



What to Think About Before You Plant

Marketing Considerations for Kentucky Specialty Crop Growers

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Introduction

Commercial fruit and vegetable production in Kentucky increased from \$15 million in farm sales in 1997 to more than \$30 million in 2011. Transition from tobacco production spurred the growth of Kentucky's commercial produce industry in the early 2000s. Crop diversification continued to drive expansion in Kentucky's produce industry by 5 to 10 percent annually, with 2016 sales of fruits and vegetables totaling almost \$37 million.



This publication poses questions that can benefit farmers who are considering planting a new crop. Long-time commercial farmers and diversifying tobacco producers, as well as those newer to farming will find the questions, considerations, and checklists contain helpful tools for considering a new produce enterprise.

The publication is divided into the following six sections, with the majority of

Specialty crops generate interest from both established and newer Kentucky farmers. These include, but are not limited to, those seeking to generate retirement incomes from their land, those investigating income possibilities from certified organic production, and those focusing on growth in the market for local foods and from urban farming enterprises.

the content focused in the first two:

- Market options by size and scale of production
- Conducting basic market research
- Certifications
- Insurance and risk management
- Management and labor needs
- Resources needed beyond the field or garden



Market Options by Size and Scale of Production

Kentucky’s commercial produce growers range from those tending a small market garden for sale at their neighborhood farmers market to those employing mechanical harvesters to harvest dozens of acres of snap beans or sweet corn (See Page 11). Size and scale of production can help a producer determine where they will focus their marketing efforts.

Smaller produce growers typically focus on **direct farm marketing**. Direct marketing is a general term describing marketing methods used to sell farm products directly to consumers. The most common forms of direct farm marketing in Kentucky are farmers markets, roadside stands, Pick Your Own/U-Pick, and Community Supported Agriculture. Generally, farmers markets are the easiest entry for new producers in terms of size and scale. U-Pick and CSA marketing tend to be the most intensive forms of marketing in terms of size and scale (Figure 1).

FARMERS MARKETS are the most common outlet for direct marketing fruits and vegetables, with more than

150 markets located across Kentucky. A farmers market consists of multiple growers selling produce and other farm products at a single location. Many farms diversifying into produce have utilized a farmers market to start their direct farm marketing efforts, then focused on other direct market channels like on-farm



markets and CSAs. Other producers have chosen to use a farmers market as their primary market channel throughout the entire life of the enterprise.

A **ROADSIDE STAND** is a temporary, seasonal location

Figure 1. Marketing Options for Kentucky Produce Growers by Farm Size and Scale

Smallest Size/Scale
Farmers market
Roadside stand
Produce auction
Community Supported Agriculture (CSA)
Local wholesale (restaurant, grocery, institution)
U-Pick
On-farm stand
Regional wholesalers, brokers
Chain store distribution centers
Processors
Largest size/scale

where producers sell produce directly to the public. Roadside stands may not require much capital investment; they may be as simple as selling sweet corn out of the bed of a pickup truck. **ON-FARM STANDS** are permanent structures at or near the farm that serve as a retail location. Considerable investment and capital may be required for on-farm stands.

COMMUNITY SUPPORTED AGRICULTURE (CSA) is a form of direct marketing where individual growers or a group of growers solicit subscribers within a community who pay a fixed monthly or seasonal fee to have a specified mix of fresh produce delivered to them on a weekly basis. CSAs may involve less than half a dozen subscriptions to hundreds of subscribers. The need for crop planning and delivery can result in CSAs requiring more intensive marketing efforts than other direct market channels. See University of Kentucky CSA resources [here](#).

PICK YOUR OWN (PYO), or **U-PICK** marketing, involves inviting the public onto the farm to harvest their own crops. Tree fruit, berries, and pumpkins are popular PYO crops. While PYO marketing can reduce the need for additional harvest labor, it also requires adequate supervision and staffing to oversee the public coming onto the farm.

Although not technically direct farm marketing, where the crop is sold directly to the final consumer, selling **DIRECT TO LOCAL RESTAURANTS OR GROCERY STORES** shares many of the same characteristics with direct-to-consumer outlets. One key difference is that such small-scale, wholesale markets require greater quantities and uniform product quality. **FARM-TO-SCHOOL** marketing would be included in this category.

PRODUCE AUCTIONS are an entry-level form of wholesaling for produce growers in Kentucky. There were five produce auctions selling in Kentucky during 2015. Produce auctions reward product quality and consistency but may also present the challenge of variable



Produce auctions are an entry-level form of wholesaling in Kentucky.

producer prices tied to attracting consistent buyers. Some growers choose to market their surpluses at produce auctions.

WHOLESALE production will typically involve much larger production systems and usually more mechanization from planting to harvest. **REGIONAL WHOLESALERS** and **FOOD BROKERS** supply produce to institutions and grocery stores. They demand uniform quality, larger quantities, and offer prices that track with wholesale market trends. There have been some efforts among Kentucky growers in the past to supply such customers through forming marketing cooperatives that consolidate produce from numerous producers before packing and shipping through wholesalers and brokers.

With the increase in consumer demand for locally grown foods, grocery chains have upped their purchases of regional and local produce. Chain store distribution centers often accept produce directly from growers. Some grocery chains continue increasing *direct store deliveries*, where farms ship produce direct to the store where it will be sold.

Growing vegetables and fruit for wholesale to **PROCESSING** outlets has decreased in importance in Kentucky and surrounding states as canneries became more geographically focused in other regions. Growing for processing is now more typical to supply smaller-scale processors, such as apple cider and wine, that may be marketed at higher price points.

Producer Checklist for Size and Scale

After selecting a number for each statement below, add up the values of your answers. Low scores (<20) could indicate greater suitability for larger-scale, wholesale enterprises; higher scores (30-40) generally indicate suitability for smaller-scale, direct marketing enterprises.

	No, Not so much				Yes, Very much so
I want to have a personal connection with the consumers who will be eating the food I am growing	0	1	2	3	4
I am willing to spend a large amount of time in marketing my crop: connecting with customers personally or via farm communications.	0	1	2	3	4
I derive a large part of my income from employment off the farm.	0	1	2	3	4
My farm does not have any livestock, tobacco or row crop (corn, soybean, etc.) production	0	1	2	3	4
I do not have access to packing and/or cool storage facilities	0	1	2	3	4
I have much excess time to devote to developing a produce or new crop enterprise	0	1	2	3	4
I lack access to financial capital for establishing a new enterprise	0	1	2	3	4
I have little experience selling products that can fluctuate in prices	0	1	2	3	4
I would prefer to focus on producing small quantities of high-quality food crops	0	1	2	3	4
I want to establish close personal relationships with my end consumers/users	0	1	2	3	4
Total					

Conducting Basic Market Research

Whether you are interested in selling a few vegetables at your local farmers market or are establishing many acres of fruit for wholesale production, you will need to conduct some basic market research. Market research helps a producer establish who their customers will be and how much those customers are likely to be willing to pay for your products.

Several questions are basic to the market research process, no matter what size or scale the farm enterprise and marketing efforts:

- Who will my customer be, and what are the preferences and characteristics of that customer?
- What product will I be producing?
- What market channel will I be selling through?
- What price can I expect to obtain?

Who will my customer be, and what are the preferences and characteristics of that customer?

Successful marketers of all sizes and scales start by

Good marketing plans start with the customer and work backward to production. Potential growers should first determine exactly what buyers want, how they want it, and when they want it. Then, they should determine how these crops should be grown. Even selecting varieties and determining planting times are basic marketing decisions.

<http://www2.ca.uky.edu/agcomm/pubs/id/id134/id134.pdf>

identifying their potential customers. Questions about potential customers include:

✓ What do my buyers want?

Buyers may not simply want a “tomato.” They may want a specific kind of tomato. Farmers market buyers may want a vine-ripened heirloom tomato; a wholesale buyer may want thousands of boxes of tomatoes ready

Community Supported Agriculture (CSA) customers pay a fee to receive a mix of fresh produce on a weekly basis.



to ship several hundred miles. Buyers wanting cherry tomatoes could greatly affect the amount of harvest labor required per row of farm production! Buyers may want tomatoes early or late in the season, affecting the production method and varieties selected. *Defining what the buyer wants will affect what a producer grows.*

✓ **How do they want it?**

The “how” of presenting produce crops is essential. For example, on-site research conducted at Kentucky farmers markets showed that these customers were hesitant to purchase farm-fresh blueberries packaged in the fresh blueberry industry’s standard plastic clamshell containers. To these farmers market customers, blueberries in plastic clamshells did not “feel” like they were locally grown. Local supermarkets, on the other hand, greatly preferred local blueberries packed according to the industry standard.

Wholesale buyers, like supermarkets and brokers, often have very specific guidelines for packing and delivering crops. These are often specified within production contracts. Because packaging can be a significant production expense for produce, it is essential for producers to determine how their customer wants the produce and factor it into their costs of production and marketing..

Farmers market and CSA producers have additional considerations for how produce is presented. Customers may prefer certain mixes of crops, and customers may even be interested in complementary products (such as preserves, eggs, and flowers) that may be marketed through such channels. Surveying customers — as simple as chatting with customers of a farmers market stand about how they perceive your product or what new products they would like to purchase — can be an important part of defining the *how* of your produce crop.

✓ **When do they want it?**

Timing and delivery are aspects of producing fruit and vegetable crops that are very important to buyers. A chef counting on a certain quantity of farm-fresh produce for that evening’s menu does not want to discover the producer is unable to deliver that afternoon. Failure to deliver according to the stipulations of a production or marketing contract could void a contract or affect the commitment of a commercial buyer to follow through with subsequent purchases.

Many buyers indicate that a grower’s failure to deliver product when it is needed or has been promised is a frequent mistake for beginning produce growers. In addition, producers marketing directly to the consumer (at farmers markets, stands, and through CSAs) will need to deliver their products when the customer is

present or expecting delivery.

Growers should understand when their customer expects delivery, meet that expectation, and be committed to communicate clearly when delivery is delayed or may be impossible due to extraordinary circumstances.

What product will I be producing?

All fruits and vegetables are not created equal! **Product differentiation** refers to product characteristics and marketing efforts that distinguish one product from the other.

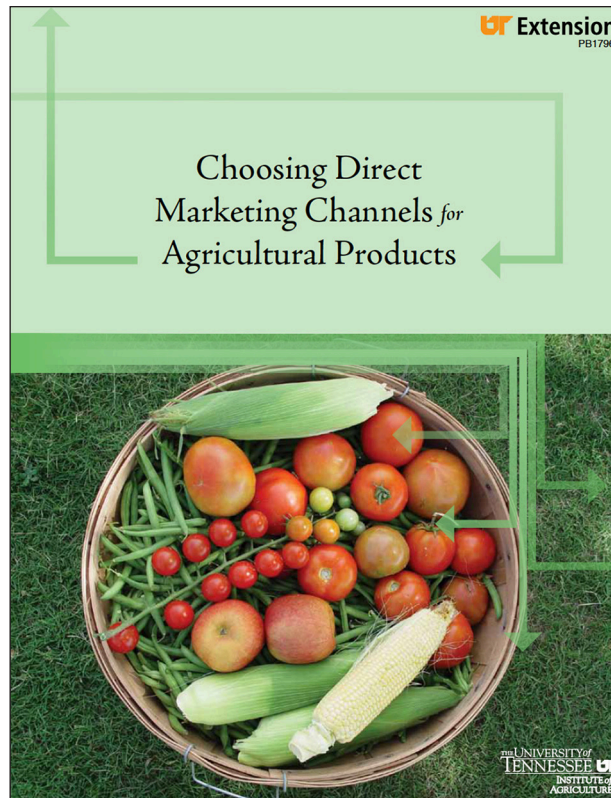
For example, a producer may decide that a farmers market stand is the best fit for his or her operation. In the process of deciding *how* to grow the crops for sale, he or she may need to consider product attributes such as:

- Local variety preference
- Ease of picking
- Storage attributes of varieties
- Conventional, sustainable or certified organic production systems

What market channel will I be selling through?

For a good overview of many different market channels available to Kentucky growers, visit the Center for Crop Diversification website at www.uky.edu/CCD.

Another overview of direct market channels is available in a University of Tennessee Extension publication, *Choosing Direct Marketing Channels for Agricultural Products* (left). This publication is available



for download at <http://cpa.utk.edu>.

What price can I expect to obtain?

It is very important that you have an idea of the price you can expect to obtain for your crops before making the decision to grow a certain crop. Many produce crops will require a certain price level to justify the investments needed for production.

Wholesale produce prices are reported by the USDA Agricultural Marketing Service at its fruit and vegetable market news portal, <https://www.ams.usda.gov/market-news/>

[fruits-vegetables](https://www.ams.usda.gov/market-news/fruits-vegetables). This source reports prices at *terminal markets*, which are wholesale market points across the country. Prices are also reported from *shipping points*, places near production centers from which fruits and vegetables are shipped. You can explore AMS retail reports [here](#).

A listing of prices from Kentucky's produce auctions is maintained at www.uky.edu/ccd/pricereports/KYPA. These prices are updated with new auctions and can provide a useful reference point for producers within the vicinity of an auction who are considering using the auction market.

A report of farmers market prices in and near Kentucky is located at www.uky.edu/ccd/pricereports. This report focuses on markets from particular regions and can provide information about crop and product offerings across the state as well as price points.

Market channels used by Kentucky producers to sell fruits and vegetables include:

Farmers Markets	Restaurants	Schools and Institutions
Wholesale	Grower Cooperatives (Co-ops)	Pick Your Own
Roadside Stands	On-farm Stands/Roadside Markets	Produce Auctions
Community Supported Agriculture (CSAs)	Internet	Produce Brokers

Table 1. Selected Characteristics of Produce Packaging and Mix by Market Channel, KY

	Product Mix	Packaging	Grading and Quality Assurance
Farmers market	Important	“Farm” feel	May be flexible
Roadside stand	Important	Convenience	May be flexible
Produce auction	Single products	Auction standards	High grade/quality rewarded by price
Community Supported Agriculture (CSA)	Products in shares/baskets complement each other	Convenience, attractiveness of presentation	May be flexible—some may prefer 3rd party audit
Local wholesale (restaurant, grocery, institution)	Chef or buyer specifications	May be defined by industry standard and/or convenience	Uniform quality essential
U-Pick	Determined by ease of harvest, local and farm preferences	Bulk containers or customers may provide some packaging	Customers select preferred products; producer directs to ripe crops
On-farm stand	What customers want	Convenience; packages may help build farm brand	Price breaks may be given for lower grades
Regional wholesalers, brokers	Specified by buyer	Commercial produce standards	Uniform quality is essential
Chain store distribution centers	Specified by buyer and/or contract	Chain standards	Uniform quality is essential — consider 3 rd party audit
Processors	Specified by buyer and/or contract	Bulk packaging for shipment common	May involve less stringent grading

Selected Characteristics of Produce Packaging and Product Mix by Market Channel

The table above summarizes produce packaging and product mix by market channel. Several terms used in the table are useful for understanding how markets for new crops are developed.

PRODUCT MIX refers to the different types of products sold at or through a specific market channel. For example, many farmers market vendors in Kentucky sell higher volumes of crops that are traditionally popular with customers, such as tomatoes and green beans. Lower volumes of new or minor crops, such as kohlrabi or specialty squash or peppers may be helpful at

a farmers market stand. Some wholesale buyers may ask a producer to supply more than one crop — both watermelons and cantaloupes, for example — in order to buy from them. For some markets, it makes sense to focus on fewer products to reduce costs of production, develop growing expertise, and realize labor savings (per acre) that could result from higher volumes of production.

PACKAGING is one of the most overlooked costs for new produce growers. Developing attractive packaging is critical for those selling produce through retail chan-

nels. In wholesale channels, packaging is more functional, with designs to move produce safely and efficiently. Packaging, like bags, cartons and boxes, tends to be much less expensive per unit when purchased in bulk. Reusable plastic containers (RPCs) are used by some grocers and wholesalers for shipment from the farm to the merchandiser. While higher in upfront costs (\$10-\$20 per unit compared to \$1-\$3 for a corrugated box), RPCs are reusable and may save money in the long run. However, just like before growing a new crop, producers should always determine their customers' packaging preferences before investing in a particular packaging unit or style.

Proper labeling and identification for purposes of traceability (being able to identify what farm and/or field a crop originated in) has increased in importance for produce marketing. A clear and attractive farm label may also help consumers recognize a particular farm's products, adding value for the producer. Other information included on labels that may help a product's consumer acceptance includes listing certifications

such as Kentucky Proud, Certified Organic, sustainably or naturally grown, and other product attributes.

The Packer is a well-known commercial produce industry publication that annually publishes a resource called *The Packer Produce Merchandising & Availability Guide*. This resource provides industry standards for packaging and compares differences between the ways produce may be packaged for grocery buyers compared to foodservice buyers. Standard produce packaging types are also listed in the *Wholesale Packing Resource Guide* from the New Entry Sustainable Farming Project. It is available through the SARE website at www.sare.org.

The previous two sections have described market options by size and scale of production, discussed conducting very basic market research, and examined considerations specific to different market channels. The following sections contain vitally important considerations for what to think about before planting produce: certifications, insurance, resources required beyond the field, and management and labor needs.

Certifications

CERTIFICATIONS allow produce growers to market their products under a particular labeling or program name. Common certifications in produce marketing in Kentucky include:

Kentucky Proud – produce sold by a farm enrolled in the Kentucky Department of Agriculture's Kentucky Proud program. For more information, refer to www.kyagr.com.



Kentucky Farm Bureau Certified Roadside Farm Markets – a program administered by the Kentucky Farm Bureau Federation. For more information, visit www.kyfb.com.



USDA Certified Organic – produce grown under inspection and certification in the USDA National Organic Program, administrated within the Agricultural Marketing Service. For more information, refer to www.ams.usda.gov.

Eco-labels – allow producers to market products to consumers while providing special environmental information about the product. Certified Organic products are one example of an eco-label. Other eco-labels gaining popularity with some produce growers include various forms of “certified sustainable” or “naturally grown” programs. Most of these programs require certifications and/or inspections for products to carry a particular label.



There are also other kinds of certifications that may apply to Kentucky produce. The following two guidelines address ways producers could avoid some of the more common pitfalls made by farm marketers with respect to certifications:

- Maintain extensive files documenting and supporting any claims made and participation in programs allowing those claims. This is a must for anyone advertising, using signage, or making media claims of

particular certifications (Kentucky Proud, Certified Organic, etc.)

- Avoid making improper health claims relating to proven or perceived benefits of certain products. Health claims in food products are closely monitored, and producers of some farm products — particularly value-added products — can be required to redesign packages and labels or even remove product from the market if making claims that go beyond approved

guidelines for food products. The Food and Drug Administration (FDA) is the regulating agency monitoring this issue.

There may also be local certifications that are necessary or optional for different marketing activities. To avoid making unsubstantiated claims, producers should contact and work with the appropriate local and regional agencies or organizations involved in administering such programs.

Insurance and Risk Management

Businesses take on risks of various kinds, and agricultural businesses face unique kinds of risk associated with production that is dependent on biological processes. Two types of risk include *production* risks and *liability* risks.

Production risks occur from the uncertainties of agricultural production. Weather, insects and disease are the more common production risks incurred in fruit and vegetable production. Produce growers may spread risk out across different planting times. For example, planning an early planting to capture higher prices may incur a risk of frost, but that risk could be managed by using row



Low tunnels provide protection against frost.

covers or other covered production. Similarly, different varieties of the same species could be planted, with some varieties resistant to common diseases in a particular region. This practice could help manage the risk of crop failure due to disease. Careful planning and constantly learning about improving production methods can help producers manage such risks.

Liability risks generally refer to the danger of being sued or becoming otherwise financially liable for accidents or faulty products. Another common but faulty assumption made by new fruit and vegetable crop producers is that their existing farm liability insurance policy will cover their new enterprise. Such a determination may be properly made only upon consulting with an attorney or insurance professional.

Two kinds of liability related to growing produce crops are *general* liability and *product* liability. Producers using on-farm marketing (like Pick Your Own or a roadside stand) expand their operation's risk in the area of general liability. Insurance providers may recommend

adding coverage to policies or even acquiring a new policy specific to a new business enterprise.

Product liability insurance is coverage against liabilities resulting from faulty products sold by a grower. Many wholesale, institutional, and restaurant buyers have certain requirements for product liability insurance coverage for produce growers.

Product liability insurance (PLI) is especially

important in today's food safety and regulatory environment. Most producers find the cost of PLI relatively modest for the level of security provided and access to markets that PLI may enable.

Growers need to be aware of the Food Safety Modernization Act (FSMA) and how it affects their operations. For information about FSMA, Kentucky's Produce Best Practices Training, and Third-Party GAP, which is required by some buyers, visit the CCD's Produce Food Safety page at <http://www.uky.edu/ccd/foodsafety>.

There are many types of risk incurred in producing and selling fresh produce. But sound planning and proper use of risk management tools can minimize the risks faced by many growers.

Management and Labor Needs

Different crops will require different levels of management as well as varying labor requirements. Managing part-time harvest labor, conducting economic and market analysis, and preparing detailed marketing and business plans are routinely conducted by successful produce growers large and small.

Before planting a new crop, review information detailing production and labor requirements. The University of Kentucky College of Agriculture, Food and Environment maintains a library of new crop profiles at the website of the Center for Crop Diversification,

www.uky.edu/ccd. Each profile includes a section listing the labor needs for production and harvest of a crop.

Also consider improving your management and marketing skills. Several specialized courses, available at reasonable costs, can help walk farm producers through new enterprises. Some resources may be available through organizations like the Small Business Development Center or the Kentucky Center for Agricultural and Rural Development, while others may be offered through the Cooperative Extension service. Contact your local county Extension office for details.

Summary: Resources Needed Beyond the Field or Garden

The main idea conveyed in this publication is this: profitably producing a fruit or vegetable crop involves much more than “just” growing a crop successfully. Developing a clear plan for marketing the crop, as well as minimizing production and liability risks associated with that crop, are essential for increasing the likelihood of success. The earlier you can develop these plans and consider these variables before you plant, the better positioned you will be as a marketer.

The following resources contain many sources of information for developing and maintaining new produce enterprises. Producers are encouraged to seek out information from reliable sources and assemble their own library relating to their specific situations.

University of Kentucky Center for Crop Diversification

www.uky.edu/CCD

Center for Profitable Agriculture
(University of Tennessee) <http://cpa.utk.edu>

Penn State Ag Alternatives
<http://extension.psu.edu/ag-alternatives>

Suggested Citation:

Woods, T. and M. Ernst. (2018). *What to Think About Before You Plant: Marketing Considerations for Kentucky Specialty Crop Growers*. CCD-FS-2. Lexington, KY: Center for Crop Diversification, University of Kentucky College of Agriculture, Food and Environment. Available: http://www.uky.edu/ccd/sites/www.uky.edu/ccd/files/Before_You_Plant.pdf

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2018

Marketing Channel Options for Kentucky Produce

(Adapted from ID-134, Marketing Options for Commercial Vegetable Growers, Brent Rowell, Tim Woods, Jim Mansfield, 1999)

Considerations	Direct: Roadside stand, Farmers Market, CSA	Direct: U-Pick, on-farm	Produce Auctions	Local Wholesalers, Grocers, Restaurants	Regional Wholesalers, Chain Store Distribution Centers, Brokers	Processors or Fresh-Cut
<i>Production and Marketing Challenges</i>						
Difficulty getting into the market	Low	Low-medium	Low	Medium	High	Medium-high
Marketing time required	High	Medium-high	Low	Medium-high	Medium	Low
Compatible with off-farm employment	Yes	Yes	Somewhat	Somewhat	Difficult	Yes
Compatible with row crop, tobacco, livestock production	Yes	Yes	Yes	Somewhat	Difficult during planting, harvest	Yes
Importance of product quality and shelf life	Medium-high	Medium	High	High	High	Medium
<i>Investments: Time and Money</i>						
Initial commitment level required	Low-high	Low	Medium	High	High	Low-medium
Management level required	Low-high	Medium	Medium	High	High	Low
Initial capital investment required	Low	Low-medium	Medium	Medium-high	High	Variable
Postharvest equipment and facilities investment required	Low	Low	Low	Medium	High	Variable
<i>Income and Potential</i>						
Prices	High	Medium-high	Medium-low	Medium-high	Medium	Low
Price stability	High	High	Medium-low	Medium-high	Medium	High
Product volume required	Low	Low	Medium	Medium	High	Medium
Market/sales volume potential	Low-medium	Low-medium	High-medium	Medium	High	Low
Likely further development potential in Kentucky	Excellent	Good-Excellent	Good	Good-Excellent	Fair-good	Low-fair

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