

## Module 2: Researching Your Market & Selling Products

### Introduction

A lot of farmers get into farming because they enjoy the growing part of it. They enjoy soil science, the crops, and growing food. While that is a huge part of being a farmer, if you don't have a sustainable business, the truth is you won't be farming long term. To be successful, you need to learn how to grow the crops, but equally important is knowing how to run a business.

A lot of farmers starting out have that “if you build it, they will come” mentality. Josh fell into that trap himself. While he was still able to make it work, his hope is that this module will help you avoid some of those early rookie mistakes.

### Direct Marketing

Direct marketing is key to making small-scale farming work. As the farmer and the business owner, you are in direct contact with your customer. You're interacting with them directly and selling to them directly. With no middleman, you are able to maximize your profit.

There is no wholesale price in direct marketing. You can sell your products for retail price or at least close to retail price. That's how this system works! If you're selling to a wholesaler, then you have a much smaller profit margin, which means you need to be on a much larger scale. However, if you're growing on small acreage and you're trying to make this kind of small scale model work, you have to be direct marketing.

### Location

The first thing to ask yourself is “where are you located?” A lot of times you'll need to be either in a city or at least nearby a city in order to sell your produce. Generally speaking, you'll be able to get more for your products in more populated areas. If you are so rural that prices like \$6 for a dozen eggs, and \$10 for a pound of premium lettuce would never sell, this kind of farm model may not be a good fit.

If you are half an hour away from a metropolitan area, or even an hour away, you have to ask yourself, “is that still doable?” Is there a local food scene there? Are there a lot of farmer's markets? Are there restaurants that are supporting local farmers? Are there a lot of people that are into organic food? What's the lifestyle of the people around there? These are the questions you have to think through. You don't want to go through all of the time and effort to build your farm business, only to realize you have no interested customers.

Don't get scared off though! There are plenty of farms in areas where you wouldn't think it would work, but somehow it does. It just takes a lot of effort. It takes a lot of marketing and work to educate your customers on the value of your products in order to get premium prices.

Do some research and make sure your local market is not already oversaturated with the products you hope to grow and sell. This course will focus exclusively on growing and selling vegetables. If your market is already saturated with vegetable growers, but no one is selling eggs at your local farmers market, then raising pastured eggs might be a better option for you. While Josh's model is a good one, it may not be a fit for your context. Visiting your local farmers market is a great way to get a finger on the pulse of your local market.

## **Start Simple**

Josh likes to emphasize the importance of starting really simple. When he started out he was doing chickens, veggies, and microgreens but didn't feel like he was doing any one of them particularly well. He highly recommends starting with one enterprise, fine tuning it, and then expanding from there. When you do that, you can put all your focus into it. You can get really good at it. Every different strategy has its own challenges. And as you're getting into this, it takes a while to learn those. When Josh decided to stop raising animals and focus solely on vegetable production, he saw a huge improvement on his farm.

## **Community Supported Agriculture**

Community supported agriculture (CSA) is a term you've likely heard before. In this sales model, the patrons of a local community put down a deposit at the beginning of the growing season to support a local farm. This deposit is an advance payment for a weekly share of seasonal produce from that farm for the duration of the season. The weekly share will typically include a variety of everything that farm has to offer.

This CSA model comes with the advantage of providing the farmer with up front capital at the beginning of the season to cover their costs, but it also comes with some risks and some pressure. If the weather is favorable and crops are abundant, the weekly shares will be abundant, but if there are pest issues, heat waves, or other catastrophic weather events, weekly shares could be sparse. Within the contract, there will usually be a clause that communicates the inherent risk of farming and that the customer may not have a completely full share every week in the event of failed crops. Their deposit was to be understood not only as payment for their products, but also as an investment into their local farmer.

