

Direct Farm Marketing as a Rural Development Tool

Many farmers, government officials, and rural advocates are enthusiastic about the prospects of direct farm marketing for bolstering farm income and promoting rural development. Direct marketing plays a role in rural development by encouraging a climate of entrepreneurship and innovation, attracting agricultural tourists, and promoting alternative forms of agriculture. However, an analysis of 1992 Census of Agriculture data indicates that the income from direct selling is relatively small and limited to communities near urban areas. Communities in remote locations need to make a concerted effort to benefit from direct marketing.

In a highly urbanized society, direct farm marketing provides a link between urban consumers and rural food producers that can be valuable in developing sustainable communities. Farmers, extension workers, and government officials look to direct marketing as a means of identifying alternative income sources, preserving small farms, strengthening economic and social ties between farms and urban residents, and as an outlet for organic and specialty farm products. Direct sales to consumers can benefit small farms and rural communities in general by channeling a larger share of urban residents' spending on food and recreation back to the communities where food is grown. Direct purchases from farmers provide city residents with a source of inexpensive fresh produce and an opportunity to get in touch with their rural roots.

Growing Interest by Consumers and Producers

Direct selling was once a common marketing method in the United States, but declined in importance as the Nation urbanized and increased its consumption of processed foods. Today, most food moves from the farm gate to the consumer through a highly efficient food marketing system that takes advantage of scale economies and specialization to keep processing and distribution

costs low. Most farmers are content to devote their limited time to what they know best—planting, growing, and harvesting food—and leave the processing and marketing to agribusinesses, but selling directly to consumers seems to be gaining popularity among farm producers.

Several reasons may account for this renewed interest in direct farm marketing. One is dissatisfaction with low farm-gate prices. The farm price is often only a fraction of retail food prices. Prices received for produce sold directly to consumers can be substantially higher than typical wholesale prices, yet still be below supermarket prices. Small farms also often turn to direct sales because they may be snubbed by wholesalers who deal only with large-volume producers. For larger farms, direct selling can be an important sideline operation or a means of selling products that do not meet the quality or size standards required by wholesalers.

The outward spread of suburbs and residential development of formerly rural farming communities has spurred direct marketing by reducing the physical distance between farms and consumers. As suburbs grow, residential and commercial development often results in the break-up of larger farms into smaller pieces, and more exurban commuters start up part-time hobby farms.

Increased interest in food safety, the environment, and alternative agriculture has also supported growth of direct

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sales. Organic produce and other specialty food products are frequently grown by small producers who favor direct marketing at premium prices. Consumers of these specialty products like to deal face-to-face with growers to ensure that products were grown chemical-free or with other desired techniques. Complementing that preference, ecological awareness spurs consumers' interest in agricultural tourism, farm-based recreational activities, and direct-selling arrangements that involve contact with farms and farmers.

Innovative Farm Entrepreneurs Use Diverse Direct Selling Methods

Farmers' markets are, of course, the oldest and most common type of direct selling. A 1993 directory of farmers' markets published by the USDA listed 1,755 operating markets. The total number of farmers' markets may actually be much larger, since this was not an exhaustive list and probably excluded many smaller markets. Marketing specialists at USDA and land-grant colleges believe that the number of farmers' markets is growing, although there are no historical statistics for comparison. Markets vary widely. Some are year-round, others are seasonal; some are held in permanent indoor facilities, others are held in parking lots.

Pick-your-own fruit and berry operations, cut-your-own Christmas trees, and roadside stands are also common forms of direct marketing. Many farms have expanded their roadside stands by offering crafts, baked goods, flowers, and related items. Other innovative farm entrepreneurs offer urban residents a recreational experience in a rural farm setting. An apple grower in Virginia introduced a "rent-a-tree" operation, where individuals can pay a set amount to rent a particular tree in the orchard. This entitles the renter to all the apples harvested from his or her tree during that season and to visit and picnic on the grounds. Some farms take advantage of the Halloween/harvest festival theme to offer haunted pumpkin patches and hayrides. A recent conference on farm direct marketing featured a day-long seminar on how to set up an onfarm haunted house. Ornamental gardens, restaurants, hunting, shooting and golf driving ranges, and other recreational services have also been offered by farmers exploring ways to bring consumer dollars directly to the farm.

