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# An Analysis of Vegetable Farms' Direct Marketing Activities in New York State

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Farmer-to-consumer direct marketing or farm retailing is an important outlet for many New York vegetable products. During the Depression of the 1930s many farmers turned to roadside marketing (Bond 1941). Favorable wholesale prices during and following World War II provided better alternatives, and interest in direct marketing to consumers declined. In the late 1950s mechanization and other production technologies changed price and cost relationships, and the larger volumes required to market through traditional wholesale channels again encouraged renewed interest in direct marketing among many growers (How 1980). This marketing channel experienced a resurgence of interest beginning in the 1970s. Some contributing factors include depressed wholesale farm prices and consolidation in the produce industry in recent years. While some growers are striving for economies of scale in search of lower costs and higher efficiency to meet the needs of large buyers, many medium and small farms have adopted direct marketing to consumers as an alternative to sustain business vitality, obtain higher prices, and maintain a competitive edge in the market. In addition, growing consumer interest in nutrition and food quality, sustainable agriculture, and local community development further fueled consumer interest in direct purchasing from farmers.

Marketing directly to consumers takes special skills and abilities on the part of marketers and also requires a favorable location with respect to land resources and local markets. Since many farmers and direct-marketing managers lack the resources and experience to compete with supermarkets, it is important for direct-marketing operators to differentiate themselves from mass marketers. While there are some recent studies on consumer preferences and shopping habits at farmers' direct marketing outlets, there is a need for information on effective marketing activities and their economic

feasibility that target New York growers' needs. This report summarizes results of a survey designed to collect information on farmer-to-consumer direct marketing (retail) practices used by New York vegetable farms.

The objectives of this study are to:

- Determine the economic dimension of farmer-to-consumer direct-marketing activities on New York vegetable farms.
- Analyze the effectiveness of different marketing activities and strategies used by New York farmer-to-consumer direct-marketing vegetable farms.
- Identify industry concerns and research questions for future in-depth direct-marketing studies.

## Study Approach

The direct-marketing sales in this study refer to farms selling their products (food and non-food) and services directly to consumers using various retail outlets (roadside markets, farmers' markets, pick-your-own, community-supported agriculture, catalog, internet, etc.). The products sold could include products grown on the farm as well as products purchased for resale.

A mail survey was developed to collect information on farm direct-marketing practices as defined above from New York vegetable farms with direct-marketing sales in 2000. A random sample of 500 direct-marketing vegetable farms was developed from the New York State Farmer's Direct Marketing Association list and the "Farm Fresh Guide" from the New York State Department of Agriculture and Markets. In November 2000 a draft of the questionnaire was pre-tested by four farms that were not in the sample list. The questionnaire was revised based on input from the growers. In January 2001 the final questionnaire, along with a cover letter explaining the purpose of the study, was mailed to 500 direct-marketing vegetable grow-

ers in New York State. A postcard reminder was mailed to the sample list six weeks after the first mailing. In total, 163 questionnaires (32.6 percent) were returned. For various reasons some of these were unusable (i.e. incomplete, no longer in business, or no vegetable production to report.) A total of 122 useable surveys are summarized in the analysis.

### Summary Results

The survey respondents were distributed throughout New York State; direct-marketing vegetable farms from 44 of the 62 counties in New York are represented in this survey. Table 1 shows that the surveyed respondents' retail-sales pattern is similar to the fruit and vegetable direct-marketing farms in Pennsylvania (Pennsylvania Dept. of Agriculture, 1997) and the direct-marketing operations in New Jersey (Nayga et al., 1995).

The survey respondents' average total annual

gross sales were \$274,311. Although the overall average retail sales of the surveyed respondents were \$123,196 in 2000 (including products grown on the farm and purchased for resale), one-half of the respondents had less than \$30,000 (median) annual retail sales (Table 2). The majority of surveyed farms produced more than vegetables. Among the surveyed direct-marketing vegetable farms, 46 percent also produced fruits and berries, and 45 percent also produced ornamental crops.

