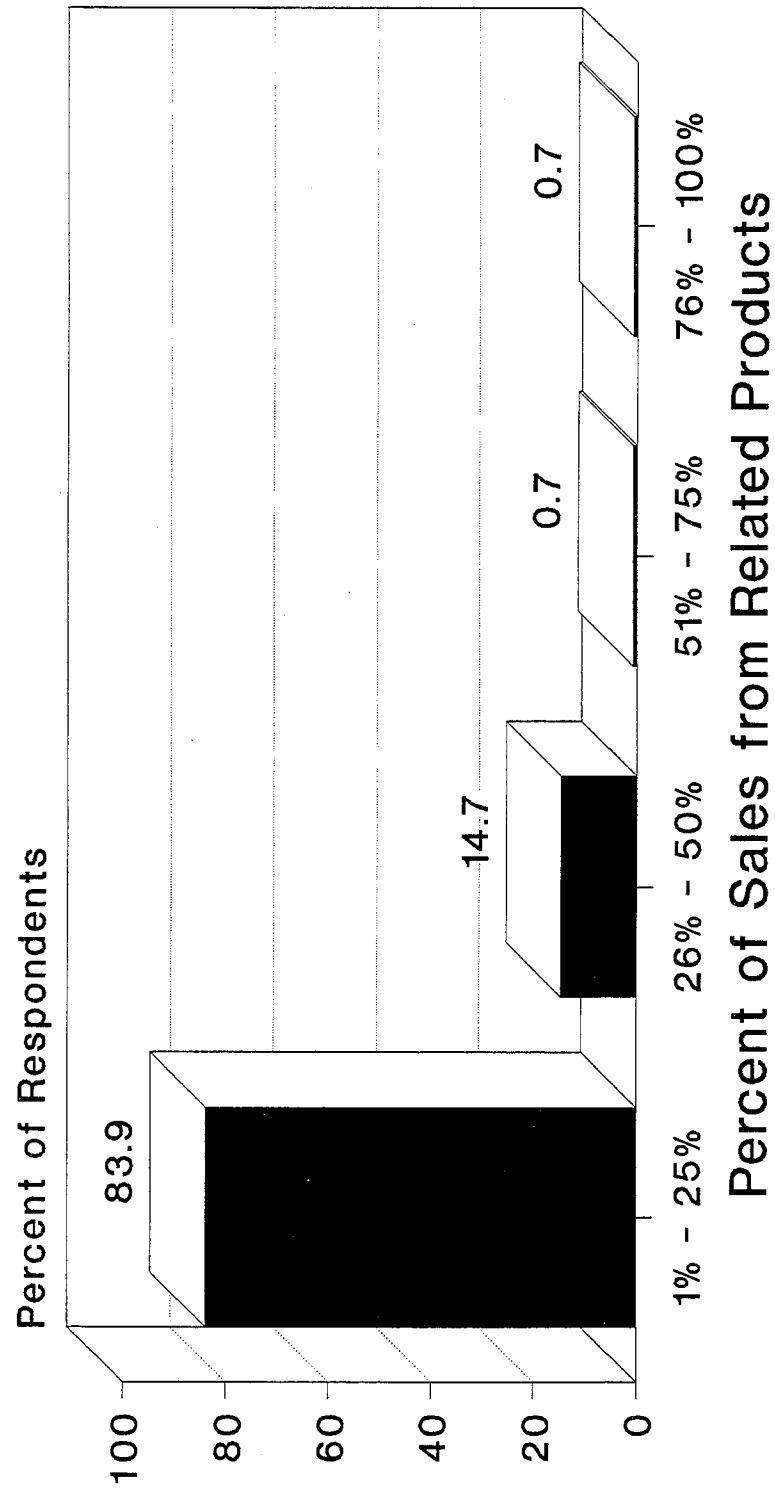
Table 1: Number of Marketers at Varying Levels of Acres Farmed and Gross Retail Sales, NJ 1992.