A movement known as Community Supported Agriculture (CSA) has appeared as a new form of direct selling, spurred by interest in organic produce and ecological awareness. CSA usually involves a cooperative arrangement in which consumers pay nearby growers a fixed amount of money at the beginning of the growing season and over the course of the season receive a bag each week containing whatever produce is being harvested at that time. In some CSA arrangements, customers

pick up their produce at the farm, while in others a central distribution point is established in town. CSA producers usually use organic growing methods, and participants generally value the freshness and organic nature of the produce and the direct contact with the people who grow their food. CSA helps growers with cash flow, since they are paid at the beginning of the season. Consumers shoulder more of the risk in CSA because they pay a fixed amount, regardless of the quantity and quality of the harvest. Although an advantage of CSA for producers, such an arrangement can cause consumers to shy away from CSA groups.

Rural Development Impacts

Direct selling can have positive economic and social impacts on rural and urban communities. The clearest impact is the direct flow of income from consumers to farms. By selling directly to consumers, farmers retain the value added to their products through various transportation and marketing activities that are usually performed by urban-based wholesale and retail establishments. A larger share of the consumer's retail food dollar returns to the rural communities where food is grown, but direct marketing activities are costly in time and labor.

Premium prices can be an additional economic benefit for some directly marketed products. Retail prices for organic or specialty food products sold directly to consumers are often higher than store prices for similar items. For example, in November 1994, Maryland farmers were selling fresh turkeys to customers for \$1.25 per pound or more, while supermarket prices were 79 cents per pound for fresh turkeys and 59 cents for frozen.

By providing alternative marketing channels and higher returns per acre, direct marketing may also contribute to the rural economy by preserving small farms. A local economy characterized by numerous small farms is regarded by many as more desirable than one with a few large industrialized farms.

By adding a recreational component to food consumption, many direct-marketing enterprises draw urban people to farm communities, where they may spend additional dollars on restaurant meals, shopping, or other services. Such "agricultural tourism" may have a "multiplier" effect on local economies. A 1994 study (Leones and others) of spending at farm outlets and pick-your-own operations in an Arizona county found that groups visiting from outside the county spent an average of \$18 in the local community in addition to the \$40 they spent at farm outlets. Most visits are day-visits, but some involve overnight stays. The Arizona study found that day visitors spent an average of \$54, including spending at farm outlets, while overnight visitors spent \$130. Agricultural tourists spent \$1 million per year, which led to additional

economic activity of \$900,000 throughout the local economy. The study further found that direct farm marketing supported 41 jobs at farm outlets and an additional 27 jobs elsewhere in the county's economy.

Agricultural tourism is associated mainly with types of direct marketing that include an onfarm recreational component. Other direct marketing efforts require that farmers do most of the traveling. For example, farmers' markets and distribution points for CSA groups are often at urban and suburban locations. A survey of vendors at nine New York markets found that full-time growers traveled an average of 22 miles to the farmers' market, and part-time growers traveled an average of 12 miles. Obviously, the economic impact of direct marketing on the farm community is much lower when farmers, instead of consumers, do the traveling.

While most of the traveling to farmers' markets is done by vendors, consumers are also willing to travel a little farther to patronize farmers' markets than they will for traditional retail food shopping. The USDA's Agricultural Marketing Service estimates that a farmers' market draws consumers from within a 10-mile radius, compared with a 2- to 3-mile radius for a supermarket. Farmers' markets in many communities just outside the urban fringe are close enough to draw urban and suburban customers to their communities. More remote communities need to work harder to draw urban visitors to farmers' markets by establishing an identity associated with a locally grown product, lifestyle, or heritage (such as Amish and Mennonite) or a concentration of farms offering products and services for sale.

Social issues are an important reason for the popularity of direct marketing. Supporters of direct marketing activities stress the importance of educating consumers about the source of their food supply. The social dimension, albeit of a different type, is also important to sellers. A survey of vendors at nine rural New York farmers' markets found that the most important reasons identified by the vendors for selling at a farmers' market were social: "We enjoy visiting with customers and other vendors," and "We enjoy doing it." These reasons were rated higher than "We want extra income," and "Our other income sources are limited." It is also likely that many of the small urban-fringe farms that participate in direct selling are part-time farms that depend on off-farm income sources. For the operators of these farms, the motivation to farm is often noneconomic.

How Big Are Direct Sales and Who's Selling?