While this model has traditionally been a good one for farmers needing start-up capital, it also comes with a great deal of pressure. In order to keep a continual flow of weekly produce throughout the entire season, a grower must know how to carefully manage a successive crop plan. This is a skill that can take years to perfect. Josh believes the CSA model is the hardest sales outlet to master and make successful. In fact, he usually tries to talk people out of it. The pressure of delivering a consistently high quality product every week can be a little scary at first. When Josh first started, he didn't feel comfortable taking money up front. Instead he began selling produce boxes to his friends and family on a week to week basis, according to what he had available.

Growing a variety of crops is a challenge, as each crop has its own specific needs. Some crops only grow during a certain part of the season, so you only get one shot a year. Josh recommends having at least six to ten items every week for your customers. He also suggests focussing on crops that don't require a lot of space to produce. These crops would be referred to as "high value" crops. Crops that require more space to produce would be considered "low value." In terms of space, a half an acre would be a good target for a small CSA farm. This would allow you to grow a wider variety of crops.

The CSA model also requires a greater level of money management. Unlike other sales outlets that provide cash flow steadily throughout the year, in the CSA model your income comes from a lump sum at the beginning of the year. Careful management is a must in order to make that work for the rest of the year for your farm and your family. This can be really challenging, especially when you're first starting out and you don't know what all the costs are going to be.

While some people are more adventurous with their food and willing to try vegetables they've never heard of, a lot of customers want to customize their CSA box. Josh has found that presenting customers with lesser known vegetables in a CSA box is doable on occasion, but consistently giving them produce that they aren't interested in will eventually take a toll on their enthusiasm. Making room for customization can solve this. There's a lot of great software options out there to help with the logistics of this. *Harvei* and *Farmigo* are two examples of CSA software that people are using to allow customers to customize their boxes. Ten Mothers Farm is a great example of a small farm using this kind of customizable software.

Another thing to consider with your CSA is how you're going to get your products to your customers. If you're planning on home deliveries, this brings up a lot of logistical questions in terms of a delivery vehicle, and a person to drive. However, it might be something that people in your area are interested in. Given the state of the world over the last few years with COVID, many people are opting for home delivery. Another option is to use drop sites around town. This could be a community center, a brewery, or at the home of a customer willing to host on their porch. You can also offer an on-farm pickup. This can work really well if the farm is close enough. This is also a great way to connect with the customers directly.

Some farms have a point system where everyone who buys a CSA gets a certain amount of points at the beginning of the season. Then customers visit the farmstand and use their points to pick out what they like. This allows some flexibility on the spot, which customers appreciate. It also encourages people to show up early to have more options.

Another option with the CSA model is to bring in other products from different local farms. When neighboring farms are growing products that you aren't, it can be a mutually beneficial arrangement. If you have a farm nearby that's growing some long-term crops like potatoes or onions, and you're focusing mainly on salad greens and root vegetables, by working together you can offer customers the full variety they're looking for. This works especially well when the neighboring farm shares similar values and growing practices. The important thing to remember

in this scenario is to be very transparent with your customers, letting them know about the other farm and where and how their products are being grown.

#### **Advantages of CSA:**

1. **Upfront cash flow for the farmer.** Selling CSA shares allows farms to fund their farm for a large part of the year.
2. **Simplified farm planning.** When you plan a CSA, you generally know what you want to offer shareholders each week. Once you know that, you simply need to work backward through the farming season to ensure that you have the planned products at the planned times.
3. **Build a very loyal customer base.** CSAs aren't the most convenient products for most customers, so the customers that you do get tend to be very loyal. That's not to say that there won't be customer turnover every year—there will be—but in general, CSA customers want to support YOUR farm.
4. **Control your own marketing.** When you sell to a CSA customer, you control that relationship. A store, an aggregator, or farmers market doesn't. You communicate with the customer, and ultimately you can decide how deep that customer/farmer relationship becomes.
5. **Product flexibility.** You control what goes in the box. Have too much of one crop? Give the customers extra. Not so much of another crop? Decrease the unit size. This flexibility allows you to adjust quantities more than you could at a farmers market.