### *The Role of Direct-Marketing Sales to Farm Incomes*

Direct marketing to consumers was an important source of farm income for a majority of the surveyed direct-marketing vegetable farms. Of the farms surveyed, 45 percent of total farm sales in 2000 were from retail business. Sixty-nine percent

**Table 1. Direct Marketer Profile Classified by Retail Sales, NY (2000), PA (1996) and NJ (1992)**

Retail Sales	NY (N = 122)	PA (N = 406)	NJ (N = 409)
	% of respondents		
Under \$10,000	24	28	31
\$10,000-24,999	20	19	14
\$25,000-49,999	13	17	12
\$50,000-99,999	14	14	10
\$100,000-249,999	20	13	15
\$250,000 and over	9	9	18
<i>All Farms</i>	<i>100</i>	<i>100</i>	<i>100</i>

Source: Pennsylvania Dept. of Agriculture, 1997 and Nayga et al. 1995.

**Table 2. Descriptive Statistics of Sales from Direct Marketing to Consumers, by Size of Retail Sales.**

Retail Sales	Average Retail Sales	Median	Min.	Max.	Standard deviation
		(\$)			
Under \$10,000 (N=29)	4,944	5,000	850	9,800	2,783
\$10,000-24,999 (N=24)	15,587	15,000	10,000	24,000	4,868
\$25,000-49,999 (N=16)	32,660	30,000	25,000	45,500	6,888
\$50,000-99,999 (N=17)	70,147	65,500	50,000	92,000	13,354
\$100,000-249,999 (N=24)	158,413	145,000	100,000	240,000	44,594
\$250,000 and over (N=11)	781,010	650,000	325,000	1,641,612	143,065
<i>All Farms (N=122)</i>	<i>123,196</i>	<i>30,000</i>	<i>850</i>	<i>1,641,612</i>	<i>262,332</i>

of the respondents received more than half of their farm's gross income from direct sales to consumers. Moreover, for 44 percent of the respondents retail sales accounted for more than 90 percent of their total farm receipts, compared with 7 percent of the respondents who attributed less than 10 percent of farm receipts to retail. The average percentage of sales from direct sales to consumers was 72 percent.

The surveyed direct-marketing vegetable farms generally did not depend on retail sales alone. Among the five marketing channels identified in this survey—"wholesale to supermarkets," "wholesale to other retail farm markets," "wholesale to foodservice outlets," "wholesale through other wholesale outlets" (wholesalers, brokers, processors, auction, etc.), and "direct marketing to consumers"—respondents used an average of 2.3 marketing channels to sell their products. 'Wholesale to other retail farm markets' is the most commonly used wholesale outlet by the surveyed respondents (48 percent), while foodservice outlets were used the least, by only 22 percent of respondents. Although only 29 percent of the respondents wholesaled through "other wholesale outlets", 29 percent of total farm sales in this survey were generated from this wholesale channel, compared to 14 percent from "wholesale to other retail farm markets."

#### *Direct-Marketing Seasonality*

New York direct-marketing vegetable farms generally only retail seasonally. The surveyed respondents retailed an average of 6.4 months in 2000. About one-quarter (24 percent) of respondents retailed less than four months of the year, 55 percent retailed between five and eight months per year, and the remaining 21 percent retailed nine to twelve months per year. Only eight percent of the surveyed farms retailed year-round. Operations with higher retail sales operated longer retail seasons.

May through October is the most important sales season for farmer-to-consumer direct-marketing sales. Eighty-one percent of the total retail sales were generated during these six months in 2000. Fall sales were very important for New York direct marketers. The highest direct-marketing sales volume was generated in October (17 percent of total surveyed retail sales), followed by retail sales generated in May (16 percent). Moreover, more

direct marketing-vegetable farms operated in October (83 percent) than in May (56 percent). Although only six percent of the surveyed direct-marketing sales were generated in December, a month with potential to generate high sales, the 41 percent of businesses retailing in December generated an average of 14 percent of their direct-marketing sales in this month.

