

Selling Farm Products at Farmers Markets

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Introduction

Farmers markets are used by Kentucky growers of all farm sizes and scales. “Market gardeners” often tend less than an acre of land for selling strictly at the local farmers market. On the other hand, some of Kentucky’s largest orchards use local farmers markets as a retail outlet during the fall to command a premium price for their crop.

The number of farmers markets in the United States increased from 1,755 to more than 3,700 (111% increase) from 1994 to 2004. Since 2004, the number of markets has more than doubled, to 8,144 in 2013.¹ The number of markets in Kentucky more than tripled between 1994 and 2004 (from 30 to more than 90 markets) as more producers and consumers became interested in locally grown food. The upwards trend in farmers markets has also continued in Kentucky, where there were more than 145 farmers markets registered with the Kentucky Department of Agriculture (KDA) in 2013, representing over 2,500 vendors.²

The rise in the number and popularity of farmers markets in Kentucky has resulted in considerable support from the KDA and other state agencies. Legislation, such as House Bill 391, has allowed the sale of some home processed value-added products at farmers markets and continued to be utilized by producers across the



state through 2014. The Kentucky Agricultural Development Board has also offered grants for capital improvements to local and regional farmers markets.

This publication is intended as an introductory marketing reference for producers considering new involvement in a local farmers market. The subject matter is divided below into the “Three P’s” of retail marketing: Product, Price, and Promotion. All producers



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considering involvement in a farmers market should contact their county's Cooperative Extension office for guidelines on how to enter their local market.

A fourth "P" of any retail marketing effort is the place, or location, of a market. This can significantly affect product, price and promotion efforts for farmers markets, as markets located in more urban settings can vary from those markets in more rural areas. A market's actual, physical location is also important for customer access. There is also evidence indicating markets can significantly benefit from permanent structures.

PRODUCT

The most common reason that customers give for shopping at community farmers markets is the quality of produce. Consumers are more frequently looking for tastes that can only be grown locally — produce that is picked at its peak and sold at its most desirable stage.



The potential farmers market vendor must carefully plan to offer a range of products. Growers should have a core product offering of reliable varieties that produce well in their area. These should include varieties with which local consumers are familiar and prefer. Suitable varieties can be determined by consulting with

local Extension agents, area growers, and potential customers.

Production concerns are critical to maintaining product quality. Soil fertility, pest management, and post-harvest handling all greatly affect a farmers market vendor's ability to sell their product. Production and marketing go hand in hand — good production requires good marketing to be successful, and good marketing skills require good production for success.

Most markets have rules guiding how they are operated. These rules may restrict the types of product offerings. Some farmers markets allow vendors to re-sell a certain amount of produce that they have not grown themselves, while other markets require the seller to grow all the produce they sell. Clearly understanding your market's rules will help you plan your product offerings. Knowing and abiding by these rules will help you plan and market your product successfully.

Finally, farmers markets are the market of choice for new and different produce items to be tested in the marketplace. Successful farmers market vendors are often experimenting with produce variety, packaging, and presentation.

Some noticeable trends in the diversity of plant product selections at Kentucky farmers markets include:

- Non-edibles, such as cut flowers and gourds
- Sheltered/greenhouse production, including flowers, bedding plants, vegetable plants, greenhouse vegetables, and early/late vegetables grown using season extension techniques
- Heirloom varieties
- Jams, jellies, sorghum syrups, baked goods, and other value-added items
- Ethnic vegetables, especially Asian and Latin American
- Dried herbs, nuts, fruits, and vegetables
- Organic products
- Forest products, for example, wood, greens, ornamentals, and mushrooms

- Lettuce mixes (as opposed to single lettuce varieties and single heads)

PRICE

One of the most common questions asked by farmers market vendors is, “How do I set prices for my products?” Generally, prices at farmers markets are set locally and are often higher than similar products available at local grocery stores. Farmers market advocates suggest this disparity is crucial to differentiate the farmers market product from wholesale produce.

The two most important factors in setting your prices are

- Knowing your cost of production
- Knowing what your product is selling for at other local retail outlets

Knowing Your Cost of Production

For smaller producers, knowing your cost of production may be as simple as this:

“Once a year, add up all your production and marketing expenses (don’t forget a decent wage for your labor) and divide them by your production area in some unit of measurement that makes sense to you (acres, beds, square feet). Divide that number by the pounds of marketable produce you harvest from each of your units, and you’ll have at least a crude version of your cost of production per pound.”³

Larger growers should be able to identify production costs for different crops and fields, and then divide those costs by the total marketable yield. Remember: the most common error in calculating production costs by both large and small growers is to discount the value of the time spent producing the crop. Always assume a reasonable wage and realistic time estimates for your labor.

