



New Markets and New Products for Farmers

America's agriculture industry has thrived on a world-leading model of production efficiency. As a result, American food products are consistently the safest, most economical, and most plentiful in the world.

However, every accomplishment comes with its own challenges, and in the case of agriculture that challenge has been in providing marketing differentiation. The traditional farming industry model separates production and marketing into two distinct roles, with separate businesses and individuals responsible for each role. As a result, farmers were able to focus almost exclusively on increasing the efficiency and productivity of their farming operations, without worrying about marketing for their products. This commodity marketing model means that products are marketed as a category – i.e. consumers are encouraged to buy apples in general, or they are marketed as brands unrelated to producers, i.e. consumers are encouraged to buy a retail store's private-label fruits which come from any number of individual producers.

The marketplace, however, is changing, and there are three reasons why today may be the right time for farmers to consider new markets, new products, and new models for connecting with customers.

First, the marketplace desires it. Today's consumers are interested in emotional connections with the products they purchase, especially those that connect them to people directly engaged in the production of the product. In a prior era, every product people bought had some tangible connectivity since so many products and services were made domestically. Today, food remains one of the few products people purchase that is consistently made relatively near to the marketplace where it is sold, and it is a product that will always be relevant and timeless. As a result, consumers are eager to 'connect' to the producers of food products, and are willing to pay a premium for that experience.

Second, technology enables it. In the past, food packaging and distribution was only feasible on a large scale. To distribute milk, you needed a full bottling plant. To label containers, you needed a high-volume labeling machine. Today, food can be packaged and distributed on a micro-scale in ways never before possible. In addition, technology

allows farmers to reach markets with their message – a message that can be developed and supported through print-on-demand materials, an internet website, and other methods of marketing that were not possible just a few years ago.

Third, economics requires it. Farming is a highly complex business, this we know. As complexity increases, so does cost. The costs associated with standardized production and distribution processes – and the traditional marketing methods that tend to accompany them – demand that producers consider new options as well as become more engaged in driving marketing strategy for their existing supply chain partners.

In short, the world has changed in ways that make it more practical, viable, and essential for farmers to consider new strategies for reaching the marketplace with their products.

In order to consider new marketing methods, you should first evaluate your readiness to engage in a new business direction. We should emphasize at the outset also that most farmers will not replace their traditional distribution and marketing relationships with new direct marketing methods, but rather augment them. This is not an either-or proposition, it is more than likely an either-and-also one.

That means that our overall goal should be diversification. As a farmer, you know that the more diversified your activities, the better your ability to maneuver through market challenges, weather uncertainties, and contractual challenges. The same is true with your product and marketing strategy. Flexibility comes from diversification, so our objective in considering new options is to achieve greater flexibility and improve our ability to compete and thrive.

Some questions to consider in evaluating your readiness for new marketing strategies are:

1. How do you presently go to market?
2. Do you or any family members have experience with marketing or retailing?
3. Who will be responsible for the new marketing effort?
4. How will you fund the new marketing effort?
5. What do you believe are reasonably achievable goals associated with the new marketing effort?
6. Do you know peers in the area who are successfully engaging in new marketing efforts?
7. How would this change fit with your overall goals for the farm and for your life as a farmer?

Before we look further at the marketplace and marketing strategy, let's consider some of the options you may have for bringing product to market – or otherwise leveraging your farm as an income-producing business – in new ways.

Tourism – The term 'tourism' as it applies to the agriculture industry, refers to a growing trend of travelers (regional residents and overnight visitors alike) seeking what they perceive as authentic experiences of agriculture as a part of their tourism journey. What may seem routine and mundane to you (watching cows enter a milking parlor, for example) may be just the thing that creates fascinating new memories for a visitor. Try to look at your farm as a visitor might – in which everything is foreign to them and where they are learning, perhaps for the first time, how the foods they consume every day actually do arrive at their table. There has also been a recent rise in using farms as destinations. Farms have more assets than fertile soil. A farm could be a picturesque backdrop for a photo shoot or movie and a stream running through the property could be a trout fishing expedition. This may also involve partnerships with existing tourism entities. We will look at elements of tourism further below, but in short, your farm is a rich and fertile place for people to experience something exciting, and that has its own value – in marketing and in revenue potential.

Community Supported Agriculture (CSA) – One way that people who live in your immediate vicinity can connect with the farming experience and become loyal customers to your farm, is through the CSA concept. In a CSA, interested residents in the area purchase memberships in the farm. Those memberships cover production costs for a certain number of farm products to be produced in a given year. In the case of a vegetable CSA, each member generally receives a collection of fresh produce through a weekly pickup or delivery process. In the case of a meat CSA, memberships usually entitle participants to a certain number of pounds of meat per month. In both cases, people are agreeing to pay a regular charge in order to direct a certain amount of their food buying directly to a relationship with a single farm – the CSA farm. This also creates new agritourism opportunities, since CSA members are ideal people to invite to see your farm in operation, and are also likely to take an interest in other products you may offer. CSAs have historically been organized around organic and other specialty interests, although this is a market-driven trend and not a requirement per se.

Craft Foods – The idea of processing small batches of your product and retailing them has become more cost-efficient and functionally viable than ever before. A farm that can combine fresh tomatoes from its harvest with herbs and spices to make sauces, dips, or salsa products could see significant success. The challenge with craft foods is time and shelf space. Specialty foods are a crowded marketing category, with many major food conglomerates creating 'craft brands' to compete. However, there are many places where long-shelf-life craft foods can be sold without having to stand next to a national

brand on the shelf. One advantage to the craft foods approach is that you can use it to leverage your brand name into other areas – for example, people who buy fresh sauces made at your local farm are strong future candidates for other products with your brand name on them as well. This works in the reverse, of course – if you are selling your products direct under your own brand, then extending your reach into craft foods may make sense also.

