

ANALYZING MARKET SITUATIONS
FROM A SMALL FARM PERSPECTIVE

by R. L. Degner*

Introduction

I was very pleased that Dr. Carter mentioned marketing or marketing efficiency about 20 times in discussing the objectives of this conference. That assures me of a job for a few more years, because I don't think we're going to solve all of the marketing problems that he mentioned anytime soon. I also appreciate where Dr. Bradford put marketing on today's program--right up front, right before any production decisions are made. You should always make sure you have a place to sell that product before you attempt to produce it.

Marketing means different things to different people, and I know we have a broad range of interest represented here this morning, so I cannot go into a lot of technical detail to try to help you with specific types of problems. Further, I am not going to give you a college textbook presentation. You did not come here for that. What I want to do, since many of you are bona fide farmers, is share with you some sources of information that we use in our research work that you as producers can also use. Then I'm going to discuss some research into farmer-to-consumer direct marketing because I think this approach has some opportunities for small farms.

Market Organization for Small Farms

Direct marketing is the simplest means of selling products for many small farmers, but it does have its limitations. We will discuss direct marketing in more detail later, but I want to stress that a centralized

*Dr. R. L. Degner is Director of the Florida Agricultural Market Research Center.

marketing system can be much more efficient for some operators. For example, vegetable farmers may be more efficient by producing only one type of vegetable, or a very limited number. In a direct marketing situation, consumers would have to buy from a large number of individual farmers in order to get the variety of vegetables desired. Each consumer and each farmer in such a system would have to make a large number of transactions. With a centralized system, each farmer would make a limited number of transactions with a "middleman" (wholesaler or retailer). Similarly, consumers could also obtain the desired variety of produce through one transaction with a "middleman" that functions as a retailer. These efficiencies are magnified as the geographic distances between producers and consumers increase.

Thus, in many cases, there may be a need for a central collecting market, perhaps a farmers' cooperative, to help small farmers. We have some excellent examples in Florida where small farmers have joined together to provide sufficient quantities of high quality produce through cooperative markets to get the attention of large-volume buyers.

Marketing Decisions

Profitable marketing requires that a multitude of decisions be made. As mentioned at the outset, the very first question is, "What should I produce?" Is there a demand for the product? There are many promoters that come in and convince farmers to produce things that are untried and for which no ready markets exist. Producers frequently fall into this trap and end up holding the bag--either they cannot sell the items, or perhaps they cannot produce it efficiently. You must be able to produce items as efficiently as growers in other areas, after taking transportation costs into account, or you simply cannot compete.

Another decision to be made is: Should I sell my production as it is, or should I change the product form? The classic case is corn. In the old days you could sell the grain, make moonshine out of it (which was a much higher value product), or sell it through livestock. There are multiple ways you can market most products. The grape industry is another example that is of interest here in North Florida. Producers can sell fresh grapes, or processed products such as jellies, jams, or wine. One thing is common to all these alternatives: you must know your production and marketing costs. Too frequently we worry almost exclusively about production costs. Then we assume that that product is going to get somehow mysteriously transported at no cost from where you're producing it to the ultimate consumer. And, there is a cost involved in every step of the way. In fact, the most recent figures indicate that for all food as a group, about 87 percent of the retail food dollar is comprised of marketing costs. Farmers get only 12 or 13 percent of the retail value of the food dollar. After a producer has decided what to produce, other basic marketing decisions must be made; namely, when to produce and where to sell. Obviously, with some crops you do not have much choice on the timing of production or sales, but with others it is quite relevant. Another thing to consider is where to sell. Which geographic market? Do you sell in Tallahassee, do you sell in your own local community, or do you transport it to Atlanta? Other questions to consider are: Which marketing channel? Do you sell through a pick-your-own outlet, roadside stand, or commercial market? What price should I sell at? If you're selling row crops or the traditional types of agricultural commodities, you might have a target price in mind, but you will generally be a price taker. But if you have a roadside market

or if you are selling directly to consumers, it might be up to you to decide what price to sell at. You could sell it too cheaply. You know, in some consumers' minds there may be a positive relationship between price and quality. They feel that the more you pay for something, the better it's going to be. If you sell to an intermediate handler, you should possibly consider forward contracting, and you may have an opportunity to bargain for a better price.

