



## Viability of Farmers Markets for Direct Marketing Farmers

Farmers all across the country find that farmers markets are a profitable outlet for their farm products. Markets provide farmers retail level pricing which adds significantly to their bottom line, as compared with other venues. But farmers who are not involved in farmers markets often dismiss them as a cost effective strategy for their farm. In this document we will show that farmers markets are indeed a profitable and worthy venue for many types of farm businesses across New York State.

### Income Potential of Farmers Markets

A recent survey of NYS farmers participating in farmers markets showed the average daily income for sales at farmers markets, by product line. This is a cross-cut of the state. Regional differences in average daily income would reflect the number of markets in the region, along with the customer demographics and urban vs rural vs suburban nature of the region.

**Average Daily Sales by Product Line**

Product	\$
Fresh cut and dried flowers	225
Meat, poultry	308
Meat, exotics	350
Honey products	350
Wine/beer	425
Meat, beef & pork	438
Meat, lamb & goat	490
Eggs	510
Maple products	550
Dairy products	805
Bedding plants	831
Vegetables	905
Fruit	1113
Baked goods	1467

In the survey, farmers reported attending, on average across the state, 2.5 markets per week. This further increases the amount of product farmers are selling at farmers markets, the number of customers they are reaching and the profits they are adding to their farms.

Increasing consumer reach gives farmers the opportunity to increase their sales, not only by the numbers alone, but by building relationships with their customers to increase their loyalty. We determined the average sale per consumer transaction based on information reported by NYS farmers in

our recent survey. But as we know, the size of an average sale will increase when coming from a consumer that has developed an affinity for the farmer, feels a “part of” the farm, and prefers shopping with their favorite farm. So the more farmers can increase their consumer loyalty, the greater the level of each transaction, and ultimately, the greater the average daily sales.

**Average Sale per Transaction by Product Line**

<b>Product</b>	<b>Average sale per transaction \$</b>
Vegetables	11
Fruit	11
Maple products	11
Honey products	16
Bedding plants	9
Fresh cut and dried flowers	20
Dairy	12
Meat: beef, pork	12
Meat: poultry	9.5
Meat: lamb, goat	7
Meat: exotics	15.50
Eggs	8
Baked goods	13

### **Costs of farmers market participation**

Let’s look at the costs of farmers markets. Marketing is critical in reaching consumers and driving traffic to buy from participating farms at the market. The fees that farmers pay to participate in markets are used by the market management to cover the cost of advertising and promotion. In this way, marketing costs are shared among the members of the market and are not borne by each individual as they would be with other forms of direct marketing.

While most farmers will and should self-promote their farm and their participation in the market, it is often done with no or low cost methods. Social media is a means of choice to reach consumers, tell the farm’s story and build a strong, loyal customer base. Other methods of self-promotion include posting pictures of the farm at the market booth, using signage with the farm name and location, and putting farm brochures and business cards on the table for customers to pick up.

Other market costs include liability insurance for market participation. The coverage includes slip and fall coverage, as well as product liability. Most markets will require the coverage to be \$1 million per occurrence. Typically farmers use a rider from their farm policy to cover them at farmers markets. The riders can be very affordable – some policies offer the riders at no cost, others can be as low as \$35 per rider. In a survey of direct marketing farmers, the average cost of insurance for farmers markets is \$149, encompassing riders, as well as full policies covering farmers market participation.

Vendor fees are another seasonal expense paid to markets paid by farmers. Fees for space vary by market based on the size of the market, the average income farmers will make at the market, the length of the market season and the various expenses incurred by the market management. Vendor fees in New York State are typically very affordable when compared to many other states. In NY markets

typically charge farmers a flat fee, while many other states charge a percentage of sales. Typically the percentage is between 6 – 8%. In a survey of NYS farmers market vendors, we found that the average fee in NY is only 2.3% of the farmers' daily sales. Comparing this to the average daily income for produce farmers we find that vendor fees average \$23.20 per market day, based on a 26 week season. This fee covers a multitude of expenses in running the market, including marketing, market insurance, vending and street permits, DPW assistance with street closures, benches, garbage, and manager salaries. These expenses are shared among the participating farmers in paying vendor fees.