Gross Retail Sales	No. of Marketers	Number of Acres Farmed									
		Under 10	10-24	25-49	50-99	100-299	300-599	600-899	900+		
Under \$10,000	121	57	26	11	13	8	4	0	2		
\$10,000 - \$24,999	57	17	11	9	10	5	4	1	0		
\$25,000 - \$49,999	46	6	8	8	11	9	4	0	0		
\$50,000 - \$99,999	35	7	7	4	8	6	3	0	0		
\$100,000 - \$249,999	56	10	6	6	14	14	3	0	3		
\$250,000 - \$499,999	29	4	5	2	3	11	3	1	0		
\$500,000 - \$749,999	9	3	1	1	1	1	1	1	0		
\$750,000 - \$999,999	6	1	3	1	1	0	0	0	0		
\$1,000,000 - \$1,999,999	13	1	2	3	2	2	2	0	1		
\$2,000,000 - \$4,999,999	3	1	1	1	0	0	0	0	0		
\$5 Mil. or more	2	0	1	0	1	0	0	0	0		
Total	377	107	71	46	64	56	24	3	6		

377 Marketers responded to both questions.

Figure 2

Sales from Related Products, 1992



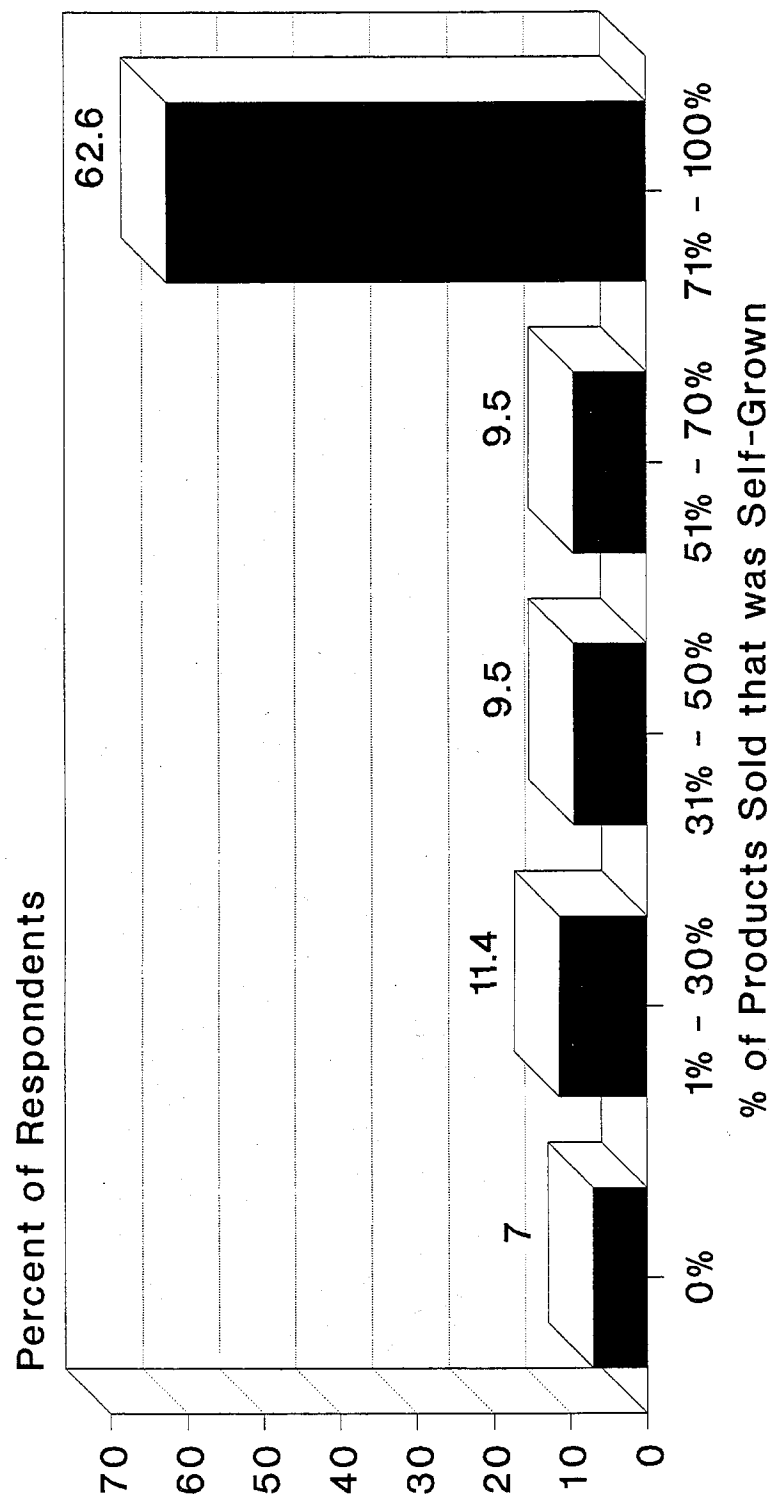
Based on 149 responding marketers

Table 2: Number of Direct Marketers by Gross Retail Sales of \$10,000 or More and Percent of Dollar Sales from Related Products.

Gross Retail Sales	No. of Marketers	% of Marketers	Percent of Dollar Sales from Related Products				
			1-25	26-50	51-75	75-100	
\$10,000-\$24,999	17	11.41	16	0	0	1	
\$25,000-\$49,999	15	10.07	15	0	0	0	
\$50,000-\$99,999	23	15.44	20	3	0	0	
\$100,000-\$249,999	40	26.85	35	5	0	0	
\$250,000-\$499,999	21	14.09	17	4	0	0	
\$500,000-\$749,999	8	5.37	6	2	0	0	
\$750,000-\$999,999	7	4.70	5	2	0	0	
\$1,000,000-\$1,999,999	12	8.05	6	5	1	0	
\$2,000,000-\$4,999,999	3	2.01	3	0	0	0	
\$5 Mil. or More	3	2.01	2	1	0	0	
Total	149	100	125	22	1	1	
Percent		100%	83.89%	14.77%	0.67%	0.67%	

Figure 3

Products Sold that were Self-Grown



Based on 273 responding marketers

Table 3: Percent of All Agricultural Products Sold by Marketers and Grown by them Classified by Gross Retail Sales, NJ 1992

Gross Retail Sales	Percentage Grown					Total
	0%	1%-30%	31%-50%	51%-70%	71%-100%	
	<i>Number of Marketers</i>					
\$10,000 - \$49,999	3	2	7	5	86	103
\$50,000 - \$99,999	4	4	6	4	22	40
\$100,000 - \$249,999	3	7	7	7	36	60
