

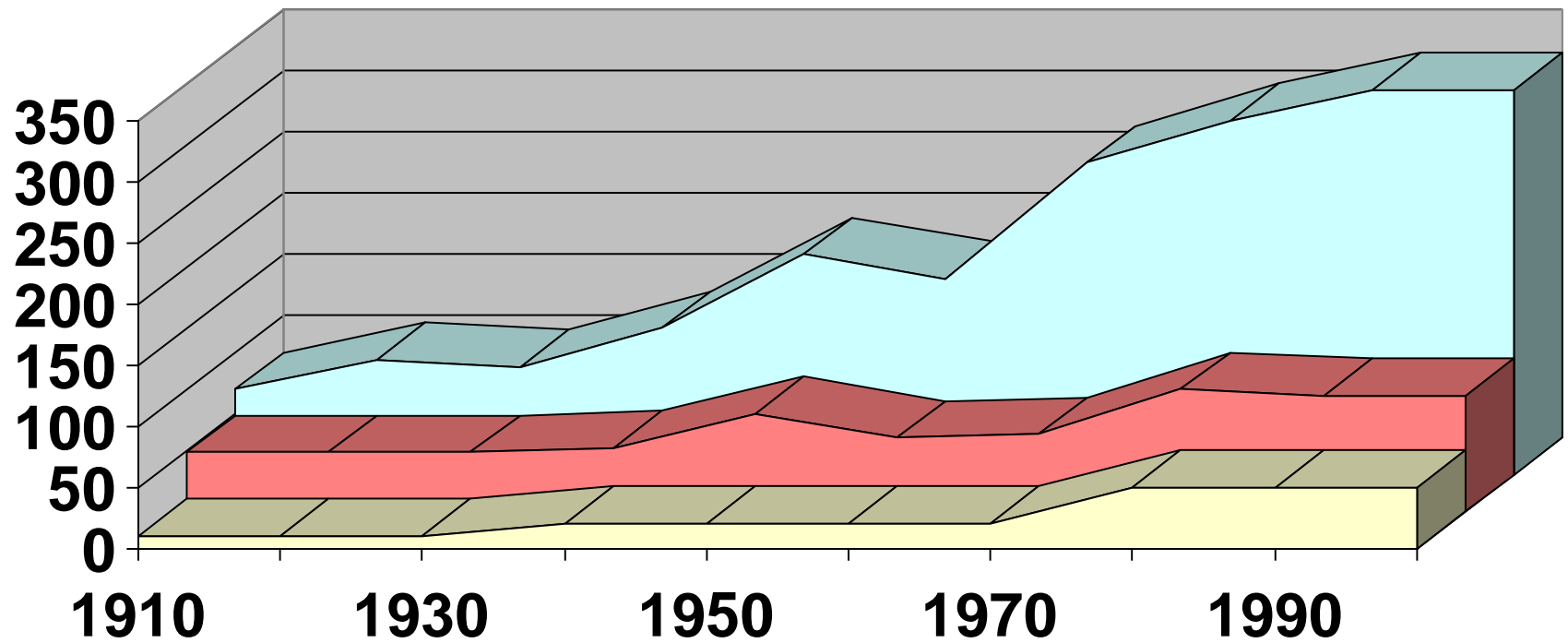
Finding the Right Balance:

Planning and Producing for Wholesale
and Direct-To-Consumer Markets

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AMERICAN AGRICULTURE DIVIDED INTO MARKETING, FARMING AND INPUT SECTORS



Input Farming Marketing

Tough Choices for Famers

- Farmers markets and CSAs are great, but they tend to provide small volume sales.
- Traditional wholesale offers big volume opportunities, but very low prices.
- *Is this our choice: Sell a little at a good price, or sell a lot at a low price?*

Can/Should We do Both?



Improving farm profitability: Five Principles

1. Know what you want to do, your strengths and limits
2. Find - or create – the right market mix
**Learn where you make money
3. Match your supply to those markets
4. Plan accordingly, in detail
5. Increase your productivity, every year

1. Know what you want to do

- Do you want to deal with the public?
- Are you a “risk taker” or tinkerer?
- How big do you want to get?
- Do you have a day job?
- Is your spouse, family on board?

ABINGDON ORGANICS
Anthony & Laurel
Flaccavento
Member of
Appalachian Harvest
Network







Growing a few things in larger quantities



2. Find – or create – the right Market mix

- What are the current opportunities at your farmers market? What's the potential for growth, in customers, sales, pricing?
- Would a CSA work for you, and your community
- Where are you on the “volume-price-diversity” spectrum?



ABINGDON
VIRGINIA
GROWN
COMMUNITY
FARMERS
MARKET
April thru November

TUESDAY 3 - 6
SATURDAY 7 - NOON

Is Your Market Saturated? Can you build more demand and a broader customer base?