Labor is another cost of farmers market participation: help with setup, tear down, and customer sales. Farmers should look at the level of sales to help them determine the correct number of employees to bring to market. With produce farmers, the average level of sales per employee is \$370. So a farmer earning sales of \$1200 should bring no more than 3 people to the market. One salesperson should be the farmer, themselves, as statistics show a higher earning when the farmer is on hand. Customers appreciate the opportunity to build a relationship with the farmer and employees are much more attentive to business when supervised. Further study shows that the rate of return on employees involved in market sales is \$127 earned for every dollar spent on the employees.

The materials a farmer must bring to market are an additional cost. Tables and tents are required to keep product off the ground and protected from the elements. These are typically one-time costs and are reused year after year. Other costs are seasonal, such as bags, signage, display materials, etc. In a survey of participating farmers, the average seasonal expense is \$138.

One expense that would be unique to farmers markets is the time that farmers spend away from the farm. This isn't necessarily a monetary expense, but is a serious consideration. Most markets average a 3 – 4 hour market day. Assuming an hour for set up and another hour for tear down, that is about 6 hours per market day away from the farm. Farmers are travelling on average of 17 miles to market, so that adds another hour away from the farm. In addition, farmers attend, on average, 2.5 markets per week. That means farmers are away from the farm for an average of 17 – 18 hours a week. This is time where farm work either stands still, or the farmer must have trustworthy employees that carry on in their absence.

### Costs of Farmers Market Participation vs Farm Stand

Expense	Farmers Market	Cost Comparison	Farm Stand
Participation fees	Average of 2.3% of daily sales	<	Rent, property taxes, building maintenance, utilities
Marketing	Shared among participating farmers	<	Pay full expense of all advertising and promotions
Insurance	Average \$149 per year; coverage of \$1 million per occurrence	<	Full policy can be many thousands, greater if agritourism is included; coverage usually includes an umbrella policy to increase coverage beyond the basic \$1M
Staffing	Return of \$127 for every dollar spent on staff	<	No data, but typically requires a larger number of employees
Seasonal expenses; ie bags, signage, display materials	\$138	=	Comparable
Travel, average of 17 miles	\$18.70 at 55 cents per mile; plus any tolls	>	No travel expenses

### Sample Income at Farmers Markets

Looking at the average costs and income as reported by farmers market farmers selling produce in a recent survey, we come up with the following:

#### Income:

Per market day	\$1,009
Per week	\$2,522.50
Per season	\$65,585.00

#### Expenses:

Labor per week	\$310
Labor per season	\$8,060
Insurance	\$149
Seasonal expenses	\$138
Travel	\$2,210
Vendor fees	\$1,508
Total expenses	\$12,375

**Net Income**                      **\$53,210 or 81% of gross income**

As our sample shows the rate of return on investment for participating in a farmers market is significant, 81% in this case.

## **Non-Monetary Benefits of Farmers Markets**

There are many benefits to farmers markets beyond the income potential. Farmers were asked what types of benefits they reaped with their farmers market participation. The list was extensive.

Approximately half of the farmers surveyed responded that they use the farmers market to test new products. These could be new vegetable varieties or value-added foods made with their farm ingredients; such as salsa made with the farm's own tomatoes and jalapeno peppers. By testing consumer reaction to new products, farmers can get instant feedback from consumers. This is a cost effective means of product testing, allowing the farmer to trial small batches rather than incurring the full costs of production on a product that may ultimately not meet customer needs.