\$250,000 - \$499,999	2	5	3	3	19	32
\$500,000 & up	7	13	3	7	8	38
Total	19	31	26	26	17	273
Percent	7.0%	11.4%	9.5%	9.5%	62.6%	100%

they sold, and eight grew between 71 and 100 percent of what they sold (Table 3).

More than 85 percent of the respondents in this survey did not grow or sell organic produce on their farms. Of the 403 responding marketers, 88.3 percent did not sell organic products; five percent sold between one and 25 percent of sales; 0.7 percent sold between 26 and 50 percent of sales; 1.7 percent sold between 51 and 75 percent of sales; 0.3 percent sold between 76 and 99 percent of sales; and four percent (16 marketers) sold organic produce that accounted for 100 percent of sales (Figure 4).

A total of 20 marketers sold organic produce in their direct markets that accounted for less than 26 percent of sales. Of these 20 marketers, two had gross retail sales of less than \$10,000; four had gross retail sales of between \$25,000 and \$49,999; three had gross retail sales of between \$50,000 and \$99,999; four had gross retail sales of between \$100,000 and \$249,999; two had gross retail sales of between \$250,000 and \$499,999; and the remaining five had gross retail sales of at least \$500,000 (Table 4).

One hundred percent of total sales of 16 marketers was from organic produce. Twelve of these marketers had gross retail sales of less than \$10,000; two had gross retail sales of between \$10,000 and \$49,999; and two had gross retail sales of between \$250,000 and \$999,999 (Table 4).

Advertising

Advertising is one of the important determinants of sales. The average amount spent for advertising by the 400 responding marketers was \$2,431. Thirty-six percent of these 400 responding marketers, however, did not spend any amount for advertising. For those (256 respondents) who spent some amount for advertising, the average dollar amount spent was \$3,865.