#### **Disadvantages of CSAs:**

1. **A lot of pressure.** Despite the weather, pests, crop failure, and life, you have to fulfill your promise to your customers (who have already paid) for twenty, thirty, or forty straight weeks. You never want to underproduce and leave customers disappointed. For new farmers we recommend halving the number of shares you think is possible and selling the rest as retail or at the market.
2. **Logistics.** Managing a CSA for the first time can be a large undertaking if you are inexperienced. Be prepared to get organized and get marketing before the season starts.
3. **Crop planning and execution.** For some farmers, especially new ones, crop planning is difficult. Executing that plan—to ensure you have what you need, when you need it—can also be very hard. *Learn more about crop planning in our online resources.*
4. **A high level of customer interaction is required.** At a farmers market, customers buy produce, move on, and come back next week. The CSA requires a lot more customer interaction—from explaining how things work, to following up on payments, to weekly updates. If you aren't a people person, this might not be the model for you.

5. **Customers aren't perfect.** Not every customer will show up on time—or at all—for their weekly pickup. Technically, they have already paid for the food they didn't collect, so it is your responsibility to keep track of who is owed what. The more people you deal with, the more complex the logistics can be.
6. **Increased crop diversity.** Typically, CSA customers like variety in their box each week and throughout the season. That means you have to grow more crops to help round out your CSA boxes. Adding crops always has its own set of challenges. Sourcing crops from other farmers might be one way to help with this issue.
7. **CSAs might not be a thing in your area.** In certain areas, potential customers might not know what CSAs are. As a result, you might have a really hard time selling shares.
8. **CSAs might not be the best way to purchase produce for some people.** “So I pay you a bunch of money upfront, and then you give me vegetables that I don't get to pick out throughout the season? Thanks—I'll pass.” That's a common consumer response to CSAs. The upfront cost is also a deterrent to some customers. While they might spend \$500 on produce over forty weeks, they have a harder time mentally justifying pre-purchasing all of that produce now. The model isn't for everyone.
9. **Saturated markets.** CSAs are a low-barrier-to-entry sales channel for farms. As a result, many areas are saturated with CSAs. While the CSA model might be a perfect fit for you and your farm, it might not be a perfect fit for your market.

## Farmers Market

The next sales outlet to consider for selling your products is your local farmers market. Josh believes this is the best point of entry for multiple reasons. Farmer's markets are pretty common throughout the United States and across the world, and they seem to be getting more and more popular. The best thing about a farmer's market for a new grower is the flexibility. You can just show up and bring whatever you have, with no pressure. If you have a whole bunch of something and only a little of something else, then that's what you bring.

When you're just starting out and still dialing in your systems for how to grow food, that flexibility is amazing.

Time at the farmer's market also allows you to build up relationships with new customers, meet new people, and get to know them. Once you form this connection, that will go a long way. They will start stopping at your booth every week, not only to see what products you have, but just to see you. It's also a great opportunity to collect email addresses.

This will allow you to send out newsletters and have more direct connection with your customers. People generally really want to feel connected to their farmers, so any way you can facilitate that is valuable.

You might also meet local chefs at your farmer's market. Chefs will often go to the farmers market looking for high quality local produce for their restaurants. You may be able to build some relationships to the point where you could offer delivery straight to their restaurant and save them the trip to the farmers market.

Farmers Markets are getting pretty competitive, so it's good to do your research and find out if there are certain times of the year you need to apply. If you miss a deadline it might take a whole year to get a spot.

Another tip for farmers market is not to compete on price. If \$10/pound for lettuce mix is the average price at your farmers market, don't come in at \$6/pound. That will drive the price down for everyone, and nobody wins. If you're selling mostly the same products as other vendors, try and think of different ways to set yourself apart.

You'll also need to account for the cost of your farmers market infrastructure. This would include a tent, a table, display items, and transportation containers.