Direct Selling, Branding & Catering – Some farms have developed their own direct selling operations focused primarily on internet sales (where appropriate to the agricultural product), or on catering for events and groups. If there are members of your farm family who have a love of food preparation and cooking, then this option might allow you to build strong market recognition in the community and a new business opportunity. A fundamental objective in this model is to brand your products and services so that the market begins to recognize your own identity directly, and associate it with quality and freshness.

Farm Markets – Farm markets have always been a major part of Pennsylvania's community landscape, but over the years many of them lost their appeal to suburban upscale shoppers, who represent a critical part of the buying public. That is changing as older markets are being renewed, and new markets are being developed – many of them in fascinating downtown locations that are within easy reach of office dwellers who would love nothing more than to take some time during the day to peruse local products made fresh. Establishing a farm market location could be extremely helpful – and personally rewarding. The advantages to a farm market are manifold, including the fact that you will be within a community of other producers and can share ideas and learn from the support of others. Also, farm market visitors expect and desire a personal interaction with your farm as part of their buying experience.

Farm Stands – A farm stand is similar to a farm market except that you are pursuing it as a solo venture. If your farm used to be on a quiet country road but today that quiet country road is a bustling commuter artery, then a farm stand is something you should consider. While you can always establish a farm retail business outside of the farm property, a major value of the farm stand is gained when it is located on or adjacent to the farm property. This not only reduces costs and labor requirements, but it also allows the farm stand to be marketed more effectively since people will be attracted to the location both for the products themselves, and for the experience of seeing the farm and feeling the connectedness between farm and food. Many farm stands are, however, successful even when not located at the farm, but in that case you may want to consider more diversification in what products you offer and what audiences you are seeking to attract to the stand.

Farm Stays – We began our discussion by talking about tourism, and if we define tourism broadly as the increasing interest on the part of the traveling public to have authentic agriculture interactions and experiences, then many of the concepts noted here would certainly be part of tourism. A farm stay, however, is a unique step forward into a new area. First, it is not truly a new marketing or new product effort since you are not making revenue from selling more farm product. Second, it is very labor intensive and demands significant resources in order to be done effectively and with high quality results. Third, hospitality is a separate business sector with its own seasonal economics, regulatory requirements, and market sensitivities. That having been said, if you have matured your vision for the farm and decided that you are as interested in making your farm a profitable enterprise by selling experiences as much as by selling products, then you should certainly consider this possibility. Another option to ponder might be cooperating with a nearby bed-and-breakfast or other unique lodging establishments to partner. An existing lodging facility might be very interested in the idea of offering a farm-stay package, or in using your products in their breakfasts, or in making them available as a special service to guests. In short, the hospitality and agriculture worlds are very different, but there are significant gains to be made in bringing them together when appropriate.

Local Cooperatives & Preferred Buying Programs – Certainly not a new concept, cooperatives are being reborn as major food stores seek new ways to compete. In a cooperative, you would work in partnership with other farmers to package a group of products under a brand or within a subcategory. For example, you might be able to develop a 'Buy Fresh, Buy Local' marketing partnership in which stores agree to host designated displays set up specifically to profile your products. Many states and regions also have preferred buying programs that offer marketing advantages and designations for in-state or in-region produced product. One example is the PA Preferred program hosted by the Pennsylvania Department of Agriculture.

Pick-Your Own – Combining the purchase of actual products with the experience of tourism could be a winning combination for the right farm. From holiday trees to fresh fruits and vegetables, when presented with the opportunity many people will pay a premium to have the opportunity to connect with the picking process. Marketing, operations, your own privacy, safety and liability are some of the considerations to ponder as you consider this option.

Special Designations – Whether you are considering the USDA Organic program, the PA Preferred program, or other initiatives, working to secure direct recognition of your products is extremely helpful as part of any of the marketing concepts discussed here.

A larger question that will inevitably arise as you consider new markets and new products is what the products you produce should actually be. To answer this fundamental question, you will need to review your business plan, analyze market economics, and work carefully to balance marketing objectives with your own ability to cost-effectively add new products, make process changes, or manage the expenses associated with a product-mix change.

Another important consideration is how to take many of these marketing concepts and use them to inform your existing efforts. If you are a dairy farmer and you are a member of a cooperative organization, talk with your board members and become a vocal advocate for new, more clearly differentiated marketing efforts – as well as for new product development. Even if you choose not to engage in new direct marketing efforts, it is to your benefit to encourage your existing business partners to plan for changes in the marketplace and adapt rapidly. Their success in doing so will help keep the product you supply at a premium price point.

In looking at all of the options we've reviewed here, you should consider the following questions as you analyze your options for new products and new markets:

1. How will I perform market research?
2. Who has taken this step already and how can I learn from them?
3. How will I develop a business plan for this new effort?
4. What should the budget be?
5. Marketing and advertising are expensive and risky – how do I ensure that I develop the right brand, message, and marketing plan?
6. What is a niche market that I can identify and pursue successfully?
7. Do I have the personality to be successful interacting directly with consumers?
8. What tools will I need in order to record who my customers are and keep them updated or encourage them to return?
9. Are there promotions, events, and programs I can develop to build customer relationships?

Another consideration should be how to work with other farmers seeking the same goal. Sharing resources and ideas on a small scale can be the best way to balance the advantages of 'going it on your own' as a direct marketer for your own products, with the economies and protections that naturally come from being part of a marketing group. Whether it's working together to support local distribution of products from multiple farms, cooperating on a joint farm market stand, or collaborating to purchase and maintain a mobile processing unit or mobile slaughterhouse for meat, working together can make a significant impact upon the overall success of the effort.