Of the 400 responding marketers, 27.5 percent spent less than \$500; 7.8 percent spent between \$500 and \$999; 7.5 percent spent between \$1,000 and \$1,999; 4.8 percent spent between \$2,000 and \$2,999; and five percent spent between \$3,000 and \$4,999. Close to 12 percent of the responding marketers spent at least \$5,000 on advertising. Of these respondents, six spent at least \$20,000 (Figure 5).

Respondents were also asked the methods of advertising they used. The most common method of advertising was the word of mouth, with 61.2 percent of the marketers relying on this mechanism (Figure 6). Of the 415 responding marketers, 58.1 percent relied on the newspaper and 55.9 percent used signs. Close to 21.0 percent of the responding marketers used brochures and another 19.0 percent used direct mail as methods of advertising. Radio and television was also

mentioned by ten percent and three percent of the responding marketers, respectively. Other methods mentioned were yellow pages in the phone book, church papers, donations to organizations, yearbooks, newspaper articles, samples, business cards, balloons, coupons, color tags for plants, contest promotions, and classes and workshops.

Sales vs. Advertising

A cross-tabulation of gross retail sales and amount spent on advertising is presented in Table 5. This table includes only the 367 marketers who responded to both questions concerning gross retail sales and amount spent on advertising. Of the 111 marketers with gross retail sales of less than \$10,000, 69 (62.2%) did not spend any amount on advertising; 38 marketers (34.2%) spent between \$1 and \$500; two marketers (1.8%) invested between \$501 and \$1,000; and two marketers (1.8%) spent between \$1,001 and \$3,000.

On the other hand, of the 53 marketers with gross retail sales of between \$10,000 and \$24,999, 21 (39.6%) did not spend any amount on advertising; 22 (41.5%) invested between \$1 and \$500; three (5.7%) spent between \$501 and \$1,000; three (5.7%) spent between \$1,001 and \$3,000; and a total of four (7.5%) spent more than \$3,000 on advertising. None of the 43 marketers with gross retail sales of between \$25,000 and \$49,999 spent more than \$5,000 on advertising. Only one of the 40 marketers with gross retail sales of between \$50,000 and \$99,999 spent more than \$5,000 on advertising.

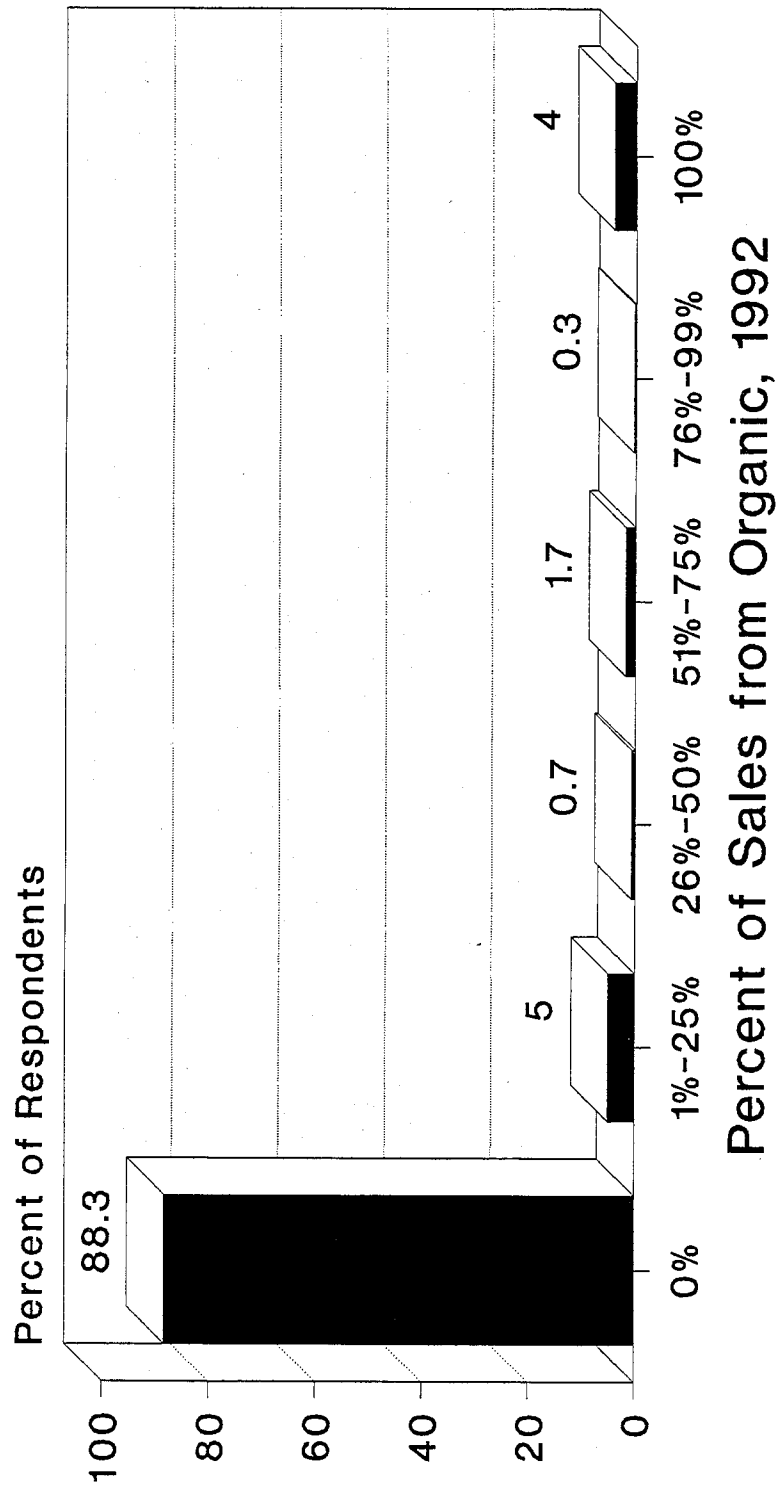
Generally, the marketers who spent at least \$5,000 on advertising had gross retail sales of at least \$100,000. For instance, nine of the 57 marketers with gross retail sales of between \$100,000 and \$249,999, and 12 of the 30 marketers with gross retail sales of between \$250,000 and \$499,999 spent more than \$5,000 on advertising. Two respondents with at least \$5 million in gross retail sales each spent more than \$10,000 on advertising.

