

# Wholesale and Direct Marketing of Specialty Forest Products<sup>1</sup>

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**ABSTRACT:** This workshop presents an introduction to the Wholesale and Alternative Markets Program (W&AM) at USDA, provides an overview of W&AM projects and resources and discusses trends in wholesale and direct marketing based on recent research. W&AM is implementing a new farmer direct marketing initiative which will expand the program's current area of interest beyond public, wholesale and farmers markets to greater involvement in "alternative" markets and use of the Internet as a source of information dissemination. The workshop will also facilitate a discussion among participants regarding critical factors of success for various direct marketing outlets based on their personal experiences.

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## Introduction

Good Morning! My name is Claire Klotz, I work as an Economist in the Wholesale and Alternative Markets (WAM) Program at USDA. I realize that many of you may not be familiar with W&AM projects and resources and so I would like begin with a brief introduction about our objectives and activities. I would also like to discuss W&AM's implementation of a new farmer direct marketing initiative which will expand the program's current area of interest beyond public, wholesale and farmers markets to greater involvement in "alternative" markets and use of the Internet as a source of information dissemination. This should give you a slice of what USDA is doing in regards to direct marketing and how you can benefit from W&AM. Following, I would like to facilitate a discussion among you, the participants, regarding trends in wholesale and direct marketing based on recent research and critical factors of success for various direct marketing outlets based on your personal experiences. I think that the most that we can learn from this session is from each other. I include myself as it is always of benefit to us at USDA to know what is going on in the field. One of the greatest challenges in direct marketing is the availability of information and ideas based on practical experience.

## The Wholesale and Alternative Markets Program - Current Projects

### *Goals and Program Activities of the Wholesale and Alternative Markets Program*

The goal of the Wholesale and Alternative Markets Program is to promote regional economic development and improve market access for the small-to-medium sized farmer, thus enhancing the overall

effectiveness of the food marketing system and providing better quality products to the consumer at reasonable cost. The program focuses on wholesale, farmers, assembly, and public markets. W&AM plans and designs facilities, processes, and methods in cooperation with State and local governments, universities, farmer groups, and other segments of the U.S. food industry.

Program activities include:

1. Identifying and defining projects related to market development. Activity includes conducting research and analysis related to project feasibility studies.
2. Identifying design alternatives for market construction or renovation.
3. Evaluating specialized markets and facilities for specific crops and product volumes. This effort focuses on marketing strategies to open larger markets to farmers with small- to medium sized operations.
4. Preparing and providing customers with resource materials related to developing markets or gaining access to them.
5. Exchanging information and making public presentations to cooperators (State, municipal, and private) and professional/industry organizations to convey study findings.

### *The Wholesale and Alternative Markets Program - What Have We Done Lately?*

To give you some idea of what types of projects we are involved in, let me present some details regarding several of our activities and projects.

You may have heard of W&AM as we are responsible for compiling the National Farmers Market Directory.

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Published every two years, the 1998 Directory should be available shortly. We also coordinate the planning and operation of seasonal farmers markets at USDA headquarters in Washington, D.C., in conjunction with similar markets at the U.S. Departments of Energy, Transportation, State, Labor, and Capitol Hill.

One of our projects with a cooperator was recently completed in Boston, MA: "Boston Public Market: Facility and Business Development Plan". In this case, Boston had a long tradition of public market halls, including Faneuil Hall and Quincy Market which were converted in the 1970s to festival markets. In Massachusetts over the past decade, there has been a great increase in both the number and quality of Massachusetts food producers, as well as in the number of farmers markets. In the greater Boston area alone, there are 28 outdoor farmers markets, which, although small in scale, demonstrate increasing customer interest in purchasing fresh food products directly from producers. With this increasing consumer demand for fresh products and the increasing number of producers has come increasing interest in re-establishing a public market in the city of Boston. Greater Boston has a population of roughly 2 million persons, making central Boston ideally suited for a major new indoor, fresh-food public market. From the city's perspective, the public market offers considerable economic development potential, while meeting state goals to create opportunity for agricultural and food producers.