#### *Direct-Marketing Product Mix*

Fresh vegetables, ornamental plants, and fresh fruits were the top three retail items for New York direct marketing vegetable farms. About 30 percent of the direct-marketing revenue of respondents surveyed was from fresh vegetable sales by 86 percent of the respondents, followed by 25 percent from ornamental plant sales by 51 percent of the respondents, and 17 percent from fresh fruit sales by 65 percent of the respondents. Other products sold by surveyed respondents included processed products, holiday crops (pumpkins and Christmas trees), gifts and accessories, baked goods, ice cream, meat products, milk and cheese products, and other products (maple syrup, mushroom, entertainment activities, furniture, firewood and wool). Larger operations had a broader product mix.

New York direct-marketing vegetable farms retailed more than just items that they produced. They purchased items for resale to expand the product line, increase variety, and supplement the volume of products available for retail. Among farms that retailed fresh vegetables, only 39 percent also purchased fresh vegetables to resell, and an average of 16 percent of their fresh vegetable sales were from items purchased for resale. Only 35 percent of farms that retailed pumpkins purchased pumpkins to resell, and an average of 18 percent of their pumpkin sales were from items bought for resale. On the other hand, for all other product lines identified in this study, more than 50 percent of farms purchased some items in those product lines to resell.

#### *Direct-Marketing Methods*

Among the direct-marketing methods identified in this study (roadside markets; farmers' markets; pick-your-own [PYO]; community supported agriculture [CSA]; catalog sales, internet sales; and other methods, including direct order/custom sales),

New York direct-marketing vegetable farms with direct-marketing activities generally used one to two marketing methods to retail their products. An average of 1.7 marketing methods was used.

Three most commonly used direct-marketing methods were roadside markets, farmers' markets, and pick-your-own. Roadside marketing was used by 77 percent of the respondents and generated 77 percent of the total surveyed direct-marketing sales dollars. Forty percent of the businesses retailed at farmers' markets, generating eight percent of the total surveyed retail sales, and 38 percent of the respondents retailed through PYO and generated nine percent of the total surveyed retail sales.

The survey farms were asked about changes they foresee for different direct-marketing enterprises (fresh farm stores, holiday sales, entertainment activities, processed products, farmers' markets, PYO, gift shop, bakery, internet sales, CSA, restaurant, and ice cream stand) in the next five years. Most of the surveyed NY vegetable farms were planning on expanding one or more direct-marketing enterprises. Forty percent of respondents expected to expand their sales of fresh farm stores, 38 percent of the businesses expected to expand their holiday-crop sales (pumpkins and Christmas trees), and 27 percent and 26 percent planned to expand their entertainment activities and ornamental plant sales, respectively. Among the four percent of farms responding to future plans for CSA activities, three-quarters plan to expand.

### *Barriers and Opportunities*

Respondents identified in their own words the top three barriers or problems facing direct-marketing farms and the top three opportunities for the future success of direct-marketing farms. Labor-related challenges are the top barrier to success in many direct-marketing operators' minds and is ranked as the number one barrier by most respondents (18 percent) while another 15 percent ranked it as the number two barrier. Labor-related challenges mentioned include lack of labor pool, hard to find seasonal help, difficult to find good labor and keep qualified labor, and high costs of labor. Competition from supermarkets and other marketers was ranked as the number one barrier by 16 percent of respondents and the number two barrier by 11 per-

cent. Other top barriers were limited non-capital resources (time and land), location, regulations/tax/insurance, and marketing-related issues (advertising, display, attracting new customers, etc.).

While the top opportunity identified by the respondents was definitely diversification and expansion, many farms have different plans on how they want to expand and diversify their retail businesses. Expansion plans include entertainment and agritourism, product lines/crop mix, greenhouse/ornamental plant sales, farmers' markets, value-added products, internet/mail order sales, diversification, longer season, and larger farm size and longer operating hours. Respondents also strive for "farm-freshness" to provide high quality and fresh products as well as good service. More marketing is another important opportunity identified by respondents.

### **Conclusion**

Direct marketing is an important source of income for New York vegetable farms with direct-marketing activities. Many New York direct-marketing farms are considering expansion; therefore, more attention to marketing and business management will be necessary to ensure future profitability and success.

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