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# PICK YOUR OWN AND ROADSIDE STANDS: WHO'S BUYING AND WHY?

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Direct marketing involves any commercial activity where the producer sells directly to the consumer. This face-to-face marketing is, of course, not new. But a number of factors have recently converged to encourage additional "direct" sales.

One of these factors is the Farmer-to-Consumer Direct Marketing Act (Public Law 94-463). This law was enacted in October 1976, and made direct marketing an officially recognized program. Appropriations of \$500,000 for 1977 and \$1.5 million for 1978 were made available to the States to develop and expand direct marketing through educational and service projects.

The Farmer-to-Consumer Direct Marketing Act and subsequent proposed amendments to it are a reaction to what some feel are imbalances in the present marketing system, and to the social inequities generated by the structural/organizational changes that have occurred in the food system in the past two decades. These imbalances relate primarily to the increasing share of food expenditures that pay for food marketing costs. Increased labor and energy costs in recent years have helped to widen the marketing margin.

The structural/organizational changes relate to the growth of conglomerate firms in parts of the food industry, and the emergence of the large corporate commercial farms suited to volume production. As a result, there has been a concern about market access and equitable incomes for the small producer.

Direct marketing outlets can take several forms. The most familiar are: pick-your-own; farm or roadside stands; roadside/curbside stands in town; farmers' markets where food products are sold from trucks or stalls; and home delivery or truck selling house-to-house.

In the winter of 1978, ESCS conducted a national probability survey of 1,350 food shoppers to assess the interest in using various food outlets, including direct marketing outlets, and to assess the importance of these outlets in consumer purchases of selected commodities.

This article describes the clientele of, and purchases from, pick-your-own operations and roadside stands in the country. These two outlets probably represent, the "purest" forms of direct marketing—selling foodstuffs directly from producer to consumer without any intermediaries. The other outlets investigated in the survey more likely, although not necessarily involve intervening

farm-to-consumer transactions such as merchants buying from wholesale outlets or farmers, then reselling to consumers.

## Pick-Your-Own (PYO)

It is estimated that there were slightly over 3,000 pick-your-own operations in existence in 1976. This estimate does not include information from all States nor does it include "clean-up" activities at the end of harvesting.

Approximately 18 percent of the surveyed households patronized this kind of outlet in 1977. Generally, the proportion of households making purchases from this kind of outlet was positively related to household size, presence of children, and income. Households that maintained a garden in recent years were more likely to frequent a PYO than were households that did not have a garden. It may be that such households are more appreciative of fresh produce obtainable at such outlets. In addition, frequenting PYOs, along with gardening, may reflect a lifestyle for these households that places emphasis on "getting back to nature."

Attaining a better quality product—fresher, better taste, better appearance—and saving money were the two attributes cited most often by the clientele of PYOs. Also, about one-fifth of the shoppers in these households considered using PYOs an enjoyable outing. In view of the demographics associated with frequenting this type of outlet—larger households, and those with children—PYOs undoubtedly serve as a form of recreation for many of these households. A majority of the PYO customers (59 percent)

indicated no problems or inconveniences associated with such outlets. The most frequently mentioned inconvenience (cited by one-fifth of the customers) was traveling to and from such sites.

### **Country Roadside Stands**

Approximately 9,000 roadside stands were estimated to exist in 1976. These operations may consist of temporary or permanent structures that are presumably owned by the producer of the foodstuffs sold.

About 38 percent of the respondents surveyed indicated that they purchased food at a farm or roadside stand in the country. The proportion of respondents buying from such an outlet increased positively with respondents' education, size of household, and income. Again, as with the PYO, households frequenting a country roadside stand were more likely to have had a garden in recent years. Incidence of purchases at these sites was more evident in the Northeast region of the country, reflecting perhaps a predominance of roadside stands in this geographic area.

Better quality food and lower prices were cited most often as the advantages to shopping at this kind of outlet. Most of the roadside stand users (62 percent) cited no specific disadvantage, while a relatively small number of users (17 percent) indicated that traveling to and from this kind of outlet was an inconvenience.

### **Commodities Purchased**

Close to half of the respondents surveyed (43 percent) claimed to have purchased food products at either a PYO or country roadside stand.

As might be expected, fresh fruit and fresh vegetables were the commodities purchased most often. About 36 percent purchased fresh fruit and approximately 29 percent purchased fresh vegetables at either of these two outlets. The relatively large spread between the prices that farmers receive and consumers pay in retail stores for these products make direct marketing beneficial to both farmers and consumers. In addition, these outlets provide an opportunity for access to consumers which otherwise would probably not exist for small producers.