While direct marketing seems to be enjoying wide popularity among farmers, extension workers, and government officials, no one knows just how big the industry has grown or what types of farms participate in these activi-

ties. Since direct marketing is hard to define and includes diverse activities, it is hard to measure, so we have little statistical information. USDA completed some studies in selected States during the 1970's, but the only recent nationwide data available are from the 1992 Census of Agriculture, which asked farms to report the dollar amount of food products sold directly to consumers. These data probably understate dollar amounts obtained through direct marketing because they include only sales of food products grown on the farm and exclude products bought from others and resold, processed foods, services, and nonedible products. Despite the limitations of these data, however, they can still give us an idea of the magnitude of direct sales income.

Nearly 1 in 20 U.S. farms (4.5 percent) reported direct sales of food products to consumers totaling \$404 million in 1992. Direct sales per farm for those reporting direct sales averaged \$4,675. Direct sales are concentrated in regions where vegetable and fruit production is common and where farms are near large populations, primarily in the Northeastern States from Maryland to Maine, Florida, the Great Lakes region, the West Coast, and Hawaii (fig. 1). Direct sales are low in the Great Plains, most of the Mountain region, the western part of the Corn Belt, and most of the South.

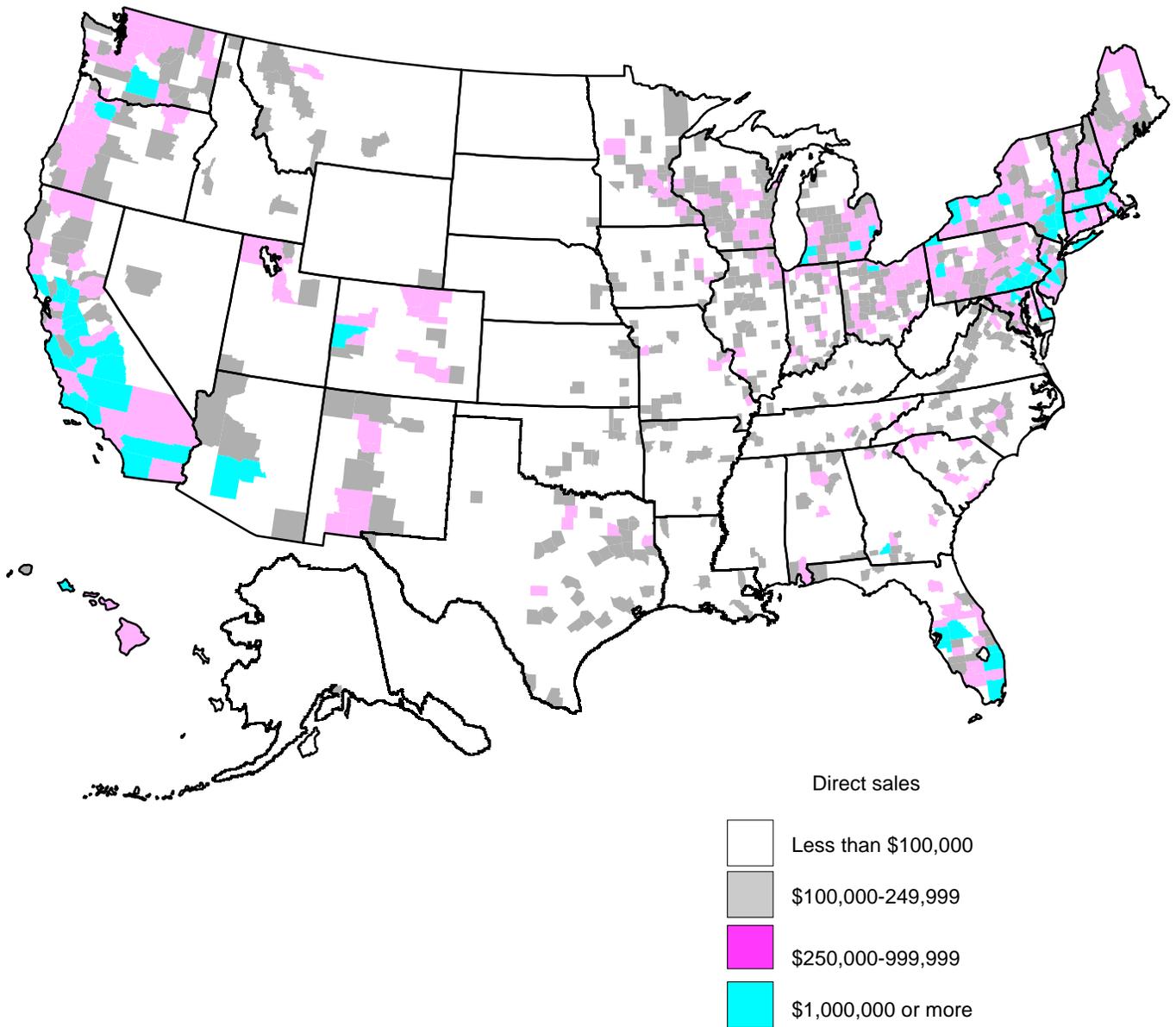
Direct sales are most common among farms whose primary products are vegetables and fruits, because these products often do not require further processing, are not highly perishable, and are best suited to pick-your-own operations. Forty percent of vegetable farms and 14 percent of fruit farms reported direct sales. These two farm types combined reported 58 percent of all direct sales. Fruit and vegetable farms reported direct sales averaging about \$9,500 and also had the highest share of sales through direct channels, 1.5 percent for vegetable farms and 1.3 percent for fruit farms (table 1).