Summary and Concluding Remarks

Almost a third of the responding marketers had total retail sales of below \$10,000. However, at the other extreme, three direct marketing operations had sales of at least \$5 million each. Almost half of the marketers who farmed fewer than 10 acres had gross retail sales of less than \$10,000 each. However, a number of marketers who farmed fewer than 25 acres had sales of at least half of a million dollars. Although more than 80 percent of the marketers revealed that less than one-fourth of their sales came from related prod-

Figure 4

Sales of Organic Produce, 1992



Based on 403 responding marketers

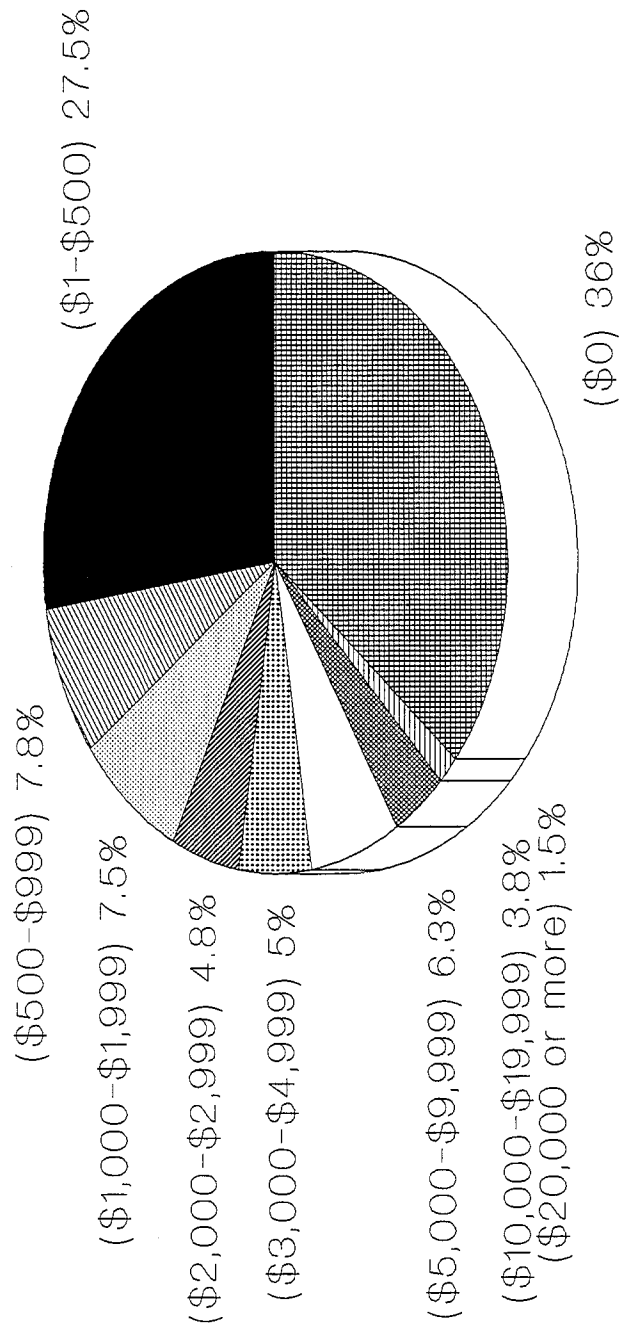
Table 4: Number Of Marketers by Percent of Total Sales Sold as Organic Produce and Gross Retail Sales, NJ 1992