The Boston Public Market study details economic feasibility analysis (customer base), site feasibility, vendor capacity and interest and a business plan. The results of the research showed that a 40,000 square feet public market in the South Boston Waterfront area has the potential to achieve market shares significant to support enough vendors in the critical categories of meat, fish, bakery and produce.

Certainly with a estimated development budget of \$6.2 to \$6.5 dollars, no one is going to jump immediately into the project without testing the waters. This is where this type of research becomes of interest to other people looking to develop similar facilities. What are the first steps that Boston has to consider during project development that might be true of other sites? One of the reports recommendations were to hold a series of public market festivals featuring local agricultural producers during the summer to gauge consumer interest. In the case of Boston, a series of three public market festivals were planned.

Another of our projects was orientated towards wholesale. The "Southwest Virginia Shipping point Market Project Cooperative Development and Facility

Design" was to identify specific issues related to planning, organizing, and managing a horticultural cooperative in Southwest Virginia. This project involved more technical work - for example a section on equipment and facilities that provides information relevant to building and equipping a cooperative warehouse.

### *The Wholesale and Alternative Markets Program - Future Projects*

I hope that from these examples, you can see that W&AM is involved in a range of projects from farmers markets and public markets to wholesale facilities; from technical support such as building design and equipment analysis to marketing analysis such as customer demographics to producer cooperative development. On staff we have marketing specialists, economists and engineers so what we meet the range of needs of our clients.

But we have been very much involved in farmers, public and wholesale markets. However, it could be argued that a great proportion of "direct market" sales do not happen through these outlets. What about roadside stands? CSAs? Internet marketing? Catalogue sales? What is W&AM doing in these areas? Many of you sitting here today, as small and medium sized producers or extension educators assisting these types of producers are more interested in these truly "alternative" types of outlets.

W&AM is very much aware of the growing interest in direct marketing. For example, USDA's 1996 National Farmers Market Directory lists 2,411 farmers markets, 656 more than in 1994. This upward trend is continuing, based on information collected for the upcoming 1998 directory, which indicates a 10 percent increase in the number of farmers markets since 1996. Farmers markets are definitely meeting the needs of a growing number of farmers with small- to medium-sized operations. And certainly farmers markets are not the only outlet available to producers. We continue to read and hear about the grow in CSAs (Community Supported Agriculture), catalogue sales, Internet marketing, restaurant sales and other direct marketing outlets.

Due to this interest and market potential, the Agricultural Marketing Service (AMS) is implementing a "Farmer Direct Marketing Action Plan" which W&AM will play a key role in implementing. It is the intent of AMS to ensure and enhance cooperation and collaboration with and among agencies and organizations which promote and support small farmers in order to maximize the opportunity for small farmers to realize the benefits of

the growing consumer interest in direct marketing. To kick-off the project and receive feedback, the Administrator of AMS held a forum with managers of farmers markets and others in July to identify opportunities for small farmers to maximize their access to direct markets.

How can this initiative help you? There are parts of the initiative that will assist producers and other participants in direct marketing activities such as extension educators and market managers.

One of the greatest constraints facing the direct marketing community is not a lack of information, rather a lack of access to information. Much research and many publications are “grey” and not readily available to those who would be interested. There is effectively no “clearinghouse” for information.

In order to help meet this gap, I have compiled a bibliography, fifty-plus pages, of direct marketing publications. The bibliography covers publications concerning producer surveys, consumer surveys, direct marketing “hints”, production issues, small business planning, quality and food safety and several other topics. The 24 categories cover a range of issues of interest to producers, consumers, extension educators and government employees. The bibliography will be maintained off a USDA web site. Maintenance will primarily depend on authors sending in their citations. An updated print version will be reissued as necessary. The bibliography is currently approved for printing and should be available in the next few weeks.