Direct selling is often portrayed as a marketing strategy for small farms. Small farms are more likely to use direct selling—direct sales amounted to 2.1 percent of total sales for the under-\$10,000 sales class, compared with less than 1 percent for larger sales classes. But midsized and larger farms that sell directly do so in larger quantities, and consequently farms in those sales classes account for nearly half of direct sales. In 1992, 48 percent of direct sales were reported by farms with total sales of \$100,000 or more. Less than 3 percent of midsized and larger farms reported direct sales, but the average direct sales per reporting farm was over \$14,900 for farms with total sales of \$100,000 to \$499,999, and over \$54,600 for farms with total sales of \$500,000 or more. Among the smallest farms (those with less than \$10,000 in total sales), 5.6 percent reported direct sales of \$65 million, an average of only \$1,300 per reporting farm.

Figure 1

Direct sales from farms to consumers, 1992

Direct sales are concentrated in the Northeast, Great Lakes region, West Coast, and Florida



Source: 1992 Census of Agriculture.

For most farms, direct sales are very modest, but a small number sell substantial amounts through direct channels. Of the 86,400 farms reporting direct sales in 1992, 73 percent reported less than \$5,000. Of that number, over 43,000 reported less than \$1,000 in direct sales and another 30,000 reported \$1,000-\$4,999. On the other hand, nearly 13,000 reported direct sales of \$5,000 or more, including 1,260 with direct sales exceeding \$50,000. The over-\$50,000 group reported over \$172 million in direct sales, for an average of about \$136,500 per farm.

Most Sales Are In or Near Metro Areas

Reviewing total direct sales by county can indicate the economic impact of direct sales. For most counties, the economic impact is modest. About three-fourths of counties had less than \$100,000 in direct sales in 1992, while just under one-fourth had sales of \$100,000 to \$1 million. Only 63 counties had direct sales over \$1 million. For a handful of counties, though, direct sales are sizable. Lancaster County, PA, posted over \$4.6 million among over 550 farms reporting direct sales. Lancaster and

Table 1

Direct farm sales to consumers, by farm type, value of sales, and metro-nonmetro status, 1992*Fruit and vegetable farms, large farms, and those in metro areas account for a large share of direct sales*

	Direct sales	Share of all sales ¹	Farms reporting sales	Share of all farms ²	Direct sales per farm ³
	Million dollars	Percent	Thousand	Percent	Dollars
Farm type:					
Cash grains	15	<0.1	6.1	1.5	2,600
Field crops	14	<.1	5.3	2.1	2,600
Vegetables and melons	112	1.5	11.9	40.2	9,400
Fruits and tree nuts	123	1.3	12.9	14.5	9,500
Horticultural specialties	13	.6	2.0	5.2	6,500
General farms, primarily crops	20	.1	2.9	5.9	6,900
Livestock, except dairy, poultry, animal specialties	64	<.1	35.8	4.4	1,800
Dairy	25	.1	3.4	3.0	7,400
Poultry and eggs	9	.2	2.3	6.6	3,900
Animal specialties	6	.1	2.6	3.2	2,300
General farms, primarily livestock	3	<.1	1.1	4.3	2,700
Total farm sales:					
Less than \$10,000	65	2.1	50.7	5.6	1,300
\$10,000 - \$39,999	81	.9	18.4	4.5	4,400
\$40,000 - \$99,999	65	.4	8.0	3.2	8,100
\$100,000 - \$499,999	121	.2	8.1	2.8	14,900
\$500,000 or more	71	.1	1.3	2.7	54,600
Urbanization:					
Counties in metro areas—					
Metro areas of pop. 1 million or more	109	.7	16.9	8.2	6,450
Metro areas of pop. 250,000-999,999	101	.4	15.3	6.1	6,600
Metro areas of pop. under 250,000	37	.2	8.8	5.3	4,200
Nonmetro counties—					
Adjacent to metro area	97	.2	26.0	4.0	3,700
Not adjacent to metro area	59	.1	19.4	3.0	3,000
All farms	404	.2	86.4	4.5	4,700