Gross Retail Sales	Percent of Organic Produce							Total
	0	1-25	26-50	51-75	76-99	100		
Under \$10,000	105	2	2	5	0	12		126
\$10,000-24,999	55	0	0	0	1	1		57
\$25,000-49,999	41	4	0	1	0	1		47
\$50,000-99,999	36	3	0	1	0	0		40
\$100,000-249,999	57	4	0	0	0	0		61
\$250,000-499,999	29	2	0	0	0	1		32
\$500,000-999,999	17	2	0	0	0	1		20
\$1,000,000 and up	16	3	1	0	0	0		20
Total	356	20	3	7	1	16		403
Percent	88.3%	5.0%	0.7%	1.7%	0.3%	4.0%		100%

403 marketers responded to both questions.

Figure 5

Amount Spent on Advertising, 1992



Based on 400 responding marketers

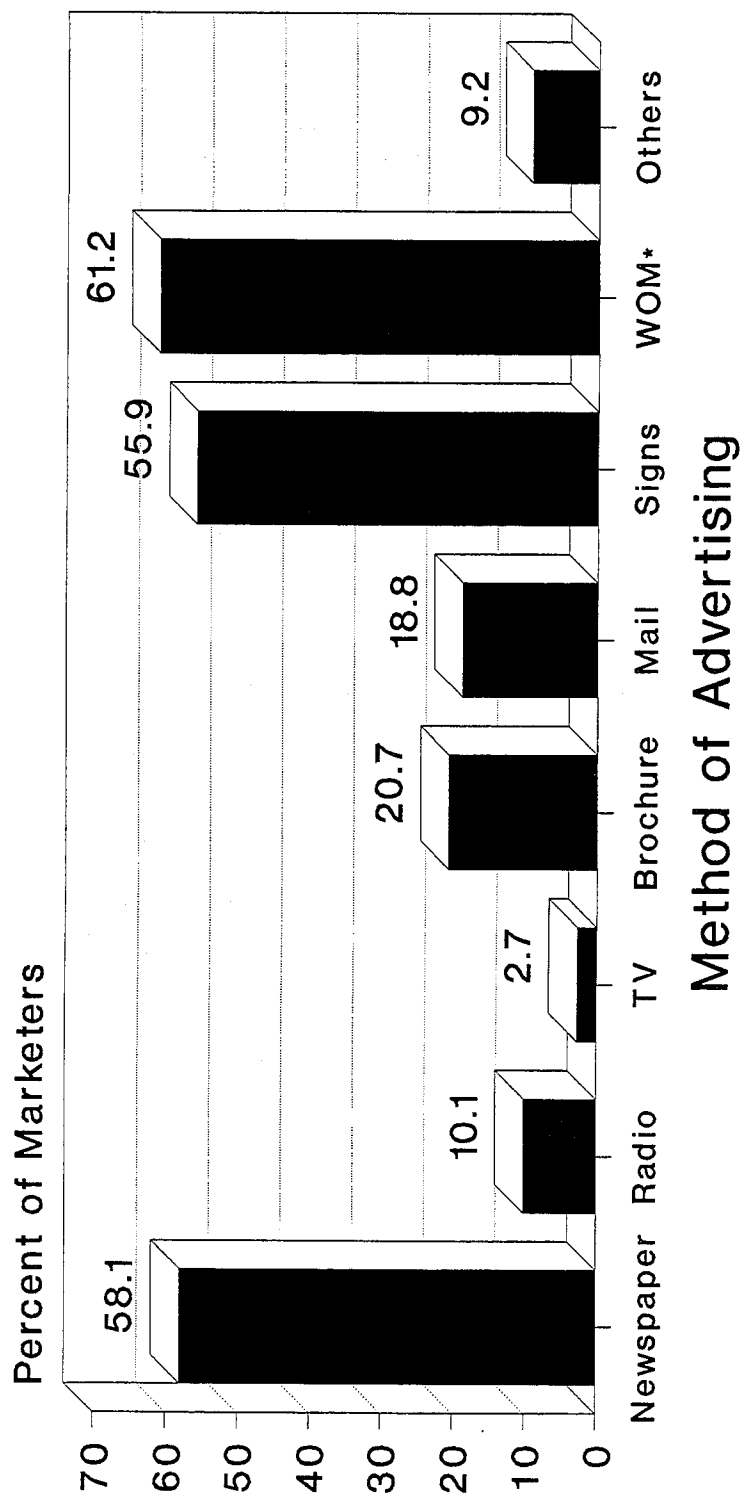
Table 5: Number of Marketers at Varying Levels of Advertising and Gross Retail Sales, NJ 1992

