



# Introduction to Wholesale and Direct Marketing Channel Options for Produce Growers

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# Two marketing options

## Wholesale marketing

*Selling to a buyer that is not the consumer.*

- *Grocery stores*
- *\*Restaurants*
- *Distributors*
- *Produce auctions*

## Direct marketing

*Selling directly to the consumer*

- Farmers Markets
- Farm stores
- Farms stands
- CSA's
- U-pick operations
- Internet sales

# Comparison of wholesale and direct marketing sales



Strawberries	Sale Price/Pint	Pints Sold	Total Gross Sales
Direct Market	\$4.00	36	\$144.00
Wholesale	\$1.50	300	\$450.00

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# Which marketing plan makes the most sense for your lifestyle and farm operation?



# Wholesale buyers expect a high quality product on schedule




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# Grocery store shoppers expect to find a good selection and variety of high quality produce, dairy and meat everyday of the week.





**Restaurant chefs  
do not have time to  
run to the  
grocery if their  
shipment of lettuce  
arrives late or is of  
poor quality.**

**Keeping the  
consumers happy  
falls on the  
shoulders of the  
grower!**



**Will your crop ripen on schedule?  
Will your harvest fulfill your  
commitments?**





**Do you have  
enough labor to  
harvest, wash,  
grade, pack  
and deliver on  
schedule?**

**If you do not meet your commitment, the buyer may be hesitant to make another purchasing agreement with you.**



**Direct Marketing offers more flexibility but depends on an ample number of customers.**



# Customer turnout is affected by

- Weather
- Location
- Advertising
- Population





# Activity:

Use the *Guide to Marketing Channel Selection* to determine the Pros and Cons for each type of Marketing Channel

- Advantages
- Disadvantages
- Costs
- Risks



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# All market channels have six basic challenges

1. High labor and marketing costs
2. Inability to provide a product of consistent quantity and quality
3. Buyer failure to fulfill commitment
4. Unpredictable customer turnout
5. Competition
6. Low price risk



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# Things to think about

- How much sales volume do you need?
- How much risk would you be comfortable with?
- What is your lifestyle preference?
- Can you meet the labor requirements?
- Have you evaluated channel costs?
- Crop storage life?
- Local opportunities for wholesale or direct sales?



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# Example:

Wholesale marketing requires more labor to harvest, wash, sort, and pack the produce for delivery

Direct marketing requires more labor for sales time and customer interaction

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# Why not do both!



# Example

**A local grocery store manager might be interested in knowing when you have a larger harvest volume and can offer the grocer a good deal!**