¹Direct sales as a percentage of total farm sales.²Percent of farms reporting any direct sales.³Direct sales divided by the number of farms reporting direct sales.

Source: 1992 Census of Agriculture.

neighboring York County (ninth on the list with \$2.4 million) are part of "Pennsylvania Dutch Country," reflecting the unique character of the Amish community and the most notable success of agricultural tourism. California and Pennsylvania, with over \$35 million each, were the leading States in direct sales in 1992, followed by New York, Ohio, and Florida. Nearly all the leading counties are located in these States, with the addition of Massachusetts (table 2). These States grow more commodities suitable for direct sale than other States and offer easy access to urban consumers in large cities.

Census data indicate that direct selling is employed predominantly by farms in or near metro areas (see table 2 and fig. 2). Farms in metro areas accounted for over 61 percent of direct sales in 1992. (In contrast, these counties accounted for only 33 percent of all farm sales.) The

largest metro areas, those with a population of 1 million or more, accounted for \$109 million of direct sales, over one-fourth of the total, and metro areas with a population of 250,000-999,999 accounted for \$101 million. Small metro areas with a population under 250,000 accounted for \$37 million. Of the \$156 million of direct sales in nonmetro counties, \$97 million were in counties adjacent to metro areas. Of the top 20 counties ranked by value of direct sales, only 1 was a nonmetro county, while 5 were in metro areas with a population of 1 million or more and 14 were in metro areas with a population of 250,000-999,999 (table 2). Only 7 nonmetro counties had direct sales over \$1 million.

The percentage of farms with direct sales and the direct sales per reporting farm were also higher in more urbanized counties. In the largest metro areas, 8.2 percent of

Table 2

Top 20 counties in direct sales from farms to consumers*All but 1 of the top 20 counties are in metro areas*

County	State	Direct sales	Direct sales farms	Share of farm sales ¹	Share of farms ²	1990 county population	Type of county ³
		1,000 dollars	Number	Percent	Percent	1,000	
Lancaster	PA	4,656	554	0.7	12.3	423	Mmetro
Worcester	MA	4,072	208	8.2	20.9	710	Mmetro
Washtenaw	MI	3,148	91	6.0	.6	283	Lmetro
Palm Beach	FL	3,004	39	.3	4.2	864	Mmetro
Suffolk	NY	2,763	93	2.1	15.8	1,322	Lmetro
Dutchess	NY	2,753	82	8.3	14.8	259	Mmetro
Sonoma	CA	2,593	268	.9	9.8	388	Lmetro
Ulster	NY	2,462	70	4.8	16.2	165	Nonmetro
York	PA	2,424	241	2.0	14.2	340	Mmetro
Riverside	CA	2,345	294	.3	8.4	1,170	Lmetro
Ventura	CA	2,299	118	.3	5.4	669	Lmetro
Bristol	MA	2,262	107	7.6	20.5	506	Mmetro
Berks	PA	2,216	168	.9	10.8	337	Mmetro
Orange	NY	2,161	74	2.9	11.5	308	Mmetro
Stanislaus	CA	2,131	205	.2	47	371	Mmetro
Middlesex	MA	2,122	130	1.7	24.3	1,398	Lmetro
Maricopa	AZ	2,058	148	.4	8.0	2,122	Lmetro
San Diego	CA	2,021	462	.4	7.0	2,498	Lmetro
Hillsborough	FL	2,011	163	.8	5.9	834	Lmetro
Erie	PA	2,001	141	3.1	12.1	276	Mmetro

¹Direct sales as a percentage of all farm sales in the county.²Farms reporting direct sales as a percentage of all farms in the county.³Counties classified as follows: Lmetro-metro area of population 1 million or more; MMetro-metro area of population 250,000-999,999.

Source: 1992 Census of Agriculture.

farms reported direct sales averaging \$6,450 per farm. In nonmetro counties not adjacent to a metro area, 3 percent of farms reported direct sales averaging \$3,000 per farm.