Learning about customer needs, wants and expectations was a strong motivation for farmer participation in farmers markets. Three quarters of the farmers participating in the survey indicated that this was a benefit of participating in farmers markets that was very important to them. Even when also participating in other marketing channels, including wholesale, the direct connection with customers benefitted their farm plan as a whole. They were able to discern food trends, learn more about ethnic food needs, and respond accordingly, both at the farmers market and in their other marketing efforts. This helped them to be more sought after by buyers, as well as the consumers in their markets and helps add to their farm profitability.

60% of the farmers surveyed indicated that they find farmers markets to be ideal places to promote their other farm enterprises. At the market they have a captive audience of people who value local food, appreciate local agriculture and would be a strong customer base for other farm enterprises, such as farm events, PYO operations, agritourism, etc. Promotions can be as simple as signage or brochures on the market table and direct conversations between farmer and consumer.

Approximately half of the farmers surveyed felt that participating in farmers markets helped them become better marketers and producers. There is a camaraderie among farmers participating in farmers markets resulting in a lot of networking and sharing. Inexperienced farmers benefit from the networking by getting much needed advice on production issues, such as soil health, disease and pest management, and many other issues. Ultimately the inexperienced farmers find their skills improving, their harvest expanding and their profits increasing.

The same is true for marketing skills. Whether by asking questions or observing others in the market, farmers learn much-needed marketing skills; from display techniques to customer service skills. The result is a more successful marketer and a growing, loyal customer base that adds sales and profits to the farm.

Many farmers choose to participate in farmers markets because they need a larger share of the consumer dollar to support their farm and family. Two-thirds of the farmers surveyed indicated this was one of the benefits of farmers markets that is important to them. Many smaller farmers find that selling direct to consumers is the only way they can reap a large enough profit to support their farm. They have neither the land nor the labor to produce large enough quantities to support other marketing channels, such as wholesale to stores, restaurants or shipping through brokers. The profit level is not enough on small quantities to sustain the farm and family. The low cost of participating in farmers markets vs other direct marketing venues is very attractive to small-scale growers.

Many farmers felt that farmers markets are the “face of agriculture.” In many cases, a farmers market is the customer’s only direct access to agriculture. They are able to meet farmers, face-to-face at farmers markets and learn more about agriculture and local food. They hear the individual stories of the farmers, they learn more about the value of agriculture, and more importantly, the value of supporting local agriculture. Over 2/3 of the farmers surveyed felt that this was a major benefit of farmers markets and one they felt was important for them in taking an active role in the education of consumers.

Other reasons for participating in farmers markets given by farmers in the survey:

- Farmers markets represent a low risk form of marketing for me. If one crop fails, I have plenty of others to sell at the market and do not feel the loss of the crop as much as I would if I were selling through other channels.
- We use the farmers markets as part of our overall marketing strategy. We sell through wholesale markets and excess product goes to the farmers markets. So we are able to sell an entire crop and make money on many levels.

Finally, we see that farmers markets are an excellent opportunity for new, start-up farmers. They are able to access an established customer base at the market, learn from other producers in the market, and feel their way to their own farm niche by their interactions with customers and the other farmers in the market. In addition, farmers markets are low cost entry. As we saw in the sample earlier, the costs of getting into a market, including vendor fees, insurance and equipment are much lower compared to direct marketing through on-farm means. Markets also do not require large amounts of acreage, nor large-scale equipment. There are many farmers being very successful at farmers markets and operating on 5 or less acres. But the profits they earn through direct marketing at farmers markets allows them the opportunity to expand – land, labor, and income.

Looking at the experience levels of farmers participating in farmers markets, as reported on the farmer survey, we can assume that farmers support the opportunity to direct market to consumers through farmers markets. New and inexperienced farmers using farmers markets are staying on. The benefits they get, the income they earn and the direct interaction with their customers fits their farm goals as well as their personal goals.

<b>Level of Experience: years participating in markets</b>	<b>Percent of reporting farmers</b>
New this year	7%
1 – 5 years	32%
6 – 15 years	32%
16 – 25 years	12%
26 – 50 years	15%
51+ years	1%

