The Marketing Channel Assessment Tool for Small-Scale Specialty Crop Producers

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This project funded by:
**Wholesale**

Selling to a buyer who is not the end user.

- Packer
- Restaurant
- Grocery/Retail
- Distributor
- Auction
- Institution/Food Service

**Direct**

Selling directly to the end user.

- Farmers’ Market
- Freezer Trade
- CSA/Buying Club
- Farm Stand/Store
- Web
Opportunity is knocking…

CSA

Farmers’ Market

U-Pick

Restaurant

Grocery

Distributor

Cooperative

Farm Stand
Joe, if you bring your vegetables to the farmers' market the prices are so high you can sell $500 worth per hour!

That's great. I am going to sell there.

But, it costs $300 per day to sell there.

...and its only 1 hour per week...

...and it takes 12 hours to prepare...

...and if it rains no customers come.
How do you evaluate a market opportunity?

Six interacting factors impact the “performance” of a marketing channel including:

- **Price & Profit**: You can sell $500 worth per hour!
  - It costs $300/day to sell there.
  - …and it takes 12 hours to prepare...
  - …and if it rains no customers come.

- **Lifestyle Preferences**

- **Associated Costs**

- **Sales Volume**

- **Labor Requirements**

- **Risk**
The Moving Target

• Which channel is best?

• One channel does well in one way, poorly in another so how do you know?
Muddy Fingers Farm

• Diverse vegetable & fruit production.
• Farmers’ markets, CSA, & restaurants.
• No paid labor, 6 working shares, family & friends that volunteer.
• 2.5 acres in production.
• Over 45 crops.
Methodology

• Collect logs of all marketing labor (from harvest to sale) for one typical, peak season week.
• Collect gross sales & mileage for the week.
• Collect ranking on lifestyle & risk.
• Collect weights for each ranked category.

Why labor logs?

• Labor is the largest marketing expense.
• Consistent unit and format.
• Operators tell hired help to complete the forms.
• Each employee filled out their own sheets.
# Labor logs

**Name:** Joe  
**Date:** 8/5

| Time spent (to nearest 15 min): | 45 | Vegetable(s): | kale & chard |

### Activity: Check all that apply
- Create Pick list
- Harvest
- Cull/grade/sort/wash
- Bunch/Bag/Package/Pack orders/boxes
- Load/unload truck
- Travel to/from market/make deliveries
- Bookkeeping/Bills
- Sales calls
- Sales Time/Set up/Take down
- Other (please describe): 

### Product Destination: Check all that apply
- Check: CSA
- Restaurant: 
- Ithaca Farmers’ Market
- Other: 

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Harvest → Process & Pack → Travel & Delivery → Sales time
• Use data to rank and compare channels:
  – Profit (gross sales – (labor + mileage cost))
  – Labor hours required
  – Sales volume

• Also use farmer ranking for:
  – Risk perception (financial risk, lost sales, etc…)
  – Lifestyle preference (enjoyment, stress aversion)
Sales Volume by Channel

Total Gross Sales Volume

Normalized Volume Units

Marketing Channels

Watkins FM 1.0
Restaurant 1.0
IFM Saturday 1.9
IFM Tuesday 2.6
Corning FM 3.4
CSA 8.3
Total Labor Hours

<table>
<thead>
<tr>
<th>Marketing Channels</th>
<th>Labor Hours</th>
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<tbody>
<tr>
<td>Restaurant</td>
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<tr>
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Simple Comparison of Labor & Sales

CSA: 18% of weekly labor, 45% of weekly gross sales.
Watkins Glen FM: 13% of weekly labor, 5% of weekly gross sales.
Profit as % of Gross Sales (with Owner Labor Valued)

Marketing Channels

- Watkins FM
- IFM Saturday
- IFM Tuesday
- Corning FM
- Restaurant
- CSA
Risks & Preferences:

- Labor requirements
- Price risk
- Customer turn-out
- Competition
- Buyer back-out
- Processor is booked
- People on the farm
- Customer interaction
- Time in the field
- Wash & pack
- Displays
### Rank & Compare Opportunities for Performance Factors

<table>
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<th></th>
<th>Sales Volume</th>
<th>Labor Hours</th>
<th>Profit Margin</th>
<th>Financial Risk</th>
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Based on 5 factors and farmer chosen weights.
Practical Application: Marketing Decisions

- Considering a marketing change, what should it be?
- Reduce participation in weakest performing channel.
- Increase participation in best performing channel.
- Strategic channel combination to maximize sales and reduce risks.
Muddy Fingers Farm has been considering a marketing change, what should it be?

Could drop the Watkins Glen Farmers’ Market and add 12 shares.

Weekly gross sales remain equal.

8-9 hours/week less labor.
Seeking farms to participate in the Marketing Channel Assessment this season

REQUIREMENTS:
At least 3 different marketing channels.
No more than 12 people working (including owners & family).
For farms producing fruits, vegetables, &/or fresh cut flowers.

Farmer Benefits:
1. Informed decision making
2. Increase in profitability, enjoyment of work.
3. Decrease in labor needs, stress, risk.
4. Benchmarking against similar farms.
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