The counties with the largest direct sales are in metro areas. Although those counties also include small communities that have a rural character, the data indicate that direct selling tends to benefit farms and communities within a short drive of major population centers. Ulster, NY, is the only nonmetro county among the top 20 in direct sales, and it is on the fringe of the New York City metro area. Also in the top 20 are Dutchess, Orange, and Suffolk Counties on the fringe of the New York metro area. Riverside, Ventura, and San Diego Counties are close to population centers in southern California. Lancaster and York Counties have cities of only modest size and have a largely rural character, but they are within a short drive of Philadelphia and other population centers along the east coast.

Conclusion

Although complete data are not available to make an adequate quantitative assessment of direct marketing, 1992 Census of Agriculture data indicate that only a small

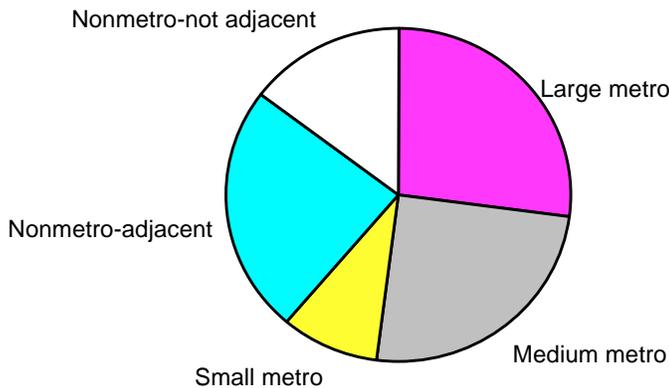
minority of farms generate significant income from direct selling. For most, direct sales are a small sideline business. The social aspects of direct selling appear to be as important as the economic benefits, if not more so.

It appears that direct marketing also mostly benefits farms in or near urban areas, where the bulk of direct sales occur. This outcome is largely dictated by the type of commodities that can be sold directly and the cost of either transporting products to consumers or of transporting consumers to the farm. To benefit from direct marketing, communities in more remote locations will need to make a concentrated effort to draw urban consumers to take advantage of the growing interest in travel, tourism, and ecological/environmental issues. Local producers might be organized to offer multiple farm outlets or a local farmers' market based on a common theme related to a distinct local product or lifestyle. Some producers have taken advantage of the growth of mail-order marketing and the growing demand for upscale, distinctive products to market fruits, nuts, jams, jellies, and similar items directly to consumers. Mail order can overcome the distance problem for farms far from the consumer.

Figure 2

Direct farm sales by degree of urbanization

Most direct sales are in metro areas or counties adjacent to a metro area



Note on county types:

- Large metro: in a metro area of population 1 million or more
- Medium metro: in a metro area of population 250,000-999,999
- Small metro: in a metro area of population under 250,000
- Nonmetro-adjacent: adjacent to a metro area
- Nonmetro-not adjacent: not adjacent to a metro area

Source: 1992 Census of Agriculture.

The diverse mix of direct marketing methods used by U.S. farms, however, reveals the degree of innovation and creativity that characterizes farm entrepreneurs in the United States. By encouraging a climate of entrepreneurship and risk-taking and by bringing income and outside visitors to rural communities, direct marketing makes a significant contribution to rural development, especially in rural areas near urban centers. Direct marketing may also contribute to rural development by supporting diversity in the farm sector, offering an alternative source of income for small farms, organic farms, and other alternative farms that in turn support rural businesses.

For Further Reading . . .

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Julie Leones, Douglas Dunn, Marshall Worden, and Robert E. Call, *Agricultural Tourism in Cochise County, Arizona: Characteristics and Economic Impacts*, Tuscon: Arizona Cooperative Extension, 1994.

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Russell Tronstad and Julie Leones, *Direct Farm Marketing and Tourism Handbook*, Tuscon: Arizona Cooperative Extension, 1995. Available on-line in Adobe Acrobat format at <http://ag.arizona.edu/AREC/dmkt/tabcontents>.

Drew Weaver, "More Turkey Buyers Going to State Farms," *Washington Times*, Nov. 24, 1994, p. C7.

An additional source of information on direct marketing is 'direct-mkt,' an on-line discussion forum concerned with direct farm marketing. To subscribe to direct-mkt, send an e-mail to majordomo@reeusda.gov with the following message: subscribe direct-mkt <your e-mail address>