Gross Retail Sales	0	\$1- \$500	\$501- \$1,000	\$1,001- \$3,000	\$3,001- \$5,000	\$5,001- \$10,000	Amount Spent on Advertising				Total
							\$10,001- \$20,000	\$20,001- \$50,000	\$50,001- \$100,000	\$100,001- \$200,000	
Under \$10,000	69	38	2	2	0	0	0	0	0	0	111
\$10,000 - \$24,999	21	22	3	3	2	2	0	0	0	0	53
\$25,000 - \$49,999	13	12	7	9	2	0	0	0	0	0	43
\$50,000 - \$99,999	8	15	3	10	3	0	1	1	0	0	40
\$100,000 - \$249,999	11	14	7	13	3	8	1	1	0	0	57
\$250,000 - \$499,999	3	2	3	5	5	7	4	1	1	1	30
\$500,000 - \$749,999	0	0	1	4	1	1	2	1	1	1	10
\$750,000 - \$999,999	0	2	0	0	1	3	1	1	0	0	7
\$1,000,000 - \$1,999,999	0	0	1	2	1	1	4	3	3	12	12
\$2,000,000 - \$4,999,999	0	1	0	0	0	1	0	0	0	0	2
\$5 Mil or More	0	0	0	0	0	0	1	1	1	1	2
Total	125	106	27	48	18	23	14	6	6	6	367

367 marketers responded to both questions.

Figure 6

Methods of Advertising, 1992



*WOM is word of mouth
Based on 415 Responding Marketers

ucts, two of the marketers indicated having sold at least 50 percent of its dollar sales from related products. Close to two-thirds of the marketers indicated that they produced more than 70 percent of what they sold. More than three-fourths of the respondents did not grow or sell organic products.

The average amount spent on advertising by the responding marketers was \$2,431. Not counting the marketers (36%) who did not spend any amount on advertising, the average dollar amount spent was \$3,865. Most of the marketers with gross retail sales of less than \$10,000 did not spend any amount on advertising. Two of the three marketers with at least \$5 million in gross retail sales each spent more than \$10,000 on advertising. The most common methods of advertising used were word of mouth and newspaper advertising.

Farmer-to-consumer direct marketing is an important industry in the development and preservation of New Jersey agriculture. Opportunities to expand this industry are significant considering that New Jersey is strategically located in one of the most densely populated consumer markets in the United States. The information provided in this paper would help foster policy or decision making by government officials, grower groups, and interested individuals concerning farmer-to-consumer direct marketing in the state.

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