Another set of decisions deals with promotion and advertising. If you're growing corn or soybeans, you really do not have to deal with this question. However, there are agricultural commodity groups in Florida that are spending millions of dollars on advertising and promotion. If you're growing fruits and vegetables and you have a U-pick operation, you will probably need to advertise. You may use roadside signs, ads in the newspaper, or both. Advertising gets complex in a hurry. You may have some very difficult decisions to make. How much should you spend on newspaper ads? Should you send postcards to all of the customers that come to your U-pick operation, just as a reminder to keep in touch? Would radio or television advertising pay? These are things that need to be considered in the basic marketing processes.

Sources of Information

Where can you go for information? Most of you know that USDA provides a wealth of material. Also, the Florida Department of Agriculture and Consumer Services does a tremendous amount of promotional work for a number of our commodities and assists with farmers' markets. One of the most important contacts for information is the Extension Service. The County Extension agents can put you in touch with the appropriate USDA sources, the State Department of Agriculture and Consumer Services.

and many other sources. Trade associations can also provide needed marketing information. If you're growing Christmas trees, grapes, blueberries or whatever, there are groups and associations in most areas of the state where you can gain some valuable insights and knowledge as far as how to make your enterprise work.

Trade directories are another source of marketing information. For example, there are directories of supermarkets and discount stores that can be used to locate buyers for your products. Universities are also important sources of marketing information. Universities can provide some very valuable research in areas where data may not exist. There are many publications available from traditional sources such as USDA and the Florida Crop and Livestock Reporting Service. For example, Fruit Outlook and Situation, Feed Outlook and Situation, Vegetable Outlook and Situation, are publications that can help you to know what supplies, demand, and prices have been. Weekly publications also show what the general tone of the market has been. If you're a newcomer into agriculture, a new small farmer, these publications can give you a background so you can get estimates of prices and price variability and plug them into your budgets to see whether or not you want to grow specific crops. The Florida Crop and Livestock Reporting Service also provides annual marketing summaries for practically every major agricultural commodity. These summaries usually include data for a 10-year period. They usually show annual prices for the past 10 years, and monthly prices are frequently reported as well. Monthly prices might help you to try to aim at a particular market window, that is, a particular time of the year when prices are better. The yields might be lower, but you might analyze the timing of your production to increase your net profit.

The timing of livestock marketing is also of critical importance. Researchers at the University of Florida have examined long-term cattle cycles as well as intraseasonal price patterns. Studying their research reports or talking to the Extension Livestock Marketing Specialist could possibly make or save you a lot of money.

Direct marketing of products directly to consumers is the final topic that I will discuss briefly. Several years ago USDA provided research funds which enabled us to examine producer and consumer benefits associated with farmer-to-consumer direct marketing. Nine agricultural products commonly marketed directly to consumers in Florida were identified and studied. Products included blueberries, citrus, grapes, snap beans, strawberries, tomatoes, watermelons, eggs, and honey. Direct marketing activities included pick-your-own outlets, farmers markets, and roadside stands.

Case studies of the predominant types of direct marketing were presented, stressing producers' and consumers' monetary benefits. For producers, an attempt was made to determine the net return per hour of family labor that was attributable to their direct marketing efforts. This "hourly wage" was found to be extremely variable from commodity to commodity, and also quite variable within commodities. In every case, we attempted to identify the reasons for producers' success or failure. Limited copies of these reports are still available from the Florida Agricultural Market Research Center.

Conclusion

In conclusion, the major point that I want to make is that you do not have to become your own self-sufficient marketing expert. There are many sources of valuable marketing information and expertise

available to you. Your County Extension Agent can help guide you to materials and manpower available from USDA, the Florida Department of Agriculture and Consumer Services, the Florida Crop and Livestock Reporting Service, and the universities represented here today. All are ready, willing, and able to help you with your marketing problems.