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**“HOME MADE” – THE PARADIGMS AND PARADOXES OF CHANGING  
CONSUMER PREFERENCES:  
IMPLICATIONS FOR DIRECT MARKETING**

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Changes in agricultural policies, decreases in the competitive structure of agricultural markets and the increasing dominance of non-farm activities in the food chain, have put smaller and moderate-scale agricultural operations at risk. Large operations can, because of their volume of sales, earn respectable incomes. However, smaller operations that have to rely on commodity production will, in the new policy and economic environment, face a daunting challenge. That challenge is reflected in the record low percentage of the retail cost of various commodities that accrue to farmers. As shown in Table 1, the farm share of retail prices for various commodity groups range from approximately 7 percent in the case of cereals and baked goods to 46 percent for eggs. The average farm share is 18-21 percent for fresh and processed fruits and vegetables.

Table 1. Farm value as a percentage of retail price for domestically produced foods, 1987 and 1997

Items	1987	1997
<b>Livestock products:</b>	Percent	
Meats	47	37
Dairy	42	32
Poultry	45	41
Eggs	54	46
<b>Crop Products:</b>		
Cereal and bakery	8	7
Fresh fruits	26	18
Fresh vegetables	31	18
Processed fruits and vegetables	24	19
Fats and oils	18	21

Source USDA, Agriculture Fact Book, 1998

Farmers respond to the income challenge in a number of ways: some expand their operations if conditions are favorable to that option, others choose low cost production systems, still others cease farming, while some choose to alter their product lines to focus on specialty crops, niche markets and direct marketing. Direct marketing is increasing opportunities for small and moderate-scale producers and may offer viable options for sustaining family farming in the United States. But direct marketing is not a panacea for all farms of this type. Opportunities and constraints will vary according to the location of the farm, the age, skills, experience and entrepreneurial abilities of the operator, access to information, technologies and markets. Where the factors are conducive, direct marketing, in particular direct marketing to consumers, offer

advantages of integrating farm and non-farm activities and incorporating the revenues typically attributed to off farm agents into the farm revenue stream. A cursory review of empirical evidence related to consumer preferences for direct markets helps to provide a map as to prospects for these marketing options. For some options the data is sketchy or anecdotal. But a number of studies can be drawn on to indicate the prospects for direct markets.

### **Prospects for Direct Markets – The Theory and the Evidence**

Farmers utilize a variety of direct marketing options including -- roadside and farm stands, farmers markets, U-Pick, consumer subscription or CSA's, mail order, Internet, and others. We will only touch on a few of these options here.

We know that demographic and psychographic factors have reconstructed and is reconstructing the marketplace in multiple ways, some favorable and some inimical to farm direct marketing. The high levels of urbanization remove consumers spatially from producers and enhance prospects for indirect sales such as those facilitated by wholesalers and retailers. The high and increasing proportion of adults in the workforce favor systems that economize on search time and time spent on shopping. It also favors consumption away from home and use of more convenience – prepared foods. Needless to say, these do not immediately favor farm direct sales. It favors larger supermarkets and food processing companies, and is reflected in the small and declining share of the farm share in retail food expenditures. (See Table 1.)

On the other hand, consumer surveys have, for the past two decades, shown changes in consumer interest in achieving more healthy lifestyles including consumption of healthier diets. USDA, health professionals and popular publications have been advocating increased consumption of fresh fruits and vegetables, and more “natural” products, less fat, less sugar and salt, and more complex carbohydrates. Additionally, some consumers have become more demanding of improved flavor in foods. These latter psychographic factors are more favorable to direct markets. Moreover, an increasing proportion of consumers evidence a concern for the “family farm” and the preservation of agriculture and open space. On an *a priori* basis, one would expect, then, that the prospects for direct markets in exploiting these consumer niches are quite positive. To what extent is this supported by the evidence.

#### Data on Consumer Patterns and Preferences

In a study of “Ohio Consumer Opinions of Roadside Markets and Farmers’ Markets”, Rhodus et al. (1994) found that, among other things:

- over 88% of Ohio households believe they receive higher quality produce directly from the farmer
- 90% of the respondents indicate a preference “to buy their fresh fruits and vegetables **directly from the farmer**, whenever possible;
- 55% of Ohio’s households shopped at a roadside market in the August 1992 to August 1993 period; 29 percent had shopped at a farmers’ market, and 40% of these had shopped at this venue four or more times.
- respondents perceived produce quality, produce freshness, and produce prices to be better at roadside and farmers’ markets than at supermarkets, but supermarkets were perceived

superior in terms of convenient location to home, variety of produce, consistent supply, store promotions, and convenient location to work.