When deciding if the farmers market is the right fit for you, keep in mind that it is a considerable time commitment. It's every single week for multiple hours. You have to consider the time you spend preparing, packing up your vehicle, transportation, setting up, braving the elements, communicating and networking with customers, tearing down, and driving back to your farm to unload. This is a full day's work and can be quite tiring! For Josh, these were enough deterrents to steer him away from choosing the farmers market for his sales outlet. He didn't want to commit every Saturday to being there. While it can be a great way to get started, make sure you consider all of these factors before making it your primary strategy.

#### **Advantages of Selling at the Farmers Market:**

- 1. Exposure to a large group of customers.** Markets can be busy places and a great way to interact with more people and grow your customer base.
- 2. A place for connection.** Markets offer an in-person place to connect with customers. You are able to get to know people, talk about your products, and learn more about what they are looking for. Take this opportunity to do some market research.
- 3. Low barrier to entry.** Low participation fees and minimal start-up equipment make it easy for most farmers to start out at farmers markets.
- 4. No inventory requirements.** Grow what you can, bring it to market, and sell what you can. There is no weekly inventory requirement such as with a CSA model or selling wholesale.

#### **Disadvantages of Selling at Farmers Markets:**

- 1. Not in control of external factors.** Weather, timing, and management are out of your control. If the market is suddenly canceled, you lose your sales channel.
- 2. Quality of markets can differ significantly.** Some markets are great and get great turnout, others not so much. Be sure to ask around about which markets are best before committing to one.

3. **Can be competitive.** You're competing with a variety of different vendors to get the shoppers' attention. It's up to you to differentiate your products and build a customer base.
4. **Huge time investment.** Market days are long. A four-hour market day is usually a nine-hour investment of time.

## Selling to Restaurants

The third primary sales outlet to consider is selling to restaurants. This is Josh Sattin's favorite. Like the CSA and farmers market, you have to research your market and figure out if selling to restaurants will work for you. Once you get into the rhythm of selling to chefs, it can be a nice consistent weekly gig. If you know that a restaurant will be needing 12 pounds of lettuce every week, you can work that into your production plan as you plan your successions. Consistency is key.

Approaching chefs can be intimidating at first, but it really just comes down to what Josh likes to refer to as "old school networking." Text people, chat people up, ask for names, numbers, and email addresses. Regardless of your personality type, you have to put yourself out there as assertive and confident. This will get you connected.

While there is the approach of just walking into a restaurant with a sample of your product and asking to speak with the chef, Josh hasn't found that to be the most effective for him. Josh's approach is to find a relational connection first by talking to a lot of different people on a regular basis. If the first point of contact is "your friend so-and-so told me I should get in touch with you about buying produce," there will be a much better chance of getting a response.

Another great piece of advice when dealing with chefs is to not walk in when they're busy! If you walk in during service hours, that's never going to work out well. Set up an appointment and if they're interested, they will set aside time. When you come in for the appointment, bring them a generous portion of the best of everything you're growing. Do not skimp out. First impressions are everything. Ask them what they're looking for, let them try all of your products and leave everything you brought with them.

The main thing to focus on when selling to restaurants is consistency. You need to have consistent output before you can really start thinking about restaurants. While chefs typically have a backup method of getting produce, a lot of times you're bringing them products that they really can't get anywhere else. However, if you can't consistently deliver, that will put them in a bind.

Having the highest quality food is also important to chefs. One of the most valuable distinctions of your freshly harvested produce is going to be the shelf life. Chefs are willing to pay a premium for products that will last them up to two weeks. Most chefs are well acquainted with large scale food distributors whose vegetables have already traveled way too many miles before

finally reaching their destination. Not only does the flavor and quality suffer, but the shelf life is extremely short. Your products will speak for themselves to set you apart from these other companies.

Clear communication with chefs is also key. If you know you're short on something or have run into some unexpected issue, let them know as soon as possible. If you delay, they won't have enough time to order from a backup supplier in time for the weekend, or whenever they need it. Putting them in this kind of situation will take a toll on your business relationship. If you make sure to be an excellent communicator, it will go a really long way with your chefs.