You notice that I mentioned a web site. At USDA we realize that many producers are not yet on-line. But a growing number are. And certainly all extension educators are already in touch with the resources available on the Internet. The USDA is preparing to launch a “Farmer Direct Marketing Web Site” this fall. This will provide a host of information of interest to all direct marketing participants - including consumers! It will be a place where one can read about new publications from USDA and other institutions, find resources available in a particular state, link to articles available on line, locate recipes to give to your customers, find out about associations you might be interested in joining, catch up on the latest conferences and much more. USDA is working to be a source of information for individual producers, not just municipal and state governments seeking assistance with feasibility studies. We are casting the net wider to incorporate a wider range of participants.

And I add here that we need your input! We are holding focus groups this fall and winter to find out what the direct marketing community wants W&AM

to become more involved in. What are your needs and concerns? To this end, I realize that you may be saying to yourself, “Where does agro-forestry fit into the farmer direct marketing initiative?” It fits in well! Let us know about your organization and your publications! E-mail me your organizations’ URL and let’s put in a link! Sign up for the Farmer Direct Marketing Web site announcement so that when it goes live you can E-mail me with your suggestions - What do you want to see made available and accessible on line? Also, I have made information available here today on the procedures for proposing facilities projects to W&AM.

### *Where Can I Get All This Information?*

As you can see, I have made samples of publications available to you here today. There is also a flyer you can fill out which you can fill out to receive current and upcoming publications as well as a notice regarding the new farmer direct marketing web site when it goes “live.”

### **Discussion Session**

#### *Introductions - Who Are We?*

(Length depends on size of group):

Name, City/State, Occupation/Specialty

If a direct marketer - What outlets (Do a tally on board)

farmers markets  
public markets  
cooperative  
wholesale  
other retail/direct to retail outlets  
restaurant/food service/institution  
catalogue  
Internet  
CSA  
other  
none

#### *Possible Questions to Springboard Discussion:*

1. Recent studies concerning farmers markets indicate that the “average” farmers market consumer is usually a Caucasian woman around 50 years old with above average education. Have you found this to be true if you sell in a farmers market? Has anyone done surveying of their customers? Do you have a particular “niche” in terms of customer base? How might you survey your customers?

2. As a follow up, has anyone had any success targeting a particular ethnic market? How were you able to target the market? How did you get the information regarding the possibility of a niche? What were/are the barriers to entry?
3. Of those selling via the Internet, has the investment been profitable? What were the most challenging barriers to entry?
4. How many people understand the concept of a CSA? Has anyone considered participating in a CSA as a producer? Approached a CSA to offer a specific product such as honey, maple syrup, flowers or trees as an “add-on”?
5. Insurance issues?
6. How do you think that various direct marketing outlets can interact with each other? Is your roadside stand business dependent on selling in a farmers market?
7. Experiences with restaurant sales? This seems to be a current “hot” topic. What are the constraints to restaurant sales - packaging, seasons, other?
8. In what ways have your extension educators been particularly helpful? What programs or publications have extension educators found helpful?
9. What has been the most constraining factor in direct marketing? Capital? Marketing/technical assistance? Regulations? Location? Information?
10. What have you found to be the best sources of information? What are the areas where there is the least amount of information available?
11. Associations and producer/grower groups? Join them? Benefits of joining and being active? Has anyone started their own group?
12. Any experience applying for grants (alone or with others such as an association)? Constraints? Results?
13. How do you decide to move into a new direct marketing outlet? To expand product range?

### *Exercise*

(If time permits)

Put answers to questions (below) on board.

Pass out copies of worksheets from “Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises?” (NRAES)

1. If you were to start a new direct marketing enterprise/effort, what are the resource considerations?
2. What/who are the best sources of production information?
3. What/who are the best sources of marketing information?
4. Who do you consult concerning your plans, if anyone?