

Family Farm Series

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MARKETING FOR THE SMALL FARMER: CHOICES IN MARKETING FRESH FRUITS AND VEGETABLES

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It's smart business for growers to know how the marketing system works and how they can make better use of it. Most of a farmer's costs and labor are spent in growing and harvesting the crop. What happens after the harvest, however, makes a big difference and can determine whether or not a profit is made.

The Marketing Process

Fresh fruits and vegetables in a store cost more than the farmer is paid for them because there are many expensive intermediate operations. These include transportation, storing, cooling, grading, and dividing or combining shipments to make up the amount and type of produce a buyer wants. More costs come from getting market information, setting standards, getting financing, and bringing buyers and sellers together. Also, there is an extra expense for fresh produce because it must be marketed quickly before the fruits or vegetables spoil or lose their appeal.

Ways of Marketing Fresh Produce

Traditional Marketing System

The traditional system will take care of all of the things that must happen to the farmer's produce before it is ready for consumers to buy in stores. The costs of doing these things are added to the value of the farmer's produce. In the traditional marketing system there are several channels through which farm produce can move. The three classes of markets are described below.

Country assemblers are grower-shippers, shippers, local commission merchants, and brokers. They are located in or they visit the producing areas. They buy produce from or arrange to sell produce for, the growers.

City market middlemen are firms operating in the major consuming areas such as Los Angeles or San Francisco. They buy shipments of produce through the country assemblers or they sell produce for growers on a commission basis. They remake the shipments into new shipments by changing the size of a shipment, or what is in it, or both. They sell these shipments to retailers, institutions, or to other middlemen in their area or other areas of the country.

Retail outlets such as grocery stores, hotels, restaurants, or institutions buy their produce from the city market middlemen or from country assemblers and sell it to consumers either as fresh produce or as prepared food.

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Direct Marketing

If farmers market their crops directly to consumers, they will probably receive higher prices for their produce than if they used the traditional system and the consumer will also pay less. For this to work, however, the farmer and the consumer must share the costs of the things done by middlemen in the traditional marketing process, such as transportation and packaging. The following are some ways of marketing produce directly:

Roadside stands, to be successful, must be near a major metropolitan area or on a well-traveled road. The produce must be of a type that people will want to stop and buy. Farmers should check with county officials to find out if there are any special regulations pertaining to this type of marketing.

Pick-your-own (U-pick) involves consumers coming to the farmer's fields, picking their own fruits and vegetables, and then paying for what they harvested. The farm must be located near a major population center and produce must be of a type that will attract people to pick their own (e.g., large quantities for canning).

Farmers' markets work best for growers who have a variety of produce to sell. Farmers should be close enough to a farmers' market so transportation costs are not excessive. Farmers should also consider the value of their time in selling the produce. The county agricultural commissioner should have information on local farmers' markets and their regulations.

Direct sales to a retail outlet can succeed if the farmer has enough production on a regular basis to provide for the retailer's needs. Farmers must convince the retail merchant that they will be reliable in supplying quality produce over the entire harvest season.

Marketing Cooperatives

Farmers can join or help to establish a marketing cooperative. Such a cooperative would allow growers to combine with other growers to increase their bargaining power in the marketplace. Marketing cooperatives can take care of various things that the traditional marketing process does, such as transportation, refrigeration, storage, and arranging sales to retailers. Cooperatives can also open new marketing channels to small growers by supplying large volume buyers.

The Importance of Grading Fresh Market Produce

Unless they are marketing directly to consumers, growers will need to grade their produce. Grading standards can make marketing more efficient, reduce marketing costs, and simplify market transactions.

Proper grading is essential in establishing a good working relationship with a broker. Properly graded produce sells faster in the marketplace and gives both the grower and the broker a good reputation with buyers. A good reputation can mean that a farmer's produce will sell even during a full market and can help in getting production loans or cropping advice from a broker.

Size, appearance, and condition are important in grading. Produce must be at the proper stage of maturity and be fresh and firm. Farmers must be as consistently accurate in grading as possible. Proper packing is also important and a neatly packed box can often bring a premium price for its grade.