A potential snag in the restaurant industry is contending with chefs occasionally moving out of town or to a different location. When that happens, you may lose that account during the transition, or the new chef coming in might already have their own farmer they work with, or simply not be interested in your products. There is the chance that you might be able to take your relationship with the former chef to their new restaurant if they are staying within the same city.

Another wild card with selling to restaurants is that menus change. This can be a seasonal change or simply a chef exploring new recipes. You have to be flexible and willing to grow new things if one of your chefs is requesting this.

#### **Advantages of Selling to Restaurants**

1. **Large-volume sales.** Restaurants can buy a lot of product in a single order.
2. **Consistent sales.** Restaurants will often put in the same order week after week, giving you a steady stream of income.
3. **Simplified packing.** Instead of packing ten one-pound bags of lettuce for the farmers market, you might pack one ten-pound bag for restaurants. This simplifies packaging and requires less time.
4. **Brand awareness.** Having your farm product offered in certain restaurants can increase your brand awareness and raise your credibility in the community.

#### **Disadvantages of Selling to Restaurants**

1. **Consistent sales.** Can you produce X amount of product each and every week? Most restaurants will order the same quantities each week. Make sure your production can meet their demands.
2. **Payment issues.** While most restaurants will have no problem paying you on time, inevitably some will. Make sure you stay on top of your invoices and don't let anyone get behind.

3. **Restaurants are shaky businesses.** Most restaurants go out of business in the first year. Don't become too dependent on any one restaurant, because the odds are that it won't be there in the long term.
4. **Lower-priced sales.** Typically, larger purchasers get better pricing. Make sure bulk pricing works for your business model.

## Harvest & Delivery

Josh recommends that you pick one day a week for your delivery schedule, and that you stick to it. Talk to your chefs and your customers and try to figure out what works for them. Usually the middle to the end of the week works best. Josh delivers on Wednesdays. If you're splitting your sales between restaurants and farmers markets, Josh recommends delivering to your chefs on Friday. This would allow you to harvest on Thursday, in preparation for Friday deliveries, as well as the Saturday farmers market.

You can have multiple harvest days and multiple delivery days, but this brings more logistical complications, and often the need to hire staff. Because of this, Josh tries to consolidate that down into one harvest day in effort to keep things as simple as possible. On Sunday Josh will walk around his farm to take inventory of what he has available. He'll then text his chefs to let them know what he has, and ask them to place their orders by the end of Monday, which will then be delivered on Wednesday. While they may know the routine already, Josh still sends the texts on Sunday just as a reminder, and also to make sure they know what he has, and how much he's charging.

Texting often works better with chefs. They don't typically check email as regularly. With texts, you'll typically get a faster response. Group texts can work on occasion, but it's usually a better idea to take the extra time to text each head chef individually. Sometimes you don't need to text every chef the full list. You also may have promised one thing to one chef, but not to another. Individual texting allows you this flexibility. If Josh hasn't heard back from a chef by the end of Monday, he'll send them a kindly reminder on Monday afternoon. Given their hectic schedules, his chefs really appreciate the reminder.

With a simple handwritten spreadsheet on a clipboard, Josh will prepare his harvest checklist on Monday. With his list prepared in advance, he wakes up Tuesday morning to do all of his harvesting, washing and packing. One of the biggest benefits of selling to restaurants is that you can package your products in larger quantities. This reduces your labor time when packaging.

Once the harvest is done, Josh moves on to invoicing. If he ends up being short on anything, he'll immediately send a text to the chef. By sending that text on Tuesday, he's giving them enough time to make other arrangements, which they greatly appreciate. He stressed the importance of making sure they know what they're getting and what they're not getting. If you're

able to deliver what they've ordered, there's no need to confirm. Josh uses Square for his invoicing. When he emails out the invoices on Tuesday afternoon this is another little reminder to the chefs to confirm what they ordered, and what they'll be receiving the next day.