- For those respondents who did not shop at roadside markets, reasons included – not convenient/far away (45%), takes too much time (12%), not open the hours I want (4%), prefer supermarkets (18%), raise my own vegetables (18%) and too expensive (4%).
- Farmers’ markets were perceived as not convenient by 60% of the households surveyed.
- 55% of households would shop at roadside markets, and 58 percent would shop at farmers’ markets if they were conveniently located.

Another study of a Maine farmers’ market clientele provides further support for the positive view of the prospects for direct markets. Kezis et al. (1999), in their study of the Orono Farmers’ market found that quality, support for local farmers, and atmosphere were very significant to patrons. (Table 2.)

Table 2. Most Important Reasons for Shopping at the Orono Farmers’ Market (percent distributions\*).

<u>Reason</u>	<u>Percent</u>
Quality of the products	72.5
Support local farmers	59.6
Friendly atmosphere	38.2
Health & food safety concerns	29.8
Convenience	13.5
Good price	10.7
Variety	8.4
Good service	5.0
<u>Consistency</u>	<u>2.2</u>

\*N=178: excludes those who were visiting the market for the first time

Consumers also indicated a willingness to pay more for produce at the farmers market than for similar produce at a supermarket, with 72 percent indicating a willingness to pay an average of 17 percent more for farmers’ market produce. And nearly half of weekly patrons reported spending upwards of \$10.00 per visit.

Data from an as yet unpublished California survey conducted in San Diego County, California, in 1998, confirm the trend toward enhanced consumer preferences for direct markets. Table 3 shows the relative familiarity with and use of alternative direct marketing methods from a survey of 436 consumers. With respect to the factors that favor their patronage of farmers' markets the responses ranked in order of frequencies are as follows:

Table 3. Factors Favoring Patronage of Farmers' Market.

	Count	Percent
Freshness	399	92.0
Quality	379	87.0
Taste	339	76.0
Locally Grown/Produced	308	71.0
Help local farmers	259	59.0
Nutritional value	211	48.0
Atmosphere	201	46.0
Best value for money	177	41.0
Convenience	164	38.0
Price	157	36.0
Know grower	62	14.0
<u>Others</u>	<u>34</u>	<u>8.0</u>

(a) Consumers could chose multiple responses

(b) Rounded to nearest percent

Source: Lobo et al. Unpublished study of San Diego Farmers' Markets: Consumer Preferences and Shopping Patterns.

The top four attributes were identified in the survey as Quality, Freshness, Taste, and Help Local Farmers/Locally Grown. Approximately equal proportions of the sample – about a third perceived prices to be higher or lower than supermarket prices. However, 73 percent perceived quality to be superior to supermarket produce, a surprising finding given the proximity of supermarkets in California to production areas. Two thirds of the respondents would prefer items to have a San Diego grown label and a half indicated a willingness to pay more for San Diego grown products.

Table 4 presents data from the 1997 Annual Report of the Southland Farmers Market Associates:

Table 4. Average Farmer Gross Sales Per Market Day, 1997

Southland Markets

Santa Monica Wednesday	\$894
Westwood	\$792
Santa Monica Saturday	\$705
Santa Monica Pico	\$620
Calabass	\$567
Beverly Hills	\$560
Encino	\$446
West Hollywood	\$442
Gardena	\$408
Culver City	\$394
Ocean Beach	\$368
Redondo Beach	\$322
Adams & Vermont	\$304
Oxnard	\$292
San Dimas	\$287
Monrovia	\$254
Palmdale	\$174
San Gabriel	\$141
Average farmers' sales, all Southland Markets	\$438

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As indicated, per farmer per market day sales ranged from a low of \$141 to a high of \$894 – with an average per market day sales of \$438. This is not an insignificant amount of revenue, particularly when considered in the context of farmers selling at more than one or even multiple markets.

Table 5 presents a summary of annual sales for the 19 markets in the Southland Farmers' Market Association for 1997. Annual sales ranged from a low of \$47,437 for partial year's sales for the San Gabriel market, to a high of \$3,599,629 for the Wednesday, Santa Monica market. It should be noted that the Southland markets are in the Los Angeles Basin.