Knowing the Price of Similar Products Elsewhere

Farmers market vendors should be sure to avoid undervaluing their produce. Knowing what your

product is selling for at other local retail outlets means that you have an idea of what your crops sell for in the local groceries. Producers located near produce auctions may find that auction prices can also affect market pricing.

Identifying the retail prices set at other Kentucky farmers markets can also help provide growers with pricing suggestions. One way to obtain this information is through the UK Center for Crop Diversification farmers market pricing reports. These reports are posted weekly throughout the growing season; past reports are also available on this site. Prices are gathered from selected markets scattered over the state; small county markets as well as larger urban ones are represented. The reports summarize the selling prices of a number of in-season products, which can include fresh fruits and vegetables, ornamentals, specialty crops, and value-added products.

Pricing Strategies

When you have a specific idea of the value of your products and at least a rough idea of how much your goods cost to produce, you are ready to refine your pricing strategy. There are three kinds of pricing approaches used by farmers market vendors: pricing for profit, pricing for value, and pricing against competition.



Pricing for Profit

Every retailer should be pricing for profit. As a farmers market vendor, your task in pricing for profit is a bit more complex than a grocer or restaurateur who is purchasing and reselling

their product. The challenge for farmers market sellers is to determine how much it costs to grow and deliver the product to market. *Once you know your cost of production and delivery to market, you can accurately determine the price you need to receive to cover your costs.*

There are numerous tools available to help you determine your cost of production. The University of Kentucky has developed a number of vegetable and fruit budgets that can serve as guides for developing your own estimates. In addition, production budgets developed by other universities can prove useful. Computer users familiar with spreadsheet software will find many spreadsheet budgets available online. There are links to budgets for most major produce crops on the Center for Crop Diversification website.

Knowing your entire cost of production — *including delivery costs and the value of your own labor used in growing and selling* — is the most important part of setting a price for your product in a farmers market or any other retail setting.

Pricing for Value

Pricing for value refers to a strategy used to sell more quantity by giving price breaks when more product is purchased. For example, pumpkins might be priced at “\$4 each or 3 for \$10.”

Pricing for value most often occurs in situations when the vendor wants to “move” more product by offering quantity discounts. However, sellers *must know their cost of production* to effectively price for value. If it costs \$3.50 to grow each pumpkin and you are offering “3 for \$10” to sell more, you are actually losing money on each of those pumpkins!

Value pricing is often used by farmers market

vendors who sell larger volumes to restaurants or other regular customers. Value pricing can also be used at the end of the market day if the vendor does not wish to return home with produce.

Pricing Against Competition

Many farmers markets discourage vendors from purposefully undercutting each other on prices. This is especially relevant to markets that allow reselling — a vendor might be able to buy bulk wholesale produce at a cost lower than what the produce can be grown locally. Differentiating your product from your competition can help address this problem. Furthermore, the reputation you develop for offering quality packaging, presentation, and high-quality products will allow you to maintain a higher price. The best strategy for pricing against your competition is to know *your* cost of production.

Loss Leaders

Products that are purposefully priced below their cost of production or purchase value are referred to as ‘loss leaders.’ You might choose to offer certain products as loss leaders when those products attract customers to your stand, especially if the customer is then led to also purchase other, higher profit items.

PROMOTION

Properly managed farmers markets are attractive destinations for customers wanting to purchase the finest local produce available. There are many ways to enhance customer traffic at the entire farmers market. Consult the KDA’s Kentucky Farmers Market Manual or your county’s Cooperative Extension office for guidelines and ideas for proper market management and promotion.



One of the best promotions for your product is an attractive, tidy, and well-managed market

stand. In addition, contrasting colors and product display heights help add depth to a farmers market display. A well-designed booth not only attracts customers to your display, but it also helps keep shoppers flowing through your stand. For example, placing bags or **signage** where your customers should start moving along your display will prevent a bottleneck around the cash register or cashbox.

Your product is your best promotion, and there are many ways to promote your produce at the market. Good signage will help your products stand out on a busy market day. Use signs to communicate information about your farm, prices, and interesting information about your products.