On Wednesday Josh heads out in the morning to do deliveries. He brings two printed copies of the invoice, one for them to sign, and for his records. While they also have a copy of the invoice in their email, this ties up the loose ends and works really well. If they're paying by check, he'll pick that up on site as he's delivering. Josh has never been asked for copies of invoices, but he believes it's a good practice to keep copies of them all on file.

All of Josh's accounts are in downtown Raleigh, making it very easy for him to move between them. The deliveries take just under two hours and it's about a half an hour commute from where he lives. If possible, Josh highly recommends geographically consolidating your deliveries to increase your efficiency. While it may not always work out like that, that is always the goal. Some restaurants might be further apart, but if you can try to get more centered geographically, it will save you a lot of time.

## **Farm Stand**

In addition to the three primary sales outlets (CSA, farmers markets, and restaurants) an on-site farm stand can also be really beneficial in the right context. When Josh worked as farm manager at Raleigh City Farm, they operated a weekly on-site farm stand. Being situated in an urban area, it made it convenient for people to easily come by and purchase their produce.

If your farm is somewhere with great road access and a place to put up a sign, an on-site farm stand might be a really good fit for you. Eliminating the need for travel is a huge plus! The farm stand also allows you to be a little more casual with your marketing. You have the flexibility to decide your hours of availability, or you could even do an honor system where customers come to pick up their orders, and leave their payment in a box. Another option with a farm stand is to aggregate other products from nearby farms, as mentioned earlier in the CSA sales outlet.

A great example of a successful on-site farm stand is Broken Spoke Farm in Josh's home state of North Carolina. At their farm stand people can come by at any time and pay for their products with Venmo, PayPal, or deposit cash into a cash box. Broken Spoke Farm even makes their own ice cream with a soft serve machine at the farm stand! Customers will spend time outside the farm stand talking with each other while eating their ice cream. Thinking of creative ways like this to add a draw to your farm stand is a huge help. It also creates a great sense of community.

## **Pop Up Markets**

Another potential sales outlet is a pop up market where you bring your market tent to a community function like a kids' sporting event, a religious social gathering, or a school event. By planning out your participation in these events in advance, you can often get free advertising in community fliers promoting the event. This alerts people to come prepared to buy your products.

## **Conclusion**

While selling to restaurants has worked out really well for Josh, he likes to stress the importance of diversifying your sales outlets. Obviously 2020 threw a huge wrench into the restaurant sales outlet, leaving many farmers in a massive bind with nowhere to sell their produce. Having multiple sales outlets is a way to safeguard yourself from this kind of event.

When COVID hit, farmers markets also got canceled and farmers started scrambling to try and figure out other sales outlets—FAST. This was a huge reminder about the importance of diversifying your sales outlets!

Research your markets, figure out what's going to work for you and what's going to be profitable. Consider what the demand is in your local community. Let that inform what you grow. Invest a lot of your time and thought into how you will market yourself. Give your customers a sense of your personality, connect them to your story, and make sure they know why your products are valuable.

Another point that Josh likes to hit on, which often gets overlooked, is the importance of being professional. When you show up at a farmer's market or at a restaurant, don't come in covered in dirt. Look clean and know how to present yourself. If you're trying to get people to trust you and buy your products, don't look scrubby. Remember that you're not just selling vegetables, you need to sell yourself as well.

Consistency and quality are key. Make sure you have really high quality products that you're bringing every week. People will recognize quality very quickly and want to come back and buy from you.

Be an excellent communicator. Explain what your products are to your customers, letting them know what's working, and what's not working.

Whether it's at a farmer's market, a farm stand, or a restaurant, remember that customers focus on relationships. Make sure you're learning people's names as you're talking with them. As you start remembering who they are and building up those relationships, you're laying the foundation for the future of your business.