**Abingdon, VA: 8000 pop; 2000+
customers, 50 vendors**



Creating a “Food Culture”



At the same time, examine your market





Building your “product diversity”

- How can you introduce new items without too much risk (of loss)?
- Consider “variations on a theme”





Pros and Cons of Diversifying your products

Pros:

- * Appeal to wider customer base
- * You become a 'one stop shop'
- * Enables crop rotation, use of animals and plants symbiotically
- * Reduces vulnerability
- * For some growers, it's more interesting!

Pros and Cons of Diversifying your products

Cons:

- * Management is more complex
- * Harder to achieve efficiencies (labor and equipment)
- * Might require additional equipment or facilities (washing, cooling, packing)
- * Bulk pricing less available

Broadening your market base

- Direct sales – farmers market, CSA, on-farm, on-line
- “Food hub” sales – If available, food hubs usually offer better prices than conventional wholesale
- Selling both direct and through a food hub requires more planning, but creates opportunities



**A network of certified organic family farmers
who provide locally grown organic produce
to regional food markets**

3. Matching Your Supply to Specific Markets

- What crops can you grow for both food hub and DTC markets?
- What are the differences in the demand details – grades, seasonality, pack?
- Can you take advantage of those differences?





Best scenario: Good price,
easy to grow!



Livestock Producers

- Larger Food hub accounts can enable scaling up – more head – by taking larger quantities of lower grades IF you can secure an adequate price!

I'm selling...

But am I making any
money?

Key Production Scale Questions:

1. What can you produce well at a larger scale?
2. What are the post harvest, prep, packing and grading requirements?
3. Are there novel items that will sell in both markets?

Production Efficiencies from scaling up



Production Efficiencies from larger scale

- Bulk seeds/plants reduce costs 50% +
- Planting 5000 plants does not take 100 times longer than 50 plants
- Weed, pest, disease management streamlined
- Biggest advantage: Harvesting, prep and packing
 - *** Time these tasks to know your costs!

Crop selection that complements your infrastructure



Scaling Up

Low cost Equipment
upgrades
that will save time
and money





Pros and Cons of Specialized Production

Pros:

- * Production efficiencies reduce unit costs of production considerably
- * Access to larger markets
- * Less time (per unit) marketing
- * Means to bring more land into production

Pros and Cons of Specialized Production

Cons:

- * Lower – possibly much lower – prices
- * Higher start up costs/debt
- * Increased vulnerability
- * Possibly greater difficulty with crop rotation
- * Less control – markets, prices, quality

4. Planning: for Markets and for farm health

- Setting sales and profit goals
- Are you a “four season” grower, or primarily a main season producer?
- Crop rotation, soil building, disease and pest control

Producing for DTC and Food Hub Markets

1. Identify crops/products to grow at scale
 - Is additional equipment needed?
 - Increased costs of operational inputs (seeds, plants, mulch, posts) and opportunity for bulk
 - Do you produce this well?
 - **Prices** from wholesale/food hub markets
 - Is the market solid?
 - Can you “ease into” the production?

Producing for DTC and Food Hub Markets

2. Labor and management requirements

- * Can you manage both?
- * What are the “complementarities” of the markets?
- * What DTC markets/crops are expendable?

Fall Preparation

- Make raised beds – for hoop houses and in field – to get early start on the season
- Select cover crops that work for early production
 - Winter-kill crops: tillage radish, spring oats

Preparations begin in the fall















5. There's always room to be more productive!

- Modest increases in productivity = significant increases in revenues
 - * Bumble bee hive in an early cucurbit tunnel can increase squash, cuc or melon yield by 20% or more
 - * @\$150 per hive, is it worth it?
 - 20% more cucs on two rows = 200 lbs cucs
@\$2/lb = \$400

High tunnels, low tunnels, hoop houses





Double cropping

- Options include:
 - Spring crop --- long summer crop
 - Spring crop --- short summer crop ---
fall/winter greens
 - Early summer crop --- late summer crop ---
fall/winter greens





Fall pole beans, following spring cucumbers



Few things go as planned, but...

- It still pays to plan!
 - * gives you “targets” for greenhouse, field planting and harvest projections
 - Increases likelihood that you’ll have crops for a more extended period
 - Having quality produce for a long period is best way to build a customer base!