Eggs were reportedly purchased at either a PYO or country stand by about 8 percent of the respondents, and beef was bought at one or the other of these two kinds of outlets by approximately 3 percent. The other selected commodities were purchased by less than 1 percent of the respondents at either one of these two operations.

To get some idea as to quantity purchased, respondents were asked to estimate the percentage of a specific food they purchased at each outlet. Food shoppers, on the average, estimated that only about 7 percent of their total fresh fruit purchase and about 6 percent of their total fresh vegetable purchase were done at either a PYO or roadside stand. Approximately 80 percent of food shoppers' total purchase of these two commodities was estimated to have taken place

at a supermarket or grocery store. About 5 percent of food shoppers' total egg purchase and 2 percent of their total beef purchase was estimated to have been bought at these two outlets. Less than 1 percent of the total purchase for each of the other commodities was estimated to have taken place at these sites. Obviously, consumers in 1976 perceived that a relatively small proportion of their food purchases took place at these outlets.

### **Future Purchases**

All respondents were asked to indicate whether they expected to buy food from each of these two outlets within the next year. About 24 percent of the food shoppers said they planned to patronize a PYO. This represents a slight increase from that proportion (18 percent) who said they were already buying from this outlet. About 39 percent of the respondents stated they intended to buy from a country roadside stand. This compares with 38 percent already indicating they had been making purchases at this type of outlet. Respondents intending to buy from a specific outlet were largely the same respondents who had already been making purchases at that outlet. This is also evident from the similarity of the demographic information (education, income, etc.) between "actual purchasers" and "intended purchasers."

### **Conclusions**

The Farmer-to-Consumer Direct Marketing Act was designed to support and

promote direct marketing activities. It is probably too early to gauge the full impact of this Act in terms of its contribution toward encouraging more consumers to purchase at these types of outlets.

It is apparent from this survey that consumers who have actually purchased food-stuffs from PYOs and roadside stands are satisfied with these operations. However, the actual or perceived benefits attributed to these outlets—better quality food and lower prices—may not be sufficient to increase the incidence of purchasers at these outlets much beyond the “core” of consumers who are currently doing so. For some consumers, there may be too much of an effort involved in patronizing these outlets. In the case of PYOs, there is the actual harvesting to be done by the purchasers. For both PYOs and roadside stands, there may be relatively long distances involved to get to these sites for a number of consumers. This travel problem, as mentioned previously, was the reason cited most often by those respondents who indicated they would not buy at any direct marketing outlet in the immediate future.

It remains to be seen if promotional efforts emphasizing access to fresher, better quality foods at lower prices will be sufficient to persuade more consumers to purchase at these sites. Furthermore, it is indeterminable at this time, whether societal phenomena (a back-to-nature orientation, nostalgia, etc.) will demonstratively affect purchasing at these outlets over the long term.

## PUBLIC POLICIES TOWARD CONGLOMERATE FIRMS IN FOOD PROCESSING★

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A great deal of structural change has taken place in the food processing sector during the last 30 years. A recent study of 25 large food processing firms showed that the proportion of company sales outside the two principal industries of each firm more than doubled from 1950 to 1971. These changed conditions raise questions about performance and the need for public policies.

Public policies toward conglomerate firms depend largely on which incentives are believed to be encouraging conglomeration.<sup>1</sup> There appear to be three basic sets of motivations: increased growth, greater profitability, and reduced risk from changes in demand.

Growth, primarily via the merger route, is a complement to the more basic objective of higher profits. Improved performance from conglomerate growth could come from two different sources: greater firm efficiency, both in a static as well as dynamic sense, and the expansion or retention of market power. At the present time there is little empirical evidence to indicate which is the more important incentive. However, a study by Leonard Weiss provides some evidence

that mergers may not result in increased firm efficiency. There is ample case study evidence of some firms holding considerable conglomerate market power. Increasingly there are those who feel it would be in the public interest to take steps to control the market power of those conglomerate firms that already exist and to remove the socially undesirable incentives encouraging conglomerate mergers.

### **Policy Alternatives**

Suggested public remedies run the gamut from relatively moderate tinkering with the present system of rules and laws to fairly ambitious, large-scale legislative changes. Some of the more modest proposals include more detailed corporate disclosure, increased antitrust resources, taxation and accounting rule changes, and Federal chartering. The more radical reforms include merger law changes and divestiture through direct legislation. Pub-

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★Editors Note: This is the final article in a series addressing issues related to the growth of conglomerate firms in food processing. Previous articles are found in the June and September 1978 *National Food Review*. Views expressed in these articles are those of the author and do not necessarily reflect official positions of the U.S. Department of Agriculture.

<sup>1</sup>Since conglomerates in food processing do not differ in the abstract from other conglomerates, the policies reviewed here pertain to all conglomerate firms.