You may also be able to offer **samples** of new or unusual products and commodities. Kentucky certification guidelines for sampling are available from the KDA; a link to this information is listed at the end of this publication. The UK Best Practices for Sampling at Kentucky Farmers Markets publication is also a great resource (see link below). You might also ask a chef or local Extension employee to do a **cooking demonstration** using some of your crops. Customers who are able to taste or see your product used in food preparation are more likely to purchase it. Be sure to comply with all local health department requirements before cooking on-site.

“Point of purchase” materials are items that you provide customers at sale time to educate them about their purchase. Some materials are available through the “Plate it up!” initiative, a partnership between Kentucky Proud (www.kyproud.com) and UK Extension (<https://www.facebook.com/PlateItUpKentuckyProud>). **Recipes** are some of the best promotional materials around. Some farms choose to provide **newsletters** or other information detailing how their produce was grown. Regardless of how you choose to promote your product, it is doubtful that you can offer your customers too much information. Many farmers

market customers are not only interested in the product itself, but also the product story — where it came from, who grew it, how it was grown. The more information you provide customers wanting to connect with where their food comes from, the more likely they are to return for more purchases.

SELECTED RESOURCES

- Best Practices for Sampling at Farmers Markets (University of Kentucky) 3.7 MB file <http://www.ca.uky.edu/cmsspubsclass/files/extensionpubs/2012-19.pdf>
- Crop Budgets (University of Kentucky Center for Crop Diversification) <http://www.uky.edu/ccd/tools/budgets>
- Kentucky Farmers’ Market Manual (Kentucky Department of Agriculture, 2014-2015) 96 pp. http://www.kyagr.com/marketing/documents/FM_20142015FarmersMarketManual.pdf
- Kentucky Farmers Market Program (Kentucky Department of Agriculture) <http://www.kyagr.com/marketing/farmmarket/index.htm>
- Kentucky Farmers Market Report (University of Kentucky Center for Crop Diversification) <http://www.uky.edu/ccd/pricereports/KYFM>
- Product Sampling at Farmers Markets (Kentucky Department of Agriculture) http://www.kyagr.com/marketing/documents/FM_FoodSamplingProcedures.pdf
- Direct Marketing (ATTRA, 1999) <https://attra.ncat.org/attra-pub/summaries/summary.php?pub=263>
- Direct Marketing Guide for Producers of Fruits, Vegetables, and Other Specialty Products (University of Tennessee, 2002) <http://www.utextension.utk.edu/publications/pbfiles/PB1711.pdf>
- Farmers Market Manager Training Manual (Farmers Market Federation of New York, 2009) http://www.nyfarmersmarket.com/NYFM_Training_Manual.pdf
- Farmers Markets and Local Food Marketing (USDA Agricultural Marketing Service) <http://www.ams.usda.gov/farmersmarkets/>
- Farmers’ Markets: Marketing and Business

Guide (ATTRA, 2014) <http://www.attra.org/attra-pub/summaries/farmmarket.html>

- Farmers Market Coalition
<http://farmersmarketcoalition.org/>
- Farmers' Markets: Rules, Regulations and Opportunities (National Center for Agricultural Law Research, University of Arkansas, 2002)

http://nationalaglawcenter.org/wp-content/uploads/assets/articles/hamilton_farmersmarkets.pdf

- New Farmer's Guide: Cultivating Success at Farmers Markets (University of California, 2012)

<http://www.davisfarmersmarket.org/new-farmers-guide>

- Understanding Farmers' Market Rules (Farmers Legal Action Group, 2006)
<http://www.flaginc.org/publication/understanding-farmers-market-rules/>
- Selling at Farmers Markets — Ideas and

Information to Make Your Venture a Success (Growing for Market, 2009)

<http://www.growingformarket.com/categories/SellingAtFarmersMarkets>

- Tips for Selling at Farmers Markets (ATTRA, 2012) <https://attra.ncat.org/attra-pub/summaries/summary.php?pub=390>

¹USDA-AMS. Farmers Market Facts and Statistics/ Farmers Market Growth: 1994-2009.
<http://www.ams.usda.gov/farmersmarkets/>

²Kentucky Department of Agriculture Office of Agriculture Marketing and Product Promotion. 2014-2015 Kentucky Farmers Market Manual. p. 3.
http://www.kyagr.com/marketing/documents/FM_20142015FarmersMarketManual.pdf

³Byczynski, Lynn. "Setting Prices: A Balancing Act," Selling at Farmers Markets-Ideas and Information to Make Your Venture a Success (Growing for Market, 2009) p. 11.
<http://www.growingformarket.com/categories/20071227>

Commercial websites listed in the resources are provided for information purposes only and their inclusion does not represent an endorsement of the company or its products by the University of Kentucky

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