- Converting DEMAND (what buyers want) to PRODUCTION Plans: A sampling of crops
- Anthony Flaccavento, March 2012
-
- Depending upon the business, buyers may request things by “pounds”, by “count” or by case volumes. Case sizes vary, but I have included what is typical for different types of produce.
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| <u>Crop/cs size</u> | <u>Plants/100'</u> | <u>Production/100'/wk</u> | <u># of weeks/planting</u> | <u>total yield/100'</u> |
|---------------------|--------------------|---------------------------|----------------------------|-------------------------|
| • Slicer toms/20lb | 60 | 60 – 100 lbs | 6 – 8 | 350 – 600 lbs |
| • Heirlooms/10lb | 60 | 50 – 100 | 8 – 10 | 300 – 600 lbs |
| • Cherry toms/12pt | 65 | 70 – 125 pts | 8 – 10 | 400 – 700 pts |
| • Green bell/24lb | 125 | 35 – 40lbs | 5 – 8 | 250 – 400 lbs |
| • Red bells/12lb | 125 | 20 – 35 lbs | 4 – 6 | 150 – 350 lbs |
| • Cucs/20lb | 75 – 100 | 60 – 100 lbs | 3 – 4 | 200 – 350 lbs |
| • Zucchini/20lb | 100 plants | 75 – 125 lbs | 4 – 6 | 400 – 500 lbs |
| • Potatoes/50lb | 125 | one time harvest | | 200 – 250 lbs |
| • Sweet pots/50lb | 75 – 90 | one time harvest | | 150 – 350 lbs |
| • Watermelons | 40 – 50 | 35 – 50 ct | 2 | 75 – 100 ct |
| • Cantaloupes | 50 – 60 | 50 – 80 ct | 2 | 100 – 175 ct |
| • Eggplant/25lb | 50 | 50 – 100 lbs | 6 – 8 | 300 – 500 lbs |
| • Onion/50lb | 400 – 600 | one time harvest | | 150 – 300 lbs |
| • Lettuce/24ct | 200 – 225 | 75 -125 | 2 | 180 – 200 ct |

SCALE, Inc: Demand to Production Conversion Tool

| <i>input</i> | <i>calc</i> | <i>input</i> | <i>calc</i> | <i>input</i> | <i>calc</i> | <i>input</i> | <i>calc</i> | | | | | |
|--------------|-------------|--------------|-------------|--------------|--------------|--------------|-------------|-------------|-------------|--|--|--------------|
| | | | yield | Yield | total lbs. | Avg Weekly | Row feet | # Plantings | Total Row | | | |
| Crop | Sold as | # Cases | per week | adjustment | yield needed | yield/100' | needed | Season | Feet Needed | | | ljk |
| Red slicers | 20 lb/cs | 50 | 1000 | 1.4 | 1400 | 80 | 1750 | 2 | 3500 | | | |
| Heirlooms | 10 lb/cs | 20 | 200 | 1.65 | 330 | 75 | 440 | 2 | 880 | | | |
| Green bells | 25 lb/cs | 20 | 500 | 1.2 | 600 | 50 | 1200 | 2 | 2400 | | | |
| R/Y bells | 10 lb/cs | 20 | 200 | 1.8 | 360 | 60 | 600 | 2 | 1200 | | | |
| cherry toms | 12 pt/flat | 20 | 240 | 1.1 | 264 | 100 | 264 | 2 | 528 | | | same for gi |
| zucchini | 20 lb/cs | 20 | 400 | 1.2 | 480 | 75 | 640 | 4 | 2560 | | | same for si |
| cucumbers | 20 lb/cs | 20 | 400 | 1.3 | 520 | 80 | 650 | 4 | 2600 | | | |
| watermelons | 50 ct/bin | 20 | 1000 | 1.2 | 1200 | 40 | 3000 | 4 | 12000 | | | |
| cantaloupes | 6 ct/cs | 20 | 120 | 1.4 | 168 | 70 | 240 | 4 | 960 | | | same for G |
| broccoli | 15 ct/cs | 20 | 300 | 1.1 | 330 | 66 | 500 | 6 | 3000 | | | |
| cauliflower | 12 ct/cs | 20 | 240 | 1.2 | 288 | 60 | 480 | 6 | 2880 | | | |
| sugar snaps | 10 lb/cs | 20 | 200 | 1.1 | 220 | 40 | 550 | 2 | 1100 | | | |
| strawberries | 12 pt/flat | 20 | 240 | 1.4 | 336 | 56 | 600 | 1 | 600 | | | bears for 3 |
| snap beans | 25 lb/cs | 20 | 500 | 1.1 | 550 | 55 | 1000 | 6 | 6000 | | | bears for 2 |
| sweet corn | dozen | 20 | 240 | 1.25 | 300 | 100 | 300 | 5 | 1500 | | | bears for 1. |
| potatoes | 50 lb/cs | 100 | 5000 | 1.4 | 7000 | 400 | 1750 | 1 | 1750 | | | single pick |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

NOTE: Yield adjustment accounts for culls, harvest damage and perishability



Economics at the farm level

□ 2 ½ acres organic vegetables: \$52,000

□ Market mix:

■ Farmers market (one) - 60%

■ Value chains - 40%

Value chain markets include 10 restaurants, 2 colleges/universities and 500 +supermarkets