Table 5. Gross Sales of Current Southland Markets – Five Year Comparison

	1993	1994	1995	1996	1997
Adams & Vermont	\$272,700	\$270,000	\$263,500	\$253,210	\$251,691
Beverly Hills	--	\$310,500 #	\$708,000	\$876,606	\$902,368
Calabasas	\$418,600 #	\$720,100	\$742,000	\$941,177	\$918,328
Culver City	--	--	\$406,300 #	\$498,356	\$559,894
Encino	--	\$185,100 #	\$355,500	\$567,607	\$695,638
Gardena	\$398,000	\$418,400	\$389,000	\$406,279	\$414,108
Monrovia	\$200,200	\$240,900	\$173,100	\$281,649	\$294,913
Ocean Beach	\$375,200	\$415,400	\$371,000	\$469,559	\$570,200
Oxnard	\$186,600	\$229,400	\$225,500	\$235,970	\$175,367
Palmdale	--	--	--	\$ 86,196	\$ 86,269
Pomona	\$345,500	\$315,600	\$313,500	\$270,985	\$241,620
Redondo Beach	\$511,700	\$487,800	\$440,000	\$415,503	\$404,179
San Dimas	\$347,100	\$284,700	\$268,500	\$258,544	\$254,601
San Gabriel	--	--	--	--	\$47,437 #
Santa Monica - West	\$3,896,500	\$3,485,100	\$3,535,000	\$3,723,703	\$3,599,629
Santa Monica - Sat	\$810,700	\$864,200	\$1,025,000	\$1,539,209	\$1,660,381
Santa Monica - Pico	\$794,600	\$1,051,700	\$1,060,000	\$1,444,766	\$1,427,210
West Hollywood	\$420,900	\$418,600	\$406,000	\$380,269	\$394,624
Westwood	--	\$522,745	\$845,000	\$1,482,883	\$1,613,032

NOTES # means partial year

Source: 1997 Annual Report - Southland Farmers Association, Los Angeles, California, 1998

Clearly, these operations go beyond the uninformed perception of farmers' markets as inconsequential 'mom and pop' operations. Many have emerged as serious marketing and economic institutions. And by no means do they appear to have exhausted their potential. Certainly feasibility analysis and planning, as well as progressive management will determine the outcomes of specific markets. The bottom line, however, is that consumer lifestyles and preferences are supportive of further development of farmers' markets as sites for exchange of values between consumers and producers.

### Mail Order

The busy lifestyles of many middle income households and the appeal of foods and farm products for ceremonial purposes offers potential for utilizing mail-order and electronic commerce as marketing options for farmers. The business skills and marketing infrastructure needed to support mail order or electronic commerce are probably at least different, if not more complex than for roadside stands or farmers' markets. But some operations will be favorably endowed with these skills. Others can be developed. But there is clearly a potential market.

According to Consumer Reports (1996), in 1995, 6.4 million Americans ordered food by mail. Products sold included: nuts, fruits, preserves, cheeses, meats and fish, baked goods, and confectionery. While, according to Consumer Reports, product quality and service was highly variable, consumers appeared willing to pay considerably more than supermarket prices for the

convenience and “panache” of ordering through the mail. Since many of these items are sent as gifts to friends, business and personal acquaintances, consumers avoid the time to shop, package and ship the products. Moreover, value is added by virtue of the product having some added identity as provided by a label or some valued source of origin – like a family farm.

Table 6 shows some typical price differentials between mail order products and their supermarket equivalent:

<b>Food</b>	<b>Mail order</b>	<b>Supermarket</b>
Popcorn approx. 3 1/2 gal.	\$31.90 Popcorn Factory	\$10.61 Wise
Mixed nuts 1 lb.	\$22.10 Swiss Colony	\$4.80 Planters
Cheddar 1 lb.	\$13.15 Sugarbush Farm	\$3.62 Cracker Barrel
Salmon 1 lb.	\$57.90 Pfaelzer Brothers	\$19.99 A&P deli

Source: “The Food is in the Mail”.  
Consumers Reports, November 1996

As shown in Table 6, price differentials between mail order and supermarket prices for comparable products are typically substantial.

### **Paradoxes in Consumer Trends**

A key paradox of evolving patterns of consumer preferences is that as disposable incomes increase in inverse proportion to discretionary time, preferences for “home made” products which either evoke comforting feelings of nostalgia or romantic images of home and hearth motivate much consumer spending. This explains why many large food processors and fabricators including Campbell’s Soup Company and many others go to great lengths in developing products and labels that convey this image of a romantic peasant society and cottage industry production. Not only is this true for foods, it extends to handicrafts such as quilts, Shaker furniture, hand loomed woolen sweaters, and the like. Hence, the nostalgia for “authentic” products offers niches for direct market, for fresh and value-added products from small and moderate scale farms. But producers will need to combine “authenticity” with up-to-date practices in regard to product safety, warranties, service and customer relations. Another paradox of consumer trends is the increased consumption of “fast food” and convenience foods by lower income consumers.

### **Conclusions and Implications**



This paper suggests that there is still rich potential for improving the performance and prospects for family farming through direct marketing alternatives. These alternatives demand many more entrepreneurial skills and abilities than traditional marketing alternatives. Many of these skills can be transferred to farm entrepreneurs. They could also benefit from exposure to methods of conducting market research and accessing pertinent sources of consumer information. These include topics that can be addressed by USDA and its partners through applied research and education. Activities and new initiatives now being implemented by the Agricultural Marketing Service are justified by the potential pay off for family farmers.

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