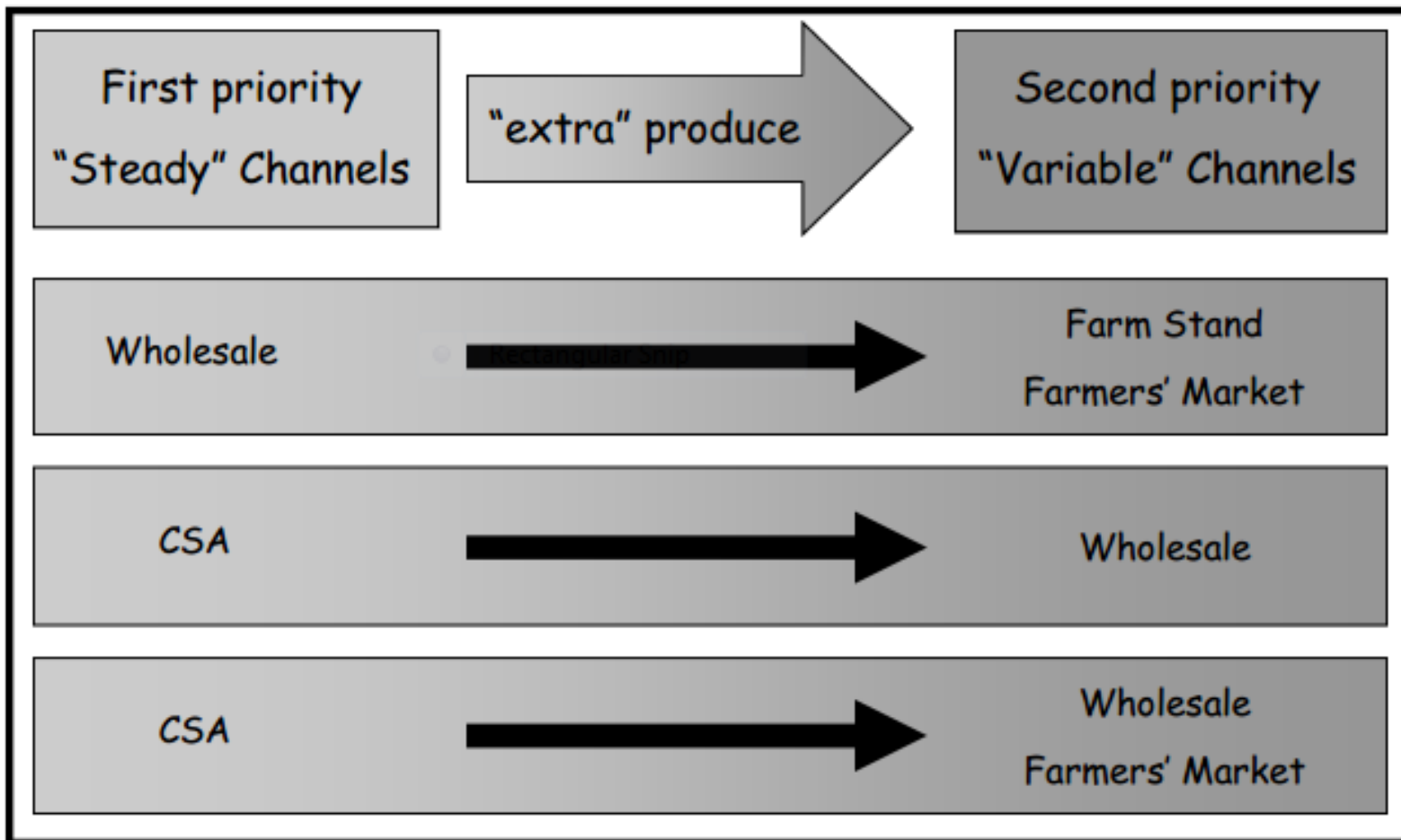


Figure 3 : Examples of marketing channel combination strategies.



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# Check it out!



# Collaborative marketing options





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“In collaborative marketing, several like-minded producers join together formally to market and distribute farm products.”

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# Reasons to collaborate

- Reduce individual farm marketing expenses by dividing a single larger-scale marketing opportunity across multiple farms
- Meet expectations of a wholesale buyer to reduce their risk, while reducing risk to participating farms



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# Collaborative marketing can increase local job opportunities

Example:

A regional food hub is a business or organization that actively manages:

- ✓ Aggregation
- ✓ Distribution
- ✓ Marketing



# Collaborative marketing options can be simple or complex:

- Food hub
- Farm cooperative
- Joint venture agreement
- Consignment sales
- LLC
- Not for profit corporation

# North Carolina Examples

- Sandhills Farm to Table (Moore and neighboring counties)
- Triad Farm to Table (Stokes, Surry, Davidson, Yadkin, Davie, Rockingham, Guilford and Forsyth), both of which are cooperative forms of CSA
- TRACTOR ( non-profit food hub)
- Farm Fresh Ventures (producer cooperative serving Anson, Montgomery, Richmond, Stanly and Union Counties in NC and Chesterfield County in SC)



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# References

***Guide to Marketing Channel Selection: How to sell through Wholesale and Direct Marketing Channels***

<http://files.campus.edublogs.org/blogs.cornell.edu/dist/0/2113/files/2012/04/Market-Channel-Assessment-132dr2l.pdf>

**Collaborative Marketing for Small Farms, Cornell University :**

<http://communitydevelopment.ces.ncsu.edu/?p=352935>

***USDA Regional Food Hub and Resource***

<http://communitydevelopment.ces.ncsu